

Tenth Edition

Advertising, Promotion,  
and other aspects of

# INTEGRATED MARKETING COMMUNICATIONS



Andrews & Shimp

Advertising, Promotion, and other aspects of

# Integrated Marketing Communications

10th Edition

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Marquette University

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Australia • Brazil • Mexico • Singapore • United Kingdom • United States

**Advertising, Promotion and other aspects  
of Integrated Marketing Communications,  
Tenth Edition**

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## Dedication

This 10th edition of *Advertising, Promotion, and other aspects of Integrated Marketing Communications* is dedicated to my wife Maura, and children Colleen, Patrick, and Brendan, as well as to my mother and father, and brothers and sister. Special thanks goes to the memory of my late mother Dorothy, who served as a tremendous inspiration for our research in marketing and public health, but also as a role model to the value of hard work and persistence in completing this edition. I also appreciate the keen insights, never-ending motivation, and creative ideas on IMC issues from my many colleagues, Marquette students, and guest speakers over the years. As with the previous edition, I wish to offer a sincere thank you to my long-time friend and mentor, Terry Shimp, for continuing to provide me with this wonderful opportunity to be involved with the text. (JCA)

I dedicate this 10th edition of *Advertising, Promotion, and other aspects of Integrated Marketing Communications* to my wife, Judy, who is my life partner and best friend. She endured long periods of my absence while I was involved in an active career as a teacher, researcher, and author. Fortunately, the burden of effort for this 10th edition has been undertaken by my greatly respected friend and colleague, Craig Andrews. I owe him an immeasurable debt and wish him great success in the future as the sole author of subsequent editions. Finally, I dedicate this edition to the many professors around the world who have given me the greatest compliment possible when choosing to adopt various editions of my text. I dearly hope that I have not disappointed you. (TAS)

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# Preface

## Responding to an Ever-Changing World

If one thing is certain, it's that the field of marketing communications is constantly changing. Marketing communications, or marcom for short, represents the collection of all elements in a company's marketing mix that facilitate exchange by establishing shared meaning with its customers. Promotion is just one element of the marketing mix, but its advertising, sales promotions, public relations, direct marketing, personal selling, and social media/digital marketing tools are performing increasingly important and ever-changing roles in achieving a firm's goals. Since our last edition, much has changed, with the appearance of programmatic ad buying based on online behavior, subsequent ad-blocking reactions, ever-changing digital media choices (e.g., online, mobile, apps), the growth of "big data" from devices and wearables, pressure to justify social media effectiveness, the use of customer relationship management (CRM) software in personal selling, major intellectual property and online privacy issues, and the blurring of content and advertising. For marcom managers, it's now a delicate balance navigating such changes, as well as doing the best job in successfully integrating these marcom and promotional elements to connect and solve problems for target audiences.

Also, marketing communicators realize now more than ever that they must be held financially accountable for their advertising, promotion, and other marcom investments. As companies seek ways of communicating more effectively and efficiently with their targeted audiences, marketing communicators are continually challenged. They should use communication methods that will break through the clutter, reach audiences with interesting and persuasive messages that enhance brand equity and drive sales, and assure firms that marcom investments yield an adequate return on investment. In meeting these challenges, companies increasingly embrace a strategy of integrated marketing communications whereby all marcom elements must be held accountable and "speak with one voice" in delivering consistent messages and influencing action.

## Focus of the Text

Whether students are taking this course to learn more about the dynamic nature of this field or as part of planning a career in advertising, sales promotion, or other

aspects of marketing, *Advertising, Promotion, and other aspects of Integrated Marketing Communications* will provide them with a current, rigorous and well-researched view of the role and importance of marketing communications. The text emphasizes the importance of integrated marketing communications (IMC) in enhancing the equity of brands and provides thorough coverage of all aspects of an IMC program: advertising, sales promotion, packaging and branding strategies, digital media (online, mobile, and app advertising), social media, direct marketing, point-of-purchase communications, public relations, word-of-mouth buzz creation, content marketing, event- and cause-oriented sponsorships, and personal selling. These topics are made even more accessible in this edition through expanded use of examples and applications. And, of course, the text covers appropriate academic theories and research to provide formal structure and support for the illustrations and examples.

*Advertising, Promotion, and other aspects of Integrated Marketing Communications* is intended for use in undergraduate or graduate courses in marketing communications, advertising, promotion strategy, promotion management, or other courses with similar concentrations. Professors and students alike should find this book substantive, but highly readable, eminently current but also appreciative of the evolution of the field. Above all, this 10th edition blends marketing communications practice in its varied forms with the rigors of research and theory. Throughout its previous nine editions, the attempt has been made to balance coverage in examining marketing communications from both the consumer's and the marketer's vantage points. This edition focuses more than ever not only on managerial and business-to-business aspects of marketing communications but also on the latest developments in digital advertising and social media.

## Changes and Improvements in the Tenth Edition

The 10th edition of *Advertising, Promotion, and other aspects of Integrated Marketing Communications* reflects many changes beyond those just described. The textbook has been thoroughly updated to reflect the following:

- State-of-the-art coverage of major academic literature, marcom databases, and practitioner writings on all aspects of marketing communications. This

information is presented at an accessible level to students and illustrated with examples and special inserts— e.g., Marcom Insight features in the text, and Insights Online that appear in MindTap.

- **Marcom Insight**—Each chapter opens with a Marcom Insight that corresponds to the coverage of the chapter, and illustrates an important and current issue in the chapter with the intention of engaging students’ interest in the material. Many of these are new to this edition.
  - **Insights Online**—Each chapter includes features that illustrate key IMC concepts by using real-company situations showcasing how various aspects of marketing communications are put into practice. Many of these are global in nature, and all are placed online in MindTap. This also allows the pairing with other online features, such as commercials.
- Most of the 23 chapters in this edition have been substantially rewritten to incorporate the latest material coverage and research. The following updates and improvements are reflected in this new edition:
- Chapter 1 updates its coverage of IMC examples and fundamentals and continues to provide a model of the marcom process. The Marcom Insight begins the chapter with new IMC technology—geo-fencing and geo-conquesting examples of location-based mobile advertising. Earned, paid, and owned media are now explained, as well as a new brand touchpoint matrix.
  - Marcom’s role in enhancing brand equity and influencing behavior receives updated treatment in Chapter 2, including social media brand issues. The chapter emphasizes the importance of achieving marcom accountability and includes discussion of return on marketing investment and efforts to measure marcom effectiveness.
  - Chapter 3 focuses on marcom’s role in facilitating the success of new brands. The chapter devotes substantial coverage to the role of brand adoption/evolution, brand naming, brand equity, and intellectual property issues (e.g., patents, copyrights, and trademarks). The Marcom Insight now discusses the brand evolution story of Goodwill Boutiques, and updates brand equity and intellectual property examples.
  - Chapter 4 provides in-depth coverage of environmental (green) marketing, marcom-related regulatory issues, and ethical issues in marketing communications. Updates to green marketing and third-party certifications, FTC deception and unfairness cases, FDA and Supreme Court labeling cases, and ethics examples are made.
  - Chapters 5 through 8 focus on the fundamental marcom decisions that are based on the marcom-process model introduced in Chapter 1. These chapters include detailed coverage of marcom segmentation, targeting, and positioning (Chapter 5), the communications process and consumer behavior (Chapter 6), the role of persuasion in IMC (Chapter 7), and objective setting and budgeting (Chapter 8). Chapter 5 includes new material on online behavioral segmentation and a thorough update of census data facts and figures, Chapter 6 provides new examples and research in marcom communication and consumer processing, Chapter 7 updates examples and research for major routes to persuasion from IMC, and Chapter 8 examines challenging decisions in objective setting and marcom budgeting.
  - Chapter 9, in its overview of advertising management, examines the role of messages, media, and measurement. The chapter now includes all new advertising industry statistics and examples.
  - Chapter 10 describes the fundamentals and importance of advertising creativity. Changes include new examples and research on the qualities of successful advertising, means-ends-chaining, and alternative creative strategies.
  - Chapter 11 examines (1) endorser (“source”) factors that influence the persuasiveness of messages and (2) specific forms of creative messages (e.g., appeals to fear and guilt, humor, sex) and what determines their effectiveness. New insights and research on celebrities, endorsers, and emotions in persuasion are provided.
  - Chapter 12 analyzes traditional ad media (newspapers, magazines, radio, and TV) and updates this coverage in comparison to digital media, and examines some threats to traditional options (e.g., cord cutting, ad blocking, video streaming). New statistics and the latest in Nielsen measurement also are included.
  - Chapter 13 covers digital media (e.g., online, mobile, and app advertising)—a major overhaul of the previous chapter on just online advertising. This chapter now includes the major aspects of mobile ad growth, changes in search engine advertising, the online ad process, online video advertising and streaming, mobile and app advertising, behavioral targeting, online consumer privacy choices, the programmatic ad process, and online ad measurement.
  - Chapter 14 provides a major update to the role of social media in IMC programs. This chapter now includes new demographic statistics for

major social media outlets; updates to Facebook and Twitter, with new sections on Instagram and Snapchat advertising and revenue models; examples of social media landscapes in other countries (e.g., China); 20 of the most successful social media campaigns of all time; and detail on social media measurement and effectiveness.

- Chapter 15 investigates direct marketing and other ad media, including direct response advertising, direct mail and database marketing, video- game advertising (advergaming), brand placements in movies and TV programs, cinema advertising, and a collection of alternative ad media. A major update includes CRM's use of databases, direct marketing regulation, and new examples of brand placements and advergaming.
- Chapter 16 treats media planning and analysis in detail and provides a common set of concepts, terms, and metrics for describing the specific media that are covered in Chapters 12 through 15. Updates include programmatic ad buying and cross-platform media choices, as well as a new media plan (FDA's "The Real Cost" Campaign).
- Chapter 17 provides an updated, expanded, and improved coverage of measures of advertising effectiveness. This includes updated database examples (e.g., Starch, MSW\*ARS persuasion scores, Nielsen Catalina Advantics). Also, included is the latest in neuroimaging and biometrics tied to ad campaigns.
- Chapter 18 introduces sales promotions and explores in detail trade-oriented promotions. New to this chapter is a discussion of retailer digital media exchanges. Information on slotting fees and category management is updated.
- Chapters 19 and 20 explore consumer-oriented forms of sales promotions and provide a framework to categorize such promotions. Chapter 19 covers sampling and couponing. Updates to coupon distribution and redemption rates are included, as well as mobile coupon apps. Chapter 20 examines all remaining forms of consumer promotions—premiums, price-offs, bonus packs, games, rebates and refunds, sweepstakes and contests, continuity promotions, overlay and tie-in promotions, and retailer promotions with new examples.
- Chapter 21 examines public relations (especially marketing-oriented PR), word-of-mouth (viral) influence, rumor control, and sponsorships. Content marketing (sponsored content) and native advertising concepts now are introduced and contrasted. New negative PR and reactive marketing examples include VW, Subway, Samsung, and Wells Fargo. The material on sponsorships

examines event sponsorships and cause-related marketing.

- Chapter 22 is a unique chapter that explores topics often neglected or receiving minimal coverage in most advertising and marcom texts: packaging, point-of-purchase communications, on-premise business signage, and out-of-home (off-premise) advertising. Updates to the POPAI study are included, as well as digital signage.
- Chapter 23 discusses personal selling's role as an important part of the promotional mix and IMC, different types of personal selling jobs and activities, current technological aids for those in personal selling, the basic steps in personal selling as applied to a case, and factors accounting for salesperson performance and effectiveness. New to this chapter is the inclusion of Salesforce.com's CRM platform to aid personal selling relationships with customers.

## A Premier Instructional Resource Package

The resource package provided with *Advertising, Promotion, and other aspects of Integrated Marketing Communications*, 10th edition, is specifically designed to meet the needs of instructors facing a variety of teaching conditions and to enhance students' experience with the subject. We have addressed both the traditional and the innovative classroom environments by providing an array of high quality and technologically advanced items to bring a contemporary, real-world feel to the study of advertising, promotion, and integrated marketing communications.

- Harvard Business Publishing Case Map. A new Harvard Business Publishing Case map ties over 90 Harvard cases to the 23 chapters in the text. This case map provides the full case identification on the HBP site, a case abstract, and its fit into specific chapters in the text. These cases represent some of the most recent applied issues and problems experienced in the many areas of marcom. The IMC Case Map is posted to the instructor companion site: [www.cengage.com/login](http://www.cengage.com/login).
- Instructor's Manual. This comprehensive and valuable teaching aid includes the Resource Integration Guide, a list of chapter objectives, chapter summaries, detailed chapter outlines, teaching tips, and answers to discussion questions.
- Test Bank. The test bank provides testing items for instructors' reference and use. The test bank contains over 2,500 true/false, multiple-choice, and essay



questions in varying levels of difficulty. Cognero software makes test preparation, scoring, and grading easy. Featuring automatic grading, Cognero® allows you to create, deliver, and customize tests and study guides (both print and online) in minutes.

- PowerPoint® Presentations. The PowerPoint® package, revised by Craig Andrews and Jenna Fanduzzi of Marquette University, covers all of the material found in the textbook in addition to outside supplemental examples and materials, including embedded commercials.
- Bring the experience of advertising to your classroom with Ad Age on Campus. Student access to Ad Age on Campus can be packaged with new copies of this book free of charge, which will provide students with access to the following:
  - Ad Age weekly edition online
  - Ad Age data center
  - Creativity-online.com

Ad Age has been the leading source of news, analysis, research, and data on the advertising, marketing, and media industry for 80 years. With its daily news feed, columns from the brightest thinkers in the industry, exclusive industry statistics in the datacenter, and breakthrough work selected by the editors of Creativity, Ad Age on Campus offers students a way to enhance their classroom experience with real-world knowledge.

- MindTap: Empower Your Students. MindTap is a platform that propels students from memorization to mastery. It gives you complete control of your course, so you can provide engaging content, challenge every learner, and build student confidence. You can customize interactive syllabi to emphasize priority topics, then add your own material or notes to the eBook as desired. This outcomes-driven application gives you the tools needed to empower students and boost both understanding and performance. One can access everything you need in one place. It now also includes the important Insights Online, with commercials and other media available to students.
  - Cut down on prep with the preloaded and organized MindTap course materials. Teach more efficiently with interactive multimedia, assignments, quizzes, and more. Give your students the power to read, listen, and study on their phones, so they can learn on their terms.
  - Empower Students to Reach their Potential. Twelve distinct metrics give you actionable insights into student engagement. Identify topics troubling your entire class and instantly communicate with those struggling. Students can track

their scores to stay motivated towards their goals. Together, you can be unstoppable.

- Control Your Course—and Your Content. Get the flexibility to reorder textbook chapters, add your own notes, and embed a variety of content including Open Educational Resources (OER). Personalize course content to your students' needs. They can even read your notes, add their own, and highlight key text to aid their learning.
- Get a Dedicated Team, Whenever You Need Them. MindTap isn't just a tool, it's backed by a personalized team eager to support you. We can help set up your course and tailor it to your specific objectives, so you'll be ready to make an impact from day one. Know we'll be standing by to help you and your students until the final day of the term.

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 April 2017*

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## Terence A. Shimp

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Shimp earned a number of teaching awards during his career, including the Amoco Foundation Award that named him the outstanding teacher at the University of South Carolina in 1990. He has published widely in the areas of marketing, consumer behavior, and advertising. His work has appeared in outlets such as the *Journal of Consumer Research*, *Journal of Marketing Research*, *Journal of Marketing*, *Journal of Advertising*, *Journal of Advertising Research*, *Journal of Consumer Psychology*, and the *Journal of Public Policy and Marketing*. Shimp was the 2001 recipient of the American Academy of Advertising's lifetime award for outstanding contributions to research in advertising. He was

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Shimp is past president of the Association for Consumer Research and past president of the Journal of Consumer Research policy board. For many years, he served on the editorial policy boards of premier journals such as the *Journal of Consumer Research*, *Journal of Consumer Psychology*, *Journal of Marketing*, *Marketing Letters*, *Journal of Public Policy & Marketing*, and the *Journal of Advertising*. He has represented the Federal Trade Commission and various state agencies as an expert witness in issues concerning advertising deception and unfairness.

## The Practice and Environment of Integrated Marketing Communications (IMC)

- 1 An Overview of Integrated Marketing Communications
- 2 Enhancing Brand Equity and Accountability
- 3 Brand Adoption, Brand Naming, and Intellectual Property Issues
- 4 Environmental, Regulatory, and Ethical Issues

## Fundamental IMC Planning and Decisions

- 5 Segmentation, Targeting, and Positioning
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## Advertising Management and Media Choices

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- 23 Personal Selling



# Part 1

## The Practice and Environment of Integrated Marketing Communications (IMC)

- 1 An Overview of Integrated Marketing Communications 005
- 2 Enhancing Brand Equity and Accountability 025
- 3 Brand Adoption, Brand Naming, and Intellectual Property Issues 041
- 4 Environmental, Regulatory, and Ethical Issues 059

**P**art 1 introduces the fundamentals of integrated marketing communications (IMC). *Chapter 1* overviews IMC, what is meant by “marketing,” and discusses the importance of marketing communications (marcom). Specifically, IMC emphasizes the need for integrating the promotional mix elements (advertising, sales promotions, personal selling, public relations, direct marketing, and digital marketing/social media) with each other and with the brand’s marketing mix such that all speak with one voice. The chapter describes five key IMC features and presents a model of the marcom decision-making process.

*Chapter 2* explains how IMC enhances brand equity, influences behavior, and achieves accountability. Brand equity is then defined and the Brand Asset Valuator (with differentiation, relevance, esteem, and knowledge elements) is discussed in providing a measure of brand equity. The chapter also presents the relationships among brand concept (and how it is developed), brand equity, and brand loyalty.

*Chapter 3* examines marcom’s role in achieving acceptance for new products and how marketing communicators facilitate product adoption and diffusion. Chapter 3 also provides detailed descriptions of the

brand development process, including the requirements for a good brand name, the steps involved in arriving at a good name, and the role of logos. Important aspects of intellectual property (patents, copyrights, and trademarks) affecting brands and marketing communications are then discussed.

*Chapter 4* presents the related topics of environmental marketing and regulation, marcom regulation and self-regulation, and ethical issues in marcom. Environmental marcom practices and state and national environmental marketing regulation are first examined. Then, governmental regulations (e.g., deception and unfair practices under the Federal Trade Commission; the Food and Drug Administration) and industry self-regulation of marcom practices are described. Finally, ethical issues involving targeting vulnerable groups and specific unethical marcom practices conclude the chapter.

# An Overview of Integrated Marketing Communications

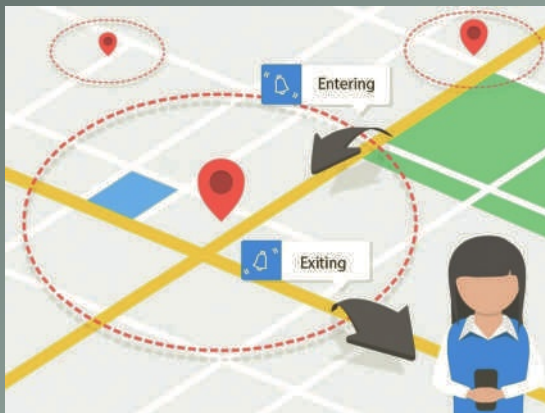
## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Understand the practice of marketing communications and recognize the marcom tools used by practitioners.
- 2 Differentiate among the following terms: the marketing mix, *marketing*, *communications*, *marketing communications*, the *promotional mix*, and *integrated marketing communications*.
- 3 Describe the philosophy and practice of integrated marketing communications (IMC) and the five key features of IMC.
- 4 Recognize the activities involved in developing an integrated communications program.
- 5 Identify obstacles to implementing an IMC program.
- 6 Understand and appreciate the components contained in an integrative model of the marcom decision-making process.

## Marcom Insight

### Checking in with Mobile Apps: The Creative Use of Geo-Fencing and Geo-Conquesting



Have you been spending more time on your mobile phone recently? You're not alone. In the United States, consumers now average over 3 hours and 8 minutes on their mobile devices, excluding voice activities. Increasingly, marketers are able to connect with mobile phone users in real time. That means mobile ads and messaging can reach consumers when they are most receptive. For example, a Toyota dealer in Massachusetts felt they were missing opportunities to sell autos to nearby New Hampshire customers because these potential customers were unsure that they were exempt from Massachusetts sales taxes. Their solution? They used a software tool that drew a virtual fence around the state of New Hampshire for customers that downloaded their dealer-branded app and then let them know they were exempt. This locational targeting of customers within designated areas (like the New Hampshire example above, but usually near a firm's location) is known as *geo-fencing*. When companies use promotions applied to their competitor's location, it is referred to as *geo-conquesting*. This technique has been shown to be effective in generating incremental sales without cannibalization of a company's own brand. Of course, such approaches rely on the accuracy of retailer beacons using global positioning system



(GPS) or radio frequency identification (RFID) techniques. Also, consumer privacy, with *geo-tagging* involving other users' actions and postings, can be a concern.

Sources: "Time Spent Using Media," *Marketing Fact Pack 2016, Advertising Age*, December 21, 2015, 21; "Growth of Time Spent on Mobile Devices Slows," *eMarketer*, October 7, 2015, <http://www.emarketer.com/Article/Growth-of-Time-Spent-on-Mobile-Devices-Slows/1013072>; Barkholz, David, "Geofencing Identifies Shoppers' Locations," *Automotive News*, July 13, 2015, <http://www.autonews.com/article/20150713/RETAIL03/307139942/geofencing-identifies-shoppers-locations>; Fong,

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## 1-1 Introduction

As you may have noticed, the world has changed dramatically in the last few years, and so has marketing communications. All firms employ marketing communications (marcom) to one degree or another, and it doesn't matter whether their efforts are directed at consumers—i.e., people like you and me in our day-to-day consumption activities—or focused on customers of other businesses or organizations. Consider the following examples of

integrated marketing communications (IMC) programs for (1) business-to-consumer (B2C), (2) business-to-business (B2B), and (3) a partnership among a government agency, a nonprofit organization, and marcom agencies.

Some recent creative marcom efforts in B2C include the use of consumer-generated content in social media, branded apps (applications), geo-fencing (see Marcom Insight), and mining data from selfies, wearables, and devices.<sup>1</sup> For example, Procter & Gamble's CoverGirl brand's "A Look on the Dark/Light Side" Campaign is Star

Wars-themed and is using self-generated Snapchat ads to build brand awareness and drive sales in their Ulta and other retail stores.

This B2C campaign used *geo-filters* (i.e., location-based brand graphics placed over user-generated photos) so that anyone within vicinity of certain Ulta stores could place a branded CoverGirl/ Ulta filter with their cosmetics line over photos or videos posted to Snapchat. Views of these self-generated ads, and users of these filters, are then correlated with in-store sales in comparison with control stores and product lines not using the *geo-filters*.<sup>2</sup>

In B2B, gone are the days of forced and highly-technical selling presentations in favor of online product specs and storytelling via video. For example, the 2015 "Agency of the Year" BBDO developed a creative commercial for General Electric (GE) called "Child-like Imagination" that began



Source: Procter & Gamble

during the 2014 Winter Olympics and was nominated for an Emmy Award. This commercial told GE's story about B2B equipment like jet engines, turbines, and trains through the eyes of a little girl whose mom works for GE (<https://www.youtube.com/watch?v=Co0qkWRqTdM>). This powerful narrative transformed B2B machinery into a personalized story with the use of emotion.<sup>3</sup>

Marcom campaigns also can help address problems in society through partnerships among governmental agencies, nonprofits, and marcom agencies. For example,

more than 10 million youth ages 12 to 17 in the United States are either open to trying cigarettes or already experimenting with smoking. In addition, 88 percent of current smokers begin smoking before 18 years old. To address this public health problem among adolescents, the U.S. Food and Drug Administration (FDA), in conjunction with the FCB and Rescue Social Change agencies, and RTI nonprofit research organization, launched "The Real Cost Campaign." "Real Cost" is a \$115 million effort using paid media, the Web, and social media with the objectives of

**SMOKING AS A TEEN CAN STUNT LUNG GROWTH.**

**VISIT THEREALCOST.GOV**

WE GIVE IT TO YOU STRAIGHT. YOU CAN MAKE YOUR OWN DECISIONS. KNOW THE REAL COST OF TOBACCO USE.

**THE REAL COST**

BROUGHT TO YOU BY THE FDA.

Source: FDA.gov

preventing tobacco initiation among youth ages 12 to 17 who are open to using tobacco and stopping those youth already experimenting with tobacco. At-risk youth in general, and those in specific vulnerable segments for smoking (e.g., teens identifying as “hip-hop,” “alternative,” “rural with smokeless”), are targeted in ads that convey the real cost of smoking (e.g., loss of control through addiction, dangerous chemicals inhaled, health consequences). In one print ad, a girl is clearly winded who smokes and runs track with the ad claim that “Smoking as a teen can stunt lung growth.” So far, the Real Cost Campaign earned a Gold Effie Award in their category for its insightful strategy, outstanding creative, and success in the marketplace. An ongoing assessment of knowledge, beliefs, and behaviors associated with the campaign continues with a panel of 8,000 youth followed over a two-year period.<sup>4</sup>

## 1-2 Marketing Communications Objectives and Terminology

Companies have a variety of general objectives for their B2C, B2B, or nonprofit marcom programs: (1) *informing* customers about their products, services, and terms of sale; (2) *persuading* customers to choose certain products and brands, shop in particular stores, go to certain websites, attend events, and other specific behaviors; and (3) *inducing action* (e.g., purchase behavior) from customers that is more immediate than delayed in nature. These objectives usually are accomplished sequentially, although they are pitted against one another at times (e.g., a government agency whose mission is to “just give the folks the facts” versus another with a mission affecting public health). These and other objectives can be achieved by using several marcom tools, including mobile and TV advertising, salespeople, social media (Facebook, Twitter, Instagram, Snapchat, Pinterest, and YouTube), point-of-purchase displays, interactive packages, direct mail literature, group online coupons (Groupon), free samples, publicity releases, and other communication and promotional devices.

We now present several marketing and marcom terms that will be useful in providing a foundation for future concepts and chapters in this text. As you may recall from your introductory marketing course, the **marketing mix** consists of the specific collection of certain levels of a brand’s “4Ps”—product, price, place (distribution),

**Marketing mix** The collection of specific elements of a brand’s 4Ps—product, place (distribution), price, and promotion—and usually aimed at a target market.

**Communication** The process whereby commonness of thought is established and meaning is shared between individuals or between organizations and individuals.

**Marketing** Human activity directed at satisfying (customer) needs and wants through exchange processes.

**Marketing communications** Collection of all elements in an organization’s marketing mix that facilitate exchange by establishing shared meaning with its customers.

**Promotional mix** The blend of advertising, public relations, personal selling, direct marketing, and digital marketing/social media elements usually aimed at a specific target market.

**Advertising** A paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future.

**Public relations (PR)** An organizational activity involved with fostering goodwill between a company and its various publics (e.g., employees, suppliers, consumers, government agencies, stockholders).

and promotion—all usually aimed at a specific target market. As an example, Mountain Dew “Code Red” might be aimed at males 14 to 21, primarily using marcom tools of bright red labeling, flavored soda ingredients, a \$1.50 price in a vending machine for a 20-ounce bottle, online advertising, and snowboarding/skateboarding celebrities to generate interest.

Other important marcom terminology includes **communications**, the process whereby commonness of thought is established and meaning is shared between individuals or between organizations and individuals. This idea is illustrated in the Social Media Venn Diagram found in Figure 1.1. Although there have been numerous definitions of marketing over the years,<sup>5</sup> one that is concise and focuses directly on (customer) needs and wants is as follows: **marketing** is human activity directed at satisfying (customer) needs and wants through exchange processes.<sup>6</sup> Taken together, **marketing communications** represents the collection of all elements in an organization’s marketing mix that facilitate exchange by establishing shared meaning with its customers. Central to the definition of marketing communications is the notion that *all marketing mix variables*, and not just promotion alone, can communicate with customers. The definition permits the possibility that marketing communications can be both intentional (e.g., as with advertising and sales promotion) and unintentional (e.g., a product feature, package cue, store location, or price).

## 1-3 Promotional Mix Elements

Promotion management employs a variety of methods to meet customer needs and move them toward action. The blend of these primary promotional elements has evolved over time and is known as the promotional mix. Currently, the **promotional mix** elements include advertising, public relations, sales promotion, personal selling, direct marketing, and digital marketing/social media.

**Advertising** is any paid form of nonpersonal communication of ideas, goods, or services by an identified sponsor.<sup>7</sup> This includes mass media outlets such as television, magazines, newspapers, and out-of-home (billboards). The advertiser is an identified sponsor and it is nonpersonal because the sponsoring form is simultaneously communicating with multiple receivers (perhaps millions) rather than with a specific person or small group.

**Public relations or PR** is an organizational activity involved with fostering goodwill between a company

**Figure 1.1** ▶ Social Media Venn Diagram



Illustration by Khalid Albaih -about.me/khalidalbaih

and its various publics (e.g., employees, suppliers, consumers, government agencies, stockholders). The primary focus of public relations in IMC is with the marketing-oriented aspects of communications with publics (e.g., publicity, product releases, handling rumors, tampering). For example, **publicity**, like advertising, is nonpersonal communication to a mass audience. Yet, unlike advertising, it is not paid for by the company and usually comes in the form of news items or editorial comments about a company's products or services.

**Sales promotion** consists of all promotional activities that attempt to stimulate short-term buyer behavior (i.e., attempt to promote immediate sales). In comparison, advertising and public relations/publicity usually are designed also to accomplish other objectives, such as developing brand awareness or influencing consumer attitudes. Sales promotions are directed at the trade (wholesalers/distributors and retailers), consumers, and at times toward the company's own sales force. *Trade sales promotion* includes using display allowances, quantity discounts, and merchandise assistance to activate wholesale and retailer responses. *Consumer sales promotion* includes the use of coupons, premiums, free samples, contests/sweepstakes, and rebates.

**Publicity** Non-personal communication to a mass audience.

**Sales promotion** Refers to all promotional activities (excluding advertising, public relations, personal selling, direct marketing, and digital marketing/social media) that stimulate short-term behavioral responses from (1) consumers, (2) the trade (e.g., distributors, wholesalers, or retailers), and/or (3) the company's sales force.

**Personal selling** A paid, person-to-person communication in which a seller determines needs and wants of prospective buyers and attempts to persuade these buyers to purchase the company's products or services.

form of direct marketing, involves the use of any of several media to transmit messages that encourage buyers to purchase directly from the advertiser. Such media might involve TV, direct mail, print, and online efforts. You may be familiar with some of the brands that have spent the most on direct response TV advertising recently in a tight economic climate: Proactiv, Rosetta Stone, Nutrisystem, Snuggie, Time Life, Cash4Gold, ShamWow, and PedEgg, among others.<sup>8</sup>

**Digital marketing** is the promotion of product and services online (e.g., search engine marketing, banner ads, mobile advertising, and location-based apps), whereas **social media marketing** represents a special form of online communication through which user-generated content (information, ideas, and videos) can be shared within the user's social network.<sup>9</sup> The use of IMC through social media networks (e.g., Facebook, Twitter, Instagram, Snapchat, Pinterest, and YouTube) has literally exploded and has changed the entire IMC industry. At this point, we expand our discussion to the consideration of all primary marketing communication tools, focusing on, but not limited to, the promotional mix elements (see Figure 1.2).

One other set of marcom distinctions that have become very popular in the digital marketing area today include the terms "earned media,"

**Personal selling** is paid, person-to-person communication in which a seller determines needs and wants of prospective buyers and attempts to persuade these buyers to purchase the company's products or services. Depending on the situation, personal selling outreach efforts can range from face-to-face communication to telephone sales to online contacts.

**Direct marketing** represents an interactive system of marketing that uses one or more advertising media to effect a measurable response and/or transaction at any location. Primary methods of direct marketing include direct response advertising, direct selling, telemarketing, and the use of database marketing techniques. *Direct-response advertising*, a major

Figure 1.2 ▶ The Promotional Mix



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“owned media,” and “paid media.”<sup>10</sup> **Earned media** (or “free media”) refers to publicity gained through promotional efforts (e.g., social media word-of-mouth, buzz, PR) other than paid advertising. Here, customers become the channel, as the firm’s brand relinquishes ultimate control over content, but it can be quite credible for customers. **Paid media** refers to publicity gained through advertising in which the firm’s brand pays to leverage a media channel (e.g., display ads, paid search). Finally, **owned media** represents when a firm’s brand controls (“owns”) the media channel (e.g., a brand’s website or mobile app). Table 1.1 compares these marcom distinctions.

### 1-4 The Primary Tools of Marketing Communications

The primary forms of marketing communications include many specific examples of promotional mix and other communication elements, including traditional mass media advertising (TV, magazines, etc.); online advertising (websites,

Table 1.1 ▶ Earned, Paid, and Owned Media

MEDIA TYPE	DEFINITION	EXAMPLES	THE ROLE	BENEFITS	CHALLENGES
Earned media	When customers become the channel	<ul style="list-style-type: none"> <li>• WOM</li> <li>• Buzz</li> <li>• Viral</li> </ul>	Listen and respond—earned media is oftenthe result of well-executed and well- coordinated owned and paid media	<ul style="list-style-type: none"> <li>• Most credible</li> <li>• Key role in most sales</li> <li>• Transparent and lives on</li> </ul>	<ul style="list-style-type: none"> <li>• No control</li> <li>• Can be negative</li> <li>• Scale</li> <li>• Hard to measure</li> </ul>
Paid media	Brand pays to leverage a channel	<ul style="list-style-type: none"> <li>• Display ads</li> <li>• Paid search</li> <li>• Sponsorships</li> </ul>	Shift from foundation to a catalyst that feeds owned and creates earned media	<ul style="list-style-type: none"> <li>• In demand</li> <li>• Immediacy</li> <li>• Scale</li> <li>• Control</li> </ul>	<ul style="list-style-type: none"> <li>• Clutter</li> <li>• Declining response rates</li> <li>• Poor credibility</li> </ul>
Owned media	Channel a brand controls	<ul style="list-style-type: none"> <li>• Web site</li> <li>• Mobile site</li> <li>• Blog</li> <li>• Twitter account</li> </ul>	Build for longer-term relationships with existing potential customers and earned media	<ul style="list-style-type: none"> <li>• Control</li> <li>• Cost efficiency</li> <li>• Longevity</li> <li>• Versatility</li> <li>• Niche audiences</li> </ul>	<ul style="list-style-type: none"> <li>• No guarantees</li> <li>• Company communication not trusted</li> <li>• Takes time to scale</li> </ul>

Source: Sean Corcoran, “Defining Earned, Owned, and Paid Media,” Forrester Blogs, December 16, 2009, [http://blogs.forrester.com/interactive\\_marketing/2009/12/defining-earned-owned-and-paid-media.html](http://blogs.forrester.com/interactive_marketing/2009/12/defining-earned-owned-and-paid-media.html) (accessed December 15, 2015).

**Table 1.2** ▶ Examples of Primary Tools of Marketing Communications

<p><b>1. Media Advertising</b></p> <ul style="list-style-type: none"> <li>• TV</li> <li>• Radio</li> <li>• Magazines</li> <li>• Newspapers</li> </ul> <p><b>2. Direct Response Advertising</b></p> <ul style="list-style-type: none"> <li>• Direct mail</li> <li>• Telephone solicitation</li> <li>• Online advertising</li> </ul> <p><b>3. Place Advertising</b></p> <ul style="list-style-type: none"> <li>• Billboards and bulletins</li> <li>• Posters</li> <li>• Transit ads</li> <li>• Cinema ads</li> </ul> <p><b>4. Store Signage and Point-of-Purchase Advertising</b></p> <ul style="list-style-type: none"> <li>• External store signs</li> <li>• In-store shelf signs</li> <li>• Shopping cart ads</li> <li>• In-store radio and TV</li> </ul>	<p><b>5. Trade-and Consumer-Oriented Promotions</b></p> <ul style="list-style-type: none"> <li>• Trade deals and buying allowances</li> <li>• Display and advertising allowances</li> <li>• Trade shows</li> <li>• Cooperative advertising</li> <li>• Samples</li> <li>• Coupons</li> <li>• Premiums</li> <li>• Refunds/rebates</li> <li>• Contests/sweepstakes</li> <li>• Promotional games</li> <li>• Bonus packs</li> <li>• Price-off deals</li> </ul>	<p><b>6. Event Marketing and Sponsorships</b></p> <ul style="list-style-type: none"> <li>• Sponsorship of sporting events</li> <li>• Sponsorship of arts, fairs, and festivals</li> <li>• Sponsorship of causes</li> </ul> <p><b>7. Marketing-Oriented Public Relations and Publicity</b></p> <p><b>8. Personal Selling</b></p> <p><b>9. Social Media</b></p> <ul style="list-style-type: none"> <li>• Facebook</li> <li>• Twitter</li> <li>• Pinterest</li> <li>• Snapchat</li> <li>• Instagram</li> <li>• LinkedIn</li> <li>• YouTube</li> </ul> <p><b>10. Digital Marketing</b></p> <ul style="list-style-type: none"> <li>• Mobile advertising</li> <li>• Placed-based applications</li> <li>• Search engine marketing</li> </ul>
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Source: Adapted from Figure 1.1 in Kevin Lane Keller, "Mastering the Marketing Communications Mix: Micro and Macro Perspectives on Integrated Marketing Communication Programs," *Journal of Marketing Management* 17 (August 2001): 823–51.

opt-in e-mail messages, text messaging, etc.); sales promotions (samples, coupons, rebates, premium items, etc.); store signage, package labeling, and point-of-purchase communications; direct-mail literature; public relations and publicity releases; sponsorships of events and causes; presentations by salespeople; social media and online marketing; and various collateral forms of communication devices. Table 1.2 provides a listing of possible marketing communication elements.

## 1-5 The Integration of Marketing Communications

Mountain Dew is a well-known brand that is consumed by predominantly young, active, outdoor-oriented consumers and is the fourth-highest-selling soft-drink brand in the United States. On the market for more than 75 years, Mountain Dew is positioned

### Direct marketing

An interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

### Online marketing

The promotion of product and services over the Internet.

### Social media marketing

Forms of electronic communication through which user-generated content (information, ideas, and videos) can be shared within the user's social network.

as a brand that stands for fun, exhilaration, and energy—FEE for short. Brand managers have been consistent over time and across communication media in maintaining the FEE theme that represents the brand's core meaning—its positioning. Various advertising media, event sponsorships, and consumer promotions have been employed over the years to trumpet the brand's core meaning. The brand managers of Mountain Dew use network TV commercials, as well as local TV and radio spots, digital marketing, and social media to appeal to the brand's target audience. Following the success of Mountain Dew Code Red, over 40 Mountain Dew flavors have been introduced. In 2016, Baja Blast and Pitch Black returned with an online poll to see which one stays.

Event sponsorships provide another major communication medium for Mountain Dew, which has sponsored leading alternative sports competitions such as the Dew Action Sports Tour (extreme sports tournament), the Summer and Winter X Games, and the Mountain Dew Vertical Challenge (a series of ski and

snowboard races). Appealing giveaway items (T-shirts, videos, branded snowboards and mountain bikes) are distributed at these events to generate excitement and foster positive connections between the Mountain Dew brand and its loyal consumers.

Much of Mountain Dew's continued success is attributable to its brand managers' dedication to presenting *consistent* messages about the brand, both over time and across communication media. By contrast, many companies treat the various promotional mix elements—advertising, sales promotions, digital marketing, social media, public relations, and so on—as virtually separate activities rather than as integrated tools that work together to achieve a common goal. Personnel responsible for advertising sometimes fail to coordinate adequately their efforts with individuals in charge of sales promotions or publicity. A better idea is to try to address the customer problems first, and then apply the most appropriate integrated solution, rather than forcing the promotional element (e.g., social media) up front.<sup>11</sup>

### 1-5a WHY INTEGRATE?

The logic underlying integration seems so clear and compelling that you may be wondering: What's the big deal? Why haven't firms practiced IMC all along? Why is there reluctance to integrate? Yet, what sounds reasonable in theory is not always easy to put into practice.<sup>12</sup> Organizations traditionally have handled advertising, sales promotions, mobile advertising, social media, and other communication tools as virtually separate practices and organizational units rather than having generalized knowledge and experience across all tools. Furthermore, outside suppliers (such as advertising agencies, public relations agencies, social media firms, and sales promotion agencies) also have tended to specialize in single facets of marketing communications rather than to possess expertise across the board. There has been a reluctance to change from this single-function, specialist model due to managerial parochialism (e.g., a famous misguided quote is “TV is the answer, now what was the question?”) and for fear that change might lead to budget cutbacks in their areas of control, and reductions in their authority, perceived expertise, and power.

### 1-5b IMC PRACTICES AND SYNERGY

Although there is movement toward increased implementation of IMC, not all brand managers or their firms are equally likely to adopt IMC. In fact, experienced managers are more likely than novice managers to practice IMC. Firms involved in marketing services (rather than products) and B2C (versus B2B) companies are more likely to practice IMC. More sophisticated companies also are likely adherents to IMC.<sup>13</sup>

IMC is a goal worth pursuing because using multiple communication tools in conjunction with one another can

produce greater results than tools used individually and in an uncoordinated fashion. There is a *synergistic effect* of using multiple well-coordinated marcom tools. A study of Levi Strauss Dockers khaki pants illustrated this value of synergy.<sup>14</sup> Using regression modeling and sales trajectories, researchers determined that the use of both TV and print advertisements produced a synergistic effect on sales of pants that significantly added to the individual effects of each advertising medium. Another study demonstrated that TV and online advertising used in conjunction produced positive synergistic effects that were additional to each medium's individual effects. TV and online advertising used together produced more attention, more positive thoughts, and higher message credibility than did the sum of the two media when used individually.<sup>15</sup>

### 1-5c DEFINITION OF IMC

Proponents of IMC have provided slightly different perspectives on this management practice, and not all educators or practitioners agree on the precise meaning of IMC.<sup>16</sup> This text uses the following definition, which focuses on the origin and essence of IMC and provides a succinct view of the concept.

*IMC is the coordination of the promotional mix elements (advertising, public relations, sales promotion, personal selling, direct marketing, and digital marketing/social media) with each other and with the other elements of the brands' marketing mix (product, place, price) such that all elements speak with one voice.*<sup>17</sup>

### 1-6 Key IMC Features

Inherent in the definition of integrated marketing communications are several critical features, which are interdependent and listed in no particular order of importance in Table 1.3. Yet, all five features are critical to both understanding the philosophy of IMC and appreciating what must be accomplished to implement this philosophy into practice.

#### 1-6a KEY FEATURE #1: IMC SHOULD BEGIN WITH THE CUSTOMER OR PROSPECT

This feature emphasizes that the marcom process must *start with the customer or prospect* and then work backward to the brand communicator in determining the most appropriate messages and media to employ for the brand. The IMC approach starts with the customer (“outside-in”) to determine which communication methods that will best serve their needs and motivate them to purchase the brand. It avoids an “inside-out” approach (from company to customer) in identifying communication vehicles.

**Table 1.3** ▶ Five Key Features of IMC

1. Start with the customer or prospect.
2. Use any form of relevant contact or touchpoint.
3. Speak with a single voice.
4. Build relationships.
5. Affect behavior.

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### Consumers in Control

The key reality for marcom programs is that the consumer increasingly wants to be in control. In today's marketplace, consumer-generated content serves as clear evidence of this, with personalization and authenticity of marcom messages being important in gaining consumer trust and engagement with such efforts.<sup>18</sup> Online marketing via location-based services (e.g., Foursquare, Google Now, Waze), social media (Twitter, Facebook, and YouTube), smartphone scanning, wearables, blogging, texting, etc., enables consumers to have communications and entertainment when and wherever they want.

insights  
online

To learn more about marcom programs in China that use Youku and WeChat, go to Insights Online in MindTap.

### Reduced Dependence on the Mass Media

Many marketing communicators now realize that communication outlets other than the mass media often better serve the needs of their brands. The objective is to contact customers and prospects effectively using touch points that reach them where, when, and how they wish to be contacted. Traditional mass media advertising (via TV, magazines, radio, and newspapers) may not always be the most effective or cost-efficient avenue for accomplishing this objective. For example, Nike—in a move that shocked the advertising community—dropped its ad agency of 25 years because it was dissatisfied with the agency's lack of digital expertise.<sup>20</sup> In actuality, many advertising agencies have been slow to adapt to advertisers' increasing use of online marketing techniques and are understaffed with employees who possess digital expertise and experience.<sup>21</sup>

Although advertising in the digital media is increasing rapidly, this does not mean that mass media advertising is unimportant or in threat of extinction. The point instead is that other communication methods must receive careful consideration *before* mass media advertising is automatically assumed to be *the* solution. Many brand managers and their agencies have reduced the role of TV in their marcom

budgeting because TV advertising may not be as effective or cost-efficient as it once was. TV audiences are more fragmented than in prior years and relatively fewer consumers can be reached by the advertising placed on any particular program. Moreover, other advertising and non-advertising tools may be superior to TV in achieving brand managers' objectives. For example, Unilever's brand of Wisk detergent was historically advertised heavily on TV. Wisk's brand managers devised a media plan that minimized TV in the ad budget in lieu of using online media to reach people where "their passions get them dirty." Specifically, banner ads were placed on targeted websites where consumers were learning more about their passions (i.e., Foodies on Foodnetwork.com, do-it-yourselfers on DIY.com), and other touch points directed consumers to a Wisk website where further information was provided. Tag line: Wisk. Your passions get you dirty. Our power gets you clean.<sup>22</sup>

In the spirit of reducing dependence on TV advertising, McCann Worldgroup, a highly respected advertising agency, has developed the concept of a *media-neutral approach* when counseling its clients in selecting appropriate marcom tools. This approach requires that the brand marketer first identify the goal(s) a marcom program is designed to accomplish (building brand awareness, creating buzz, influencing behavior, etc.) and then determine the best way to allocate the marketer's budget.<sup>23</sup> This media-neutral or "agnostic" approach<sup>24</sup> is perfectly in accord with our earlier discussion about selecting the most appropriate communication tool given the task at hand.

### 1-6b KEY FEATURE #2: USE ANY FORM OF RELEVANT CONTACT

As carpenters, plumbers, and auto mechanics know, some tools are more appropriate for a given task at hand. Similarly, a truly professional marketing communicator selects the best tools (advertising, social media, publicity, etc.) for the job.

### Touchpoints and 360-Degree Branding

Now, as applied to marketing communications, IMC practitioners need to be receptive to using all forms of *touchpoints*, or *contacts*, as potential message delivery



Figure 1.3 ▶ The Brand Touchpoint Matrix



Source: brandtouchpointmatrix.com

channels. **Touchpoints** and **contacts** are used here as interchangeable terms to mean *any* message medium capable of reaching target customers and presenting the brand in a favorable light. Thus, the phrase, *360-degree branding*, suggests that a brand's touchpoints should surround the target audience.<sup>25</sup> A marketing manager for Ford trucks put it this way: "We want to be everywhere that makes sense for our customer. We go to the places they are."<sup>26</sup> Yet as depicted in Figure 1.3's Brand Touchpoint Matrix, there can be a range of consumer touchpoints for a brand from personal to mass market and from short term to long term.<sup>27</sup> The more successful brands are ones that personalize a long-term relationship through the touchpoints, as found with brand communities and with mobile apps.

Apple has been described aptly as a master in understanding customer touchpoints for their brand.<sup>28</sup> Why? Customers praise their interactions with Apple's clear, easy-to-navigate website; clever packaging; many demo units in stores; many well-trained employees; and staff collaboration, among others. (See "How Apple Masters Customer Touchpoints" in Insights Online at MindTap.)

Other brand touchpoint examples include:

- MasterCard provided complimentary snacks, games, puzzles, and movie headphones on select American

**Touch point** Any message medium capable of reaching target customers and presenting the brand in a favorable light.

Airlines flights during the busy Christmas holiday season.

- Brand managers at Procter & Gamble placed the Tide detergent logo on napkin dispensers in pizza shops and cheesesteak shops in Boston and Philadelphia. These napkin dispensers held napkins imprinted with the Tide logo and the message "Because napkins are never in the right place at the right time."
- JELL-O pudding was promoted by affixing stickers with the JELL-O name to bananas—one product (bananas) was used as a contact channel for reaching consumers about another (JELL-O).
- In New York City, ads are placed on large vinyl sheets that cover scaffolding at construction sites. These ads sometimes extend for an entire city block and serve to convey the advertiser's message in prominent and dramatic fashion.
- Germany's Puma brand of athletic footwear promoted itself during soccer's World Cup hosted in Japan by spotlighting its new brand of Shudoh soccer cleats at sushi restaurants in major cities around Asia and Europe. The shoes were encased in stylish displays made of bamboo and glass and placed on tables.

- Hershey Foods Corporation, makers of Hershey's Kisses among many other items, designed a huge display rising 15 stories high in New York City's Times Square district.
- BriteVision designed a unique touch point in the form of advertisements on coffee sleeve insulators that protect coffee drinkers from burning their hands.
- Disney used multiple, cross-promotion touchpoints, including other movies, social media, TV shows, video games, books, soundtracks, and theme park rides in launching their \$200 million movie *Star Wars: The Force Awakens*.
- An outdoor media company in Denmark devised a creative way to reach consumers with advertising messages. The company gave parents free use of high-quality baby carriages (i.e., buggies or strollers) that carried the names of corporate sponsors on the sides.



To learn more about Apple's touch points, go to Insights Online in MindTap.

Overall, the IMC objective is to reach the target audience efficiently and effectively using touchpoints that fit the audience. Also, marketing communicators have learned that the identical message has differential impact depending on the medium that carries the message. As the chair and chief executive officer of the Young & Rubicam ad agency stated, "At the end of the day, [marcom agencies] don't deliver ads, or direct mail pieces, or PR and corporate identity programs. We deliver results."<sup>29</sup>

### 1-6c KEY FEATURE #3: SPEAK WITH A SINGLE VOICE

Since the early origins of IMC, it was clear that marketing communications must *speak with a single voice*. Coordination of messages and media is absolutely critical to achieving a strong and unified brand image and moving consumers to action. Failure to closely coordinate all communication elements can result in duplicated efforts or, worse, contradictory brand messages.

A vice president of marketing at Nabisco fully recognized the value of speaking with a single voice when describing her intention to integrate all the marketing communication contacts for Nabisco's Oreo brand of cookies. This executive captured the essential quality of "single voicing" when stating that, under her leadership, "whenever consumers see Oreo, they'll be seeing the same message."<sup>30</sup>

**Positioning statement** The key idea that encapsulates what a brand is intended to stand for in its target market's mind and then consistently delivers the same idea across all media channels.

**Relationship** An enduring link between a brand and its customers. Successful relationships between customers and brands lead to repeat purchasing and, ideally, loyalty toward a brand.

A general manager at Mars, Inc., maker of candy products, expressed a similar sentiment when stating, "We used to look at advertising, PR, promotion plans, each piece as separate. Now every piece of communication from package to Internet has to reflect the same message."<sup>31</sup>



Richard B. Levine/Newscom

In general, the single-voice principle involves selecting a specific positioning statement for a brand. A **positioning statement** is the key idea that encapsulates what a brand is intended to stand for in its target market's mind and then consistently delivers the same idea across all media channels. For example, at one of the authors' universities (Marquette University, [www.marquette.edu](http://www.marquette.edu)), all communication is now branded with the theme encouraging students to "Be the Difference" and promoting the university's attributes of "Excellence, Faith, Leadership, and Service."

### 1-6d KEY FEATURE #4: BUILD RELATIONSHIPS RATHER THAN ENGAGE IN FLINGS

Successful marketing communication requires building relationships between brands and their consumers/customers. A **relationship** is an enduring link between a brand and its customers. Successful relationships between customers and brands lead to repeat purchasing and, ideally, loyalty toward a brand.

The value of customer retention has been compared to a "leaky bucket," the logic of which is nicely captured in the following quote:

*As a company loses customers out of the leak in the bottom of the bucket, they have to continue to add new customers to the top of the bucket. If the company can even partially plug the leak, the bucket stays fuller. It then takes fewer new customers added to the top of the bucket to achieve the same level of profitability. It's less expensive and more profitable to keep those customers already in the bucket. Smart businesspeople realize that it costs five to 10 times more to land a new customer than to keep a customer they already have. They also recognize that increasing the number of customers they keep by a small percentage can double profits.<sup>32</sup>*

### Loyalty Programs

One well-known method for building customer relations is the use of *loyalty programs* dedicated to creating customers who are committed to a brand and encouraging them to satisfy most of their product or service needs from offering organizations.<sup>33</sup> Airlines, credit card companies, hotels,



supermarkets, and many other businesses provide customers with bonus points—or some other form of accumulated reward—for their continued patronage, often managed through mobile apps.

For example, the Sears Craftsman brand developed the “Make-Cation” contest for which members of their Craftsman Club loyalty group could enter online for a chance to win a trip to Brooklyn, NY, for a four-day event to help sharpen their “making skills.”<sup>34</sup> This loyalty event rewarded 40 members and included classes taught by master craftspeople in woodworking, auto repair, graffiti art, and 3-D printing. Contest entrants had to sign up for the loyalty club that offers expert tips and allows members to redeem points for discounts on Craftsman products. The campaign was quite successful in gaining 57,427 new Craftsman Club members and in generating 24.1 million pre-event social media impressions.

Based on IMC key feature #1, loyalty programs are increasingly being designed so that consumers are in control of how their reward points are used. For example, Air Canada’s Aeroplan Reward Program enables its frequent fliers to use their reward miles for over 800 types of activities, merchandise, and travel, as well as for charitable giving and environmental contributions.<sup>35</sup>

### Experiential Marketing Programs

Another way relationships between brands and customers are nurtured is by creating brand experiences that make positive and lasting impressions. This is done by creating special events or developing exciting venues that attempt to build the sensation that a sponsoring brand is relevant to the consumer’s life and lifestyle. For example, Harley-Davidson ([www.harley-davidson.com](http://www.harley-davidson.com)) has accomplished this for years through their Harley Owner’s Group (HOG). HOG helped sponsor Harley’s 100th celebration in Milwaukee with over one million riders returning to the home of Harley, and the fourday 105th celebration with 70,000 enjoying Bruce Springsteen and the E-Street Band on Milwaukee’s Lakefront. As another example, Toronto-based Molson beer conducted the

Molson Outpost campaign that took 400 sweepstakes winners on a weekend escape of outdoor camping and extreme activities such as mountain climbing. Lincoln automobiles, a sponsor of the U.S. Open tennis tournament, converted an unused building at the USTA National Tennis Center into a complex that immersed visitors in the history of tennis. The building featured soundstages, faux docks with real water, and images of the evolution of tennis around the world. Some 30,000 leads were obtained from people interested in Lincoln automobiles, prompting Lincoln’s marketing communications coordinator

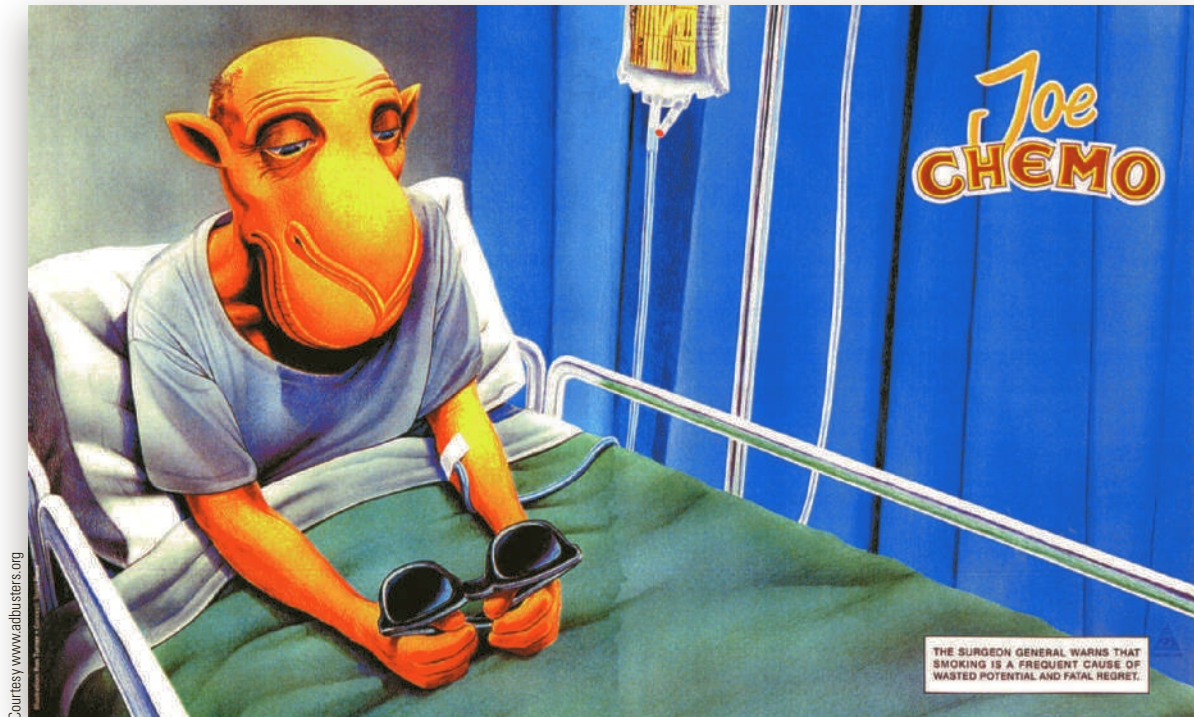
to comment that “experiential marketing is permeating our entire marketing mix.”<sup>36</sup>

### 1-6e KEY ELEMENT #5: DON’T LOSE FOCUS OF THE ULTIMATE OBJECTIVE: AFFECT BEHAVIOR

A final IMC feature is the goal of *affecting the behavior* of the target audience. This means that marketing communications ultimately must do more than just influence brand awareness or enhance consumer attitudes toward the brand. Instead, successful IMC requires that communication efforts be directed at encouraging some form of behavioral response. The objective, in other words, is to *move people to action*. For example, an advertising campaign that reminds people of a recent tragedy (e.g., Hurricane Katrina; earthquakes in Nepal, Haiti, or Japan) may be ineffective if it merely gets people to feel sorry for the plight of residents; rather, effectiveness is demonstrated by people contributing money to relief funds for a given tragedy.

A similar challenge confronts antismoking proponents. Although many people understand intellectually that smoking causes cancer, emphysema, and other ailments, these same people may think that cancer and other problems will happen to smokers other than themselves. Hence, antismoking ads may serve to make people aware of the problems associated with smoking, but such campaigns may be ineffective if people continue to smoke. The IMC goal in such a case is to develop more compelling advertisements that influence smokers to discontinue this practice. For instance, creative appeals to normative influences (e.g., social disapproval) or through visuals evoking emotions have been found to significantly reduce adolescent nonsmoking intentions versus controls.<sup>37</sup> Similarly, adolescent aspirations and autonomy are found to aid anti-drug ad and school/community-based campaigns in reducing drug use.

One caution in all of this is that it would be simplistic and unrealistic to expect an action to result from every



communication effort. Prior to purchasing a new brand, consumers generally must be made aware of the brand and its benefits and be influenced to have a favorable attitude toward it. Communication efforts directed at accomplishing these intermediate, or prebehavioral, goals are fully justified. Yet eventually—and preferably sooner than later—a successful marcom program must ultimately affect behavior.

### 1-6f OBSTACLES TO IMPLEMENTING THE KEY IMC FEATURES

Brand managers typically use outside suppliers, or specialized services, to assist them in managing various aspects of marketing communications. These include advertising agencies, public relations firms, sales promotion agencies, direct-advertising firms, social media firms, and special-event marketers. Herein is a major reason why marketing communication efforts often do not meet the ideals previously described. Integration requires tight coordination among all elements of a marcom program. However, this becomes complicated when different specialized services operate independently of one another.

Perhaps the greatest obstacle to integration is that few providers of marketing communication services have the far-ranging skills to plan and execute programs that cut across all major forms of marketing communications. Advertising agencies, which traditionally have offered a greater breadth of services than do other specialists, are well qualified to develop mass media advertising

campaigns; most, however, do not also have the ability nor scale to conduct direct-to-customer advertising, and even fewer have departments for sales promotions, special events, and publicity campaigns. In the final analysis, although most marketers consider themselves proponents of IMC, a major challenge facing brand marketers and their agencies is ensuring that all marcom tools used in a particular marketing execution are consistently executed and managed (e.g., tracking customer income flows).<sup>38</sup>

### 1-7 The Marketing Communications Decision-Making Process

Figure 1.4 is a framework conceptualizing the various types of practical brand-level marcom decisions and the outcomes desired from those decisions. The model consists of a set of fundamental decisions, a set of implementation decisions, and program evaluation. The model in Figure 1.4 shows that *fundamental decisions* (targeting, positioning, setting objectives, and budgeting) influence *implementation decisions* regarding the mixture of communications elements and the determination of messages, media, and momentum. The expected *outcomes* from these decisions are enhancing brand equity and affecting behavior. Subsequent to the implementation of the marcom decisions, *program evaluation*—in the form of measuring the results from marcom efforts, providing feedback (see dashed arrow in

**Figure 1.4** ▶ Making Brand-Level Marcom Decisions and Achieving Desired Outcomes

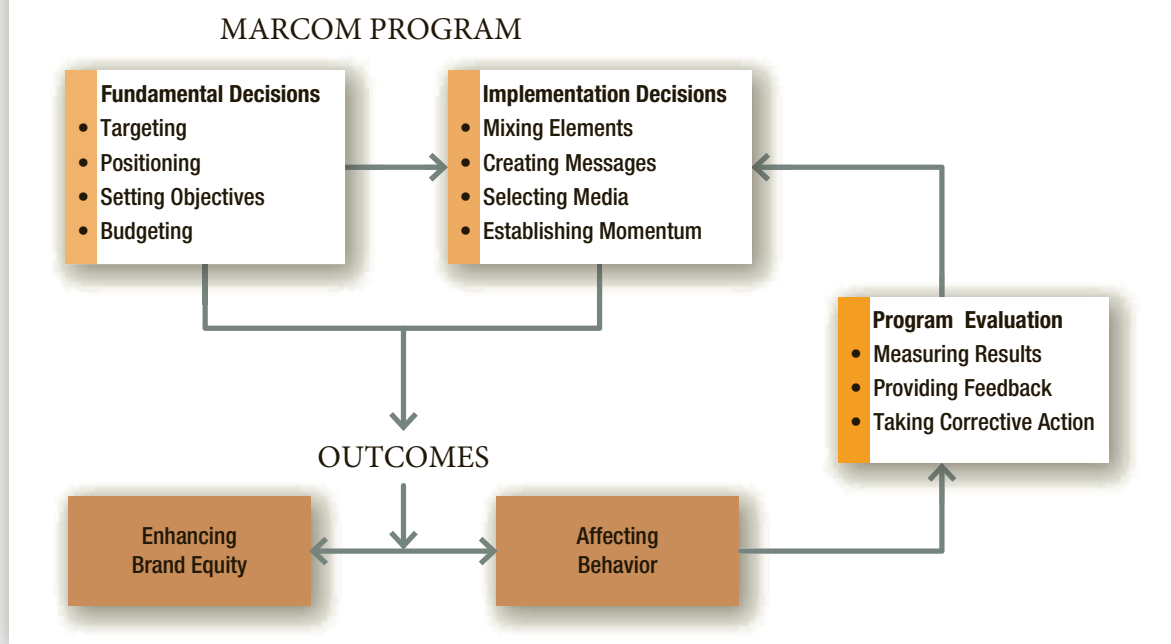


Figure 1.4), and taking corrective action—is essential to determining whether outcomes match objectives. Corrective action is required when performance falls below expectations.

The objective of marketing communications is to enhance *brand equity*, the goodwill that an established brand has built up over its existence. In turn, improved brand equity is a means of moving customers to *favorable action toward the brand*—i.e., trying it, repeat purchasing it, and, ideally, becoming loyal toward the brand. Enhancing equity and affecting behavior depend, of course, on the suitability of all marketing-mix elements—e.g., product quality and price level—and not just marcom per se. Marcom efforts nonetheless play a pivotal role by informing customers about new brands and their relative advantages and by elevating brand images.

### 1-7a FUNDAMENTAL MARCOM DECISIONS

#### Targeting

Targeting lets marketing communicators deliver messages more precisely and prevent wasted coverage to people falling outside the intended audience. Therefore, selection of target segments is a critical step toward effective and efficient marketing communications for both B2B and B2C companies. Companies identify potential target markets in terms of demographics, lifestyles, product usage

patterns, and geographic considerations. Targeting is covered in detail in Chapter 5.

#### Positioning

A brand's position represents the key feature, benefit, or image that it stands for in the consumer's or the target audience's collective mind. Brand communicators and the marketing team (based on consumer input) must decide on a *brand positioning statement*, which is the central idea that encapsulates a brand's meaning and distinctiveness vis-à-vis competitive brands in the product category. Chapter 5 covers the topic of positioning in considerable detail.

#### Setting Objectives

Marketing communicators' decisions are grounded in the underlying objectives to be accomplished for a brand. For example, whereas mass media advertising is ideally suited for creating consumer awareness of a new or improved brand, point-of-purchase communications are perfect for influencing in-store brand selection, and personal selling is unparalleled when it comes to informing B2B customers and retailers about product improvements. The most important question to pose is this: "What are the communications supposed to do or accomplish?"<sup>39</sup> The choice of appropriate marketing communications tools and media naturally flows from the answer to this key question. Objective setting is covered in Chapter 8.

## Budgeting

Financial resources are budgeted to specific marcom elements to accomplish desired objectives. Companies use different budgeting procedures in allocating funds to marketing communications managers and other organizational units. At one extreme is *top-down budgeting (TD)*, in which senior management decides how much each subunit receives. At the other extreme is *bottom-up budgeting (BU)*, in which managers of subunits (such as at the product category level) determine how much is needed to achieve their objectives; these amounts are then combined to establish the total marketing budget.

Most budgeting practices involve a combination of top-down and bottom-up budgeting (e.g., a *bottom-up/top-down process [BUTD]* or a *top-down/bottom-up process [TDBU]*).<sup>40</sup> Budgeting is covered in Chapter 8 along with objective setting.

## A Concluding Point

The following statement serves as an important point to capture the preceding discussion of fundamental marcom decisions. You regularly should pose questions to yourself—and to your colleagues—such as these: Is our brand clearly positioned in the minds of consumers? What is the single most important aspect that they associate with our brand? Is our communication directed to a specific target? What specific objective is our advertising (or sales promotion, or event, etc.) attempting to accomplish? Is our proposed strategy within the budget available, or do we need to request more budget?

*A Concluding Point: All marketing communications should be: (1) directed to a particular target market, (2) clearly positioned, (3) created to achieve a specific objective, and (4) undertaken to accomplish the objective within budget constraint.*

## 1-7b MARCOM IMPLEMENTATION DECISIONS

The fundamental decisions just described are conceptual and strategic. Comparatively, the implementation decisions are practical and tactical. So this is a difficult challenge. Marcom managers must make specific implementation decisions in the pursuit of accomplishing more general brand-level objectives and achieving the brand's positioning and targeting requirements. Initially, they must choose how best to integrate, or mix, the various communications elements to achieve objectives toward the target market and within budget constraint. Then, they must decide what types of messages will accomplish the desired positioning, which media are appropriate for delivering messages, and what degree of momentum is needed to support the media effort. Please refer again to Figure 1.4 to obtain a view of the “forest” prior to examining specific “trees.”

## Mixing Elements

A fundamental issue confronting all companies is deciding exactly how to allocate resources among the various marketing communications tools. For B2B companies, the mixture typically emphasizes, in the following order of budgeting importance, direct mail, online marketing, trade shows, brand advertising, and telemarketing.<sup>41</sup> For consumer goods marketers, mixture decisions are, in many respects, more complicated because greater options are available. The issue boils down in large part to a decision of how much to allocate to advertising and to sales promotions. (Note: In keeping with practitioner convention, the word *promotion* hereafter will be used interchangeably with *sales promotion*.) The trend during the past two decades has been toward greater expenditures on promotions and fewer on advertising.

Is there an *optimum mixture* of expenditures between advertising and promotion? There is not, unfortunately, because the marketing communications-mix decision constitutes an *ill-structured problem*.<sup>42</sup> This means that for a given level of expenditure, there is no way of determining the optimum mathematical allocation between advertising and promotion that will maximize revenue or profit. There are two reasons for this. First, advertising and promotions are somewhat interchangeable—both tools can accomplish some of the same objectives. Therefore, it is impossible to know exactly which tool or combination of tools is better in every situation. Second, advertising and promotions produce a synergistic effect—their combined results are greater than what they would achieve individually. This makes it difficult to determine the exact effects that different combinations of advertising and sales promotion might generate.

However, a satisfactory mixture can be formulated by considering the differing purposes of each of these marcom tools. A key strategic consideration is whether short- or long-term schemes are more important given a brand's life-cycle stage and in view of competitive realities. For example, new brands require larger investment in promotions such as couponing and sampling to generate trial purchases, whereas mature brands might need proportionately greater advertising investment to maintain or enhance a brand's image.

Brand equity considerations also play a role in evaluating a satisfactory combination of advertising and promotions. Poorly planned or excessive promotions can damage a brand's equity by cheapening its image. If a brand is frequently placed on sale or if some form of deal (price-offs, discounts, etc.) is regularly offered, consumers may delay purchasing the brand until its price is reduced. This can cause the brand to be purchased more for its price discount than for its nonprice attributes and benefits (see Figure 1.5).

A word of caution is in order in properly mixing advertising and sales promotion. A “short-term solution” in

**Figure 1.5** ▶ A Buy-One-Get-One Free Promotion



littleWhale/Shutterstock.com

spending excessive amounts on promotion to create quick sales while failing to invest sufficiently in advertising to build a brand's long-term equity can spell trouble for a brand's future. An appropriate mixture involves spending enough on promotions to ensure sufficient sales volume in the short term while simultaneously spending enough on advertising to ensure the growth or preservation of a brand's equity position.

### Creating Messages

A second implementation decision is the creation of messages in the form of advertisements, publicity releases, promotions, package designs, social media, and any other form of marcom message. Subsequent chapters will address specific message issues relating to each marcom tool. At this point, systematic (versus ad hoc) decision making requires that message content be dictated by the brand's positioning strategy and aligned with the communications objective for the designated target audience.

### Selecting Media

All marketing communications messages require an instrument, or medium, for transmission. Although the term *media* is typically applied to advertising (television,

magazines, radio, mobile, online, etc.), the concept of *media* is relevant to all marcom tools. For example, personal sales messages can be delivered via face-to-face communications, by telemarketing, or by e-mail; these media alternatives have different costs and effectiveness. Point-of-purchase materials are delivered via in-store signs, electronically, musically, and otherwise. Each represents a different medium. Detailed discussions of media (especially advertising) are reserved for specific chapters later in the text.

### Establishing Momentum

The word *momentum* refers to an object's force or speed of movement—its impetus. A train has momentum as it races down the tracks, a spacecraft has momentum as it is launched into orbit, a hockey player has momentum when skating past the defensive opposition, a student has momentum when making good progress on a term paper or when finished studying for an exam. Marketing communications programs also have, or lack, momentum. Simply developing an advertising message, creating a buzz-generating

viral campaign, or releasing publicity is insufficient. The effectiveness of each of these message forms requires both a sufficient amount of effort and continuity of that effort.

Toyota Motor Corporation had available in stock on one occasion only a 16-day supply of the fast-selling Camry. Yet, it launched a major advertising campaign aggressively encouraging consumers to purchase Camrys. Critics declared that it was unwise for Toyota to advertise when insufficient product was available to fulfill orders. In response, the vice president of Toyota Motor Sales, U.S.A., asserted that even when demand is strong, it is important “to keep your momentum in the marketplace going.”<sup>43</sup>

### 1-7c MARCOM OUTCOMES

Based on our conceptual framework, the outcomes for a marcom program are twofold: (1) enhancing brand equity and (2) affecting behavior. Figure 1.4 displays a double-headed arrow between these outcomes, which signifies that each outcome can influence the other. For example, an ad campaign can result in enhanced brand equity leading to trial behavior. Conversely, trial, via a free sample, may lead to more positive brand perceptions and equity.

As established previously, a fundamental IMC principle is that marcom efforts must ultimately be gauged by whether they *affect behavior*. Sales promotion is the marcom tool most capable of directly affecting consumer behavior. However, *excessive* reliance on promotions can injure a brand's reputation by creating a low-price and perhaps low-quality image. It is for this reason that marketing communicators often seek first to enhance a brand's equity as a foundation to influencing behavior. We will examine this topic in detail in Chapter 2.

### 1-7d PROGRAM EVALUATION

The final step in the process is that a program evaluation must take place, accomplished by measuring the results of marcom efforts against the objectives that were established at the outset. For a local advertiser—say, a sporting goods store that is running an advertised special on athletic shoes for a two-day period in May—the results are the number of Nike, Reebok, Adidas, Under Armour, and other brands sold versus a comparable time period (e.g., the last month, the previous May). For a national manufacturer of a branded product, results typically are not so quick to occur. Rather, a company invests in point-of-purchase communications, promotions, and advertising and then waits, often for weeks, to see whether these programs deliver the desired sales volume in a specific time period.

Regardless of the situation, it is critical to evaluate the results of marcom efforts. Throughout the business world there is increasing demand for *accountability*, which

requires that research be performed and data acquired to determine whether implemented marcom decisions have accomplished the objectives they were expected to achieve. Results can be measured in terms of behavioral impact (such as increased sales) or based on communication outcomes versus comparable time periods or control groups.

Measures of *communication outcomes* include brand awareness, message comprehension, attitude toward the brand, and purchase intentions. All of these are communication (rather than behavioral) objectives in the sense that an advertiser has attempted to communicate a certain message argument or create an overall impression. Thus, the goal for an advertiser of a relatively unknown brand may be to increase brand awareness in the target market by 30 percent within six months of starting a new advertising campaign. This objective (a 30-percent increase in awareness) would be based on knowledge of the baseline awareness level prior to the campaign's debut. Post-campaign measurement would then reveal whether the target level was achieved.

Failure to achieve targeted results may prompt corrective action (see the dashed arrow in Figure 1.4). For instance, corrective action might call for greater investment, a different combination of communications elements, revised creative strategy, different media allocations, or a host of other possibilities. Only by systematically setting objectives and measuring results it is possible to know whether marcom programs are working as well as they should and how future efforts can improve on the past.<sup>44</sup>



# Summary

This opening chapter has overviewed the fundamentals of IMC and provided a framework for thinking about all aspects of marcom decision making. IMC is the coordination of the promotional mix elements with each other and with the other elements of the brand's marketing mix such that all elements speak with one voice. One of several key features of IMC is the use of all sources of brand or company contacts as potential message delivery channels. Another key feature is that the IMC process starts with the customer or prospect rather than the brand communicator to determine the most appropriate and effective methods for developing persuasive communications programs. Consumers are increasingly in control of marketing communications both in their active choice of which media outlets to attend and by generating their own brand-related communications—via posts, tweets, snaps, podcasting, blogging, and creating messages on social media sites such as Facebook, Twitter, Instagram, Snapchat, and YouTube.

This chapter has provided a model of the marcom process to serve as a useful integrative device for better structuring and understanding the topics covered throughout the remainder of the text. The model (see Figure 1.4) includes three components: a marcom program consisting of fundamental and implementation decisions, outcomes (enhancing brand equity and affecting behavior), and program evaluation. Fundamental decisions include

choosing target markets, establishing a brand positioning, setting objectives, and determining a marcom budget. Implementation decisions involve determining a mixture of marketing communications tools (advertising, promotions, social media, etc.) and establishing message, media, and momentum plans. These decisions are evaluated by comparing measured results against brand-level communications objectives.

It is our sincere hope that this introductory chapter has piqued your interest and provided you with a basic understanding of the many topics you will be studying while reading this text and participating in classroom and online lectures and discussions. Marketing communications truly is a fascinating and dynamic subject. It combines art, science, and technology and allows the practitioner considerable latitude in developing effective ways to inform and influence behavior.

Because the field of marketing communications involves many forms of practice, a number of specialty trade associations have evolved over time. The following appendix overviews, in alphabetical order, some of the more influential associations in the United States. Their websites are provided to facilitate your search for additional information about these organizations. (Many countries other than the United States have similar associations. Interested students might want to conduct an online search to identify similar associations in a country of interest.)

## Appendix

### Some Important U.S. Trade Associations in the Marcom Field:

**Advertising Research Foundation** (ARF, [www.thearf.org](http://www.thearf.org))—ARF is a nonprofit association dedicated to increasing advertising effectiveness by conducting objective and impartial research. ARF's members consist of advertisers, advertising agencies, research firms, and media companies.

**American Association of Advertising Agencies** (AAAA, [www.aaaa.org](http://www.aaaa.org))—The Four As, as it is referred to conversationally, has the mission of improving the advertising agency business in the United States by fostering professional development, encouraging high creative and business standards, and attracting first-rate employees to the advertising business.

**Association of Coupon Professionals** (ACP, [www.couponpros.org](http://www.couponpros.org))—This coupon redemption trade association strives to ensure coupons as a viable promotional tool and to improve coupon industry business conditions.

**Association of National Advertisers** (ANA, [www.ana.net](http://www.ana.net))—Whereas the AAAA serves primarily the interests of advertising agencies, ANA represents the interests of business organizations that advertise regionally and nationally. ANA's members collectively represent over 80 percent of all advertising expenditures in the United States.

**Brand Activation Association** (BAA, [www.baalink.org](http://www.baalink.org))—The BAA (formerly the Promotion Marketing Association) is the national nonprofit trade association dedicated to the industry of marketing disciplines that motivate behavior, activate response, and build brands.

**Data and Marketing Association (formerly the Direct Marketing Association)** (DMA, [www.thedma.org](http://www.thedma.org))—DMA is dedicated to encouraging and advancing the effective and ethical use of data and direct marketing. The association represents the interests of direct marketers to the government, media, and general public.

**Incentive Manufacturers and Representatives Alliance** (IMRA, [www.imraonline.org](http://www.imraonline.org))—Members of IMRA are suppliers of premium merchandise. This association serves these members by promoting high professional standards in the pursuit of excellence in the incentive industry.

**International Social Marketing Association** (iSMA, [www.i-socialmarketing.org](http://www.i-socialmarketing.org))—The iSMA's mission is to support the advancement of social marketing practice, research, and teaching, as one of the world's leading sources of authoritative information on social marketing. They are committed to improving people's lives through the transformative power of marketing.

**Internet Advertising Bureau** (IAB, [www.iab.net](http://www.iab.net))—IAB's mission is to help online, interactive broadcasting, e-mail, wireless, and interactive television media companies increase their revenues.

**Mobile Marketing Association** (MMA, [www.mmaglobal.com](http://www.mmaglobal.com))—The Mobile Marketing Association (MMA) is a global association dedicated to stimulating the growth of mobile marketing and its associated technologies.

**Point-of-Purchase Advertising International** (POPAI, <http://popai.com>)—This trade association serves the interests of advertisers, retailers, and producers/suppliers of point-of-purchase products and services.

**Promotional Products Association International** (PPAI, [www.ppai.org](http://www.ppai.org))—PPAI serves the interests of producers, suppliers, and users of promotional products. The businesses PPAI represents used to be referred to as the specialty advertising industry, but promotional products is the term of current preference.

## Discussion Questions

1. Explain how your college or university uses marketing communications to recruit students. How are their needs first determined?
2. The combined use of different marcom tools—such as advertising a brand on TV, sponsoring an event, and developing a social media presence—can produce a synergistic effect for a brand. What does the concept of synergy mean in this context? Provide a practical illustration of how two or more marcom tools when used in combination are capable of producing results greater than the sum of their individual contributions.
3. Explain what it means to say that the consumers are in control of marketing communications. Provide an example from your own experience that supports the contention that marcom is becoming increasingly consumer-centric.
4. What steps can marketing communicators take to allow consumers to exercise their control of when, where, and how they receive brand messages? Provide specific examples to support your answer as applied to consumer-generated content.
5. Based on your experiences, and those of close friends, what might be the future role of social networking outlets (e.g., Twitter, Facebook, Instagram, Snapchat, and YouTube) in disseminating brand information? On the basis of your experience, is most brand-related information that appears on these sites positive or negative?
6. Explain the meaning of *touchpoints* and *360-degree branding*. What are the advantages and potential disadvantages of such a practice?
7. The following quote from an advertising executive appeared in the chapter in the section under IMC key feature #2: “At the end of the day, [marcom agencies] don't deliver ads, or direct mail pieces, or PR and corporate identity programs. We deliver results.” Explain what you think this executive meant in making this statement.
8. One key feature of IMC is the emphasis on affecting behavior and not just its antecedents (such as brand awareness or favorable attitudes). For each of the following situations, indicate the specific behavior(s) that marketing communications might attempt to affect: (a) your university's advertising efforts, (b) a professional baseball team's promotion for a particular game, (c) a government agency's efforts to improve food safety, and (d) Gatorade's sponsorship of a volleyball tournament.
9. Assume you are in charge of advertising a product that is directed specifically to college students. Identify seven contact methods (include no more than two forms of mass media advertising) you might use to reach this audience.
10. Objectives and budgets are necessarily interdependent. Explain this interdependency and construct an illustration to support your point.
11. Brand positioning and targeting also are necessarily interdependent. Explain this interdependency and provide an example to support your point.
12. What is the distinction between top-down (TD) and bottom-up (BU) budgeting? Why is BUTD used in companies that are more marketing oriented, whereas

TDBU is found more frequently in finance-driven companies?

13. Why do you think that the trend in marcom budgeting is toward increased expenditures on promotions and reduced advertising spending? And, within advertising, explain the trend toward mobile advertising in spite of interruptions in seeing content and privacy concerns.
14. Explain the concept of *momentum* and offer an account as to why momentum is important for a specific brand of your choosing.
15. Assume you are in charge of fundraising for an organization on your campus—a student club, a social fraternity or sorority, a business fraternity, a nonprofit group, or any other such organization. It is your job to identify a suitable project and to manage the project's marketing communications. Identify a fundraising project idea and apply the subset of the model involving fundamental decisions. In other words, explain how you would position your fundraising project, whom you would target, what objective(s) you would set, and how much (ball-park figure) you would budget for marcom efforts.

# Enhancing Brand Equity and Accountability

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

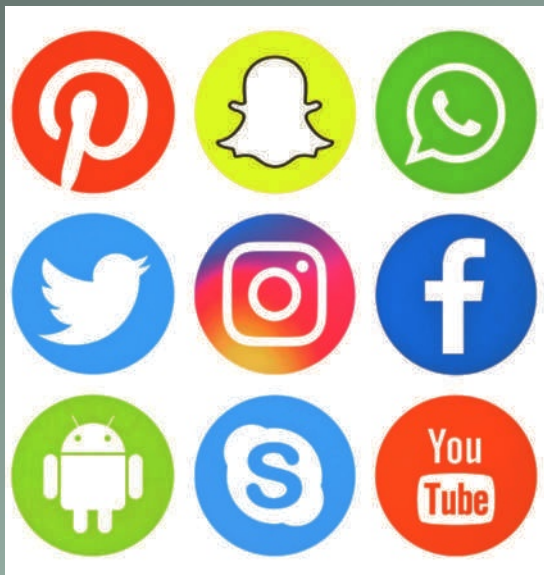
- 1 Explain the concept of *brand equity* from both the company's and the customer's perspectives.
- 2 What are some of the positive outcomes that result from enhancing brand equity?
- 3 Describe the different models of brand equity from the customer's perspective.
- 4 Understand how marcom efforts must influence behavior and achieve financial accountability.

## Marcom Insight

### Are There Too Many Social Media Brands?

For many online “market mavens,” it is really difficult to stay on top of all the new social media options, run the latest apps, and have all the “need to know” content and information on a 24/7 basis. Beyond the obvious (Facebook, YouTube, Instagram, Snapchat, Pinterest, Twitter, Google+, etc.), there are so many competing niche brands out there to consider! As to the social media content, just a few hours off (for some who could be not checking overnight), might mean missing that important blog, Facebook post, Snap, or breaking news Tweet.

Yet trying to keep up with the latest social media brands and content, such as work connections (LinkedIn), location-based check-ins (foursquare, Waze, Facebook Places, and Facebook Nearby Friends), and lifestyle blogging (WordPress), can easily create overflowing inboxes and information overload, even for the most tech-savvy consumer. Currently, many social media brands are vying to be the “owners” of different social media spaces. For example, recent social graph application programming interfaces (APIs) allow software programs to connect documents and people together across many different social media networks. So, if one starts a Twitter account with no followers or friends, social graph APIs can search their other public social networks (Facebook, LinkedIn, etc.) to help establish new connections. Yet Google's Friend Connect, Facebook's Connect service, and MySpace's Data



tanuha2007/Shutterstock.com

Availability all started social graph APIs within days of each other, providing a crowded brand space for this service.

The world of blogging, and its extension—lifestreaming or “social streaming”—are also examples of social media brand crowding. Lifestreaming is an online diary of your electronic life, in which the tail of your stream can contain documents from birth all the way to the present and can be shared with others. Blogging and lifestream brands include Blog.com, Blogger, Drupal, Facebook Notes, Ghost, HubPages, Jekyll, Joomla, Live Journal, Medium, Postach.io, Postagon, Posthaven, Quora, Sett, Squarespace, Svbtile, TinyPress, Tumblr, Typepad, Weebly, Wix, WordPress, Xanga, and Zoomshare. The social network brand space is just as crowded, with the following brands battling it out: Facebook, Google+, groovr, JuiceCaster, Loopt, Meetme, Meetup, mig33 (migme), Mobiluck, MocoSpace, Myspace, Next2Friends, Path, Rabble, Tagged, Treemo, Tribe.net, Wadja, Whisper, Yik Yak, among others. Want to share photos with others? Options include Instagram, Pinterest, Snapchat, Flickr, Imgur, Photobucket, Fotolog, Jelly, We Heart It, Mobli, Pheed, Pingram, Kapture, Fotki, and others. Videos? Share with YouTube, Vimeo, Dailymotion, Vine, Vevo, Telly, Taptalk, Screencast, Wistia, among others. Other social media services, such as Twitter feed organizers, filtering RSS (real simple syndication) feeds, social news, and social media monitoring tools all are experiencing brand crowding. Although there are tools (e.g., GizaPage, Power.com) to help aggregate all of your social media feeds into one site, you are still left with all of that information.

The harsh reality is that many studies across a broad range of product categories (e.g., gourmet jams, chocolates, retirement funds, and toothpaste) have shown that although consumers show an interest in larger brand assortments, they are 10 times more likely to make a purchase among 6 brands than from 24 to 30. In this chapter, brand building is shown to be a challenging and never-ending process, with efforts directed at enhancing brand equity (e.g., via brand differentiation, relevance, esteem, and knowledge), and hopefully, leading to long-term brand loyalty. Those few social media brands that are adept (and fortunate) at enhancing brand equity and loyalty are likely to survive this “wild west” of social media brand battles.

Sources: Selena Larson, “Are There Too Many Social Networks?” *ReadWrite*, January 7, 2014, <http://readwrite.com/2014/01/07/are-there-too-many-social-networks>; M. Bamieh, “Too Many Social Networks . . . Too Little Time,” *Thoughtpick* (blog), February 4, 2010, <http://blog.thoughtpick.com/2010/02/too-many-social-networks-too-little-time.html>; Jim Lodico, “2015 Social Media Map: Updated Guide with Live Links,” February 8, 2015, <http://www.socialmediatoday.com/content/2015-social-media-map-updated-guide-live-links-0>; “THE Best Places to Start a Blog (Updated 2015 Edition),” <http://www.dearbblogger.org/blogger-or-wordpress-better>; Tori DeAngelis, “Too Many Choices?” *Monitor on Psychology* 35, no. 6 (2004): 56, <http://www.apa.org/monitor/jun04/toomany.aspx>; Bill Hartzler, “Best Social Media Monitoring Tools,” *BillHartzler.com* (blog), March 26, 2010, <http://www.billhartzler.com/pages/11-best-social-media-monitoring-tools>; Sheena S. Iyengar and Mark R. Leeper, “When Choice Is Demotivating: Can One Desire Too Much of a Good Thing?” *Journal of Personality and Social Psychology* 79, no. 6 (2000): 995–1006; Sarah Perez, “Too Many Choices, Too Much Content,” *ReadWriteWeb*, May 14, 2008, [http://readwrite.com/2008/05/13/too\\_many\\_choices\\_too\\_much\\_content/](http://readwrite.com/2008/05/13/too_many_choices_too_much_content/); Suzanne Varanica, “Social Media Draws A Crowd,” *Wall Street Journal*, July 19, 2010, B7.

## 2-1 Introduction

The previous chapter introduced the philosophy and practice of integrated marketing communications (IMC) and then presented a framework for thinking about all aspects of the marcom process. You will recall that this framework included four components: (1) a set of fundamental decisions (targeting, positioning, etc.), (2) a group of implementation decisions (mixing elements, creating messages, etc.), (3) two types of outcomes resulting from these decisions (enhancing brand equity and affecting behavior), and (4) a process for evaluating marcom results and taking corrective action. This chapter focuses on the third component in this framework, namely, the desired outcomes of marcom efforts for brands.

The basic issues addressed are these: What can marketing communicators do to enhance brand equity and affect the behavior of their

present and future customers? Also, how can marketing communicators justify their investments in advertising, sales promotions, social media, and other marcom elements and demonstrate financial accountability?

## 2-2 Brand Equity

Before we discuss the important concept of brand equity, we should be clear about the meaning of the term *brand*. The American Marketing Association defines a **brand** as a “name, term, sign, symbol, design, or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competition.”<sup>1</sup> Thus, *identification* and *differentiation* are important aspects of a brand. Also, the broader notion of a brand includes what is known as **trade dress**, which refers to the appearance and image of the

**Brand** A name, term, sign, symbol, design, or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competition.

**Trade dress** The appearance and image of the product, including its packaging, labeling, shape, color, sounds, design, lettering, and style.

product, including its packaging, labeling, shape, color, sounds, design, lettering, and style. Examples of trade dress include the MGM Lion's roar, Kodak's gold-colored film box, the distinctive red and white lettering on Coca-Cola packages, the blue Twitter bird symbol, the yellow Snapchat ghost, or the red TV tube with the YouTube brand name. As with instances of the duplication of a regular brand trademark, copying a company's trade dress is actionable under the 1946 Lanham Act.<sup>2</sup>

Yet, a brand is more than *just* a name, term, symbol, and so on. A brand is everything that one company's particular offering stands for in comparison to other brands in a product category. A brand represents a set of values that its marketers, senior company officials, and other employees consistently embrace and communicate for an extended period.<sup>3</sup> That is, in consumers' minds, what does your brand stand for? For example, over time, Volvo has become virtually synonymous with safety, Crayola crayons stand for fun, Absolut vodka exudes style and being upbeat, Harley-Davidson embodies freedom and rugged individualism, Sony represents high quality and dependability, Chanel No. 5 means eloquence, Toyota's Prius personifies environmental consciousness, and Rolex watches represent master craftsmanship and sophistication. Each of these brands has embraced and communicated a particular set of values. All of these brands possess high equity because consumers believe these brands have the ability and willingness to deliver on their brand promises.<sup>4</sup>

So what exactly is brand equity? For the purpose of our discussion, we define **brand equity** as the goodwill (i.e., equity) that an established brand has built up over



To learn more about what makes Harley Davidson such a unique and strong brand, go to Insights Online in MindTap.

its existence. As such, the concept of *brand equity* can be considered both from the perspective of the organization that owns a brand and from the vantage point of the customer.

## 2-2a A FIRM-BASED PERSPECTIVE ON BRAND EQUITY

The firm-based viewpoint of brand equity focuses on outcomes extending from efforts to enhance a brand's *value* to its various stakeholders (e.g., final consumers, retailers, wholesalers, suppliers, and employees). As the value, or equity, of a brand increases, various positive outcomes result. These include (1) achieving a higher market share, (2) increasing brand loyalty, (3) being able to charge premium prices, and (4) earning a revenue premium.<sup>5</sup> Being able to charge premium prices means that a brand's elasticity of demand becomes less elastic as its equity increases; that is, brands with more equity can charge higher prices than brands with less equity. Consider household brands of paint, such as the Sears brand versus the Ralph Lauren brands. The quality differential between the Sears brand and the designer brands likely is considerably less than is the premium-price differential that the designer brands command due to their brand equity.

A **revenue premium** is defined as the revenue difference between a branded item and a corresponding private-labeled (store brand) item. With revenue equaling the product of a brand's net price  $\times$  volume, a branded good enjoys a revenue premium over a corresponding private-label item to the degree it can charge a higher price and/or generate greater sales volume. In equation form, the revenue premium for brand *b* compared to a corresponding private-label item, *pl*, is as follows:

$$\text{Revenue premium}_b = (\text{volume}_b)(\text{price}_b) - (\text{volume}_{pl})(\text{price}_{pl})$$

It has been demonstrated that grocery brands possessing higher equity generate higher revenue premiums. In turn, there is a strong positive correlation between the revenue premiums brands enjoy and the market shares they realize.<sup>6</sup> The ability to charge higher prices and generate greater sales volume is due in large part to marcom efforts that build favorable images for well-known brands and, in turn, less perceived risk and greater shopper efficiency.

**Brand equity** The goodwill (i.e., equity) that an established brand has built up over its existence.

**Revenue premium** The revenue differential between a branded item and a corresponding private-labeled (store brand) item.



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**Table 2.1** ▶ Children's Taste Preferences (in percents)

FOOD OR DRINK ITEM	PREFERRED TASTE OF MCDONALD'S VERSION	THOUGHT THE TWO VERSIONS TASTED THE SAME OR GAVE NO ANSWER	PREFERRED TASTE OF PLAIN-WHITE VERSION	P-VALUE*
Hamburger	48.3	15.0	36.7	0.33
Chicken nugget	59.0	23.0	18.0	<0.001
French fries	76.7	10.0	13.3	<0.001
Milk or apple juice	61.3	17.7	21.0	<0.001
Carrot	54.1	23.0	23.0	0.006

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\*The probability level is based on a test of significant difference among the percentages. *p*-values of 0.05 or less conventionally are considered statistically significant.

Finally, another form of firm-based brand equity is somewhat akin to the notion of revenue premium just described. We might label this unique form “taste-premium” brand equity. The fast-food chain McDonald's was the focus of a study involving the taste perceptions of a sample of 3- to 5-year-old preschool children from low-income backgrounds.<sup>7</sup> The study design had the children taste two versions each of five products (hamburger, chicken nuggets, french fries, milk/apple juice, and carrots). In one version, each product was presented to the preschool children in a package with McDonald's packaging graphics. In the second version, the same products were presented in plain-white packages absent McDonald's identification. (Note that this plain-white version might be roughly equated with the private-label brands in the case of the revenue premium form of brand equity.) With the exception of carrots, which are not sold at McDonald's restaurants, all other items were actual McDonald's products, regardless of whether they were presented to the children in McDonald's packages or in the plain-white packages. After tasting both versions of each product, the preschoolers were instructed to indicate whether they (1) liked the taste of the McDonald's version, (2) liked the taste of the plain-white version, or (3) whether they tasted the same. It is important to note that research assistants didn't actually ask children whether they preferred the McDonald's version or the plain-white version, but rather simply had them identify which item tasted the best, the food/drink located on the left or right side of the tray on which the two versions were placed.

Table 2.1 presents study results in terms of three percentages for each of the five products: (1) the percentage of children who considered the food/drink item with the McDonald's packaging to taste the best, (2) the percentage

who thought the two versions tasted the same or gave no answer when asked “Tell me if they taste the same, or point to the food (drink) that tastes the best to you,” and (3) the percentage who considered the food/drink item in the plain-white packaging to taste the best.

The percentages in Table 2.1 make it clear that the participating preschoolers preferred the taste of all five food and drink items when they had McDonald's packaging over the identical food/drink items with plain-white packaging. The percentage of children preferring McDonald's french fries was a whopping 76.7 percent. Even for carrots, *which are not a McDonald's menu item*, 54.1 percent considered the sampled carrot better tasting when it was served in a McDonald's package versus the 23.0 percent who preferred the carrot when served in a plain-white package.

These results convincingly indicate brand equity in action. Simply placing products in well-identified McDonald's packaging led children to regard these items to be superior tasting in comparison to identical items in plain-white packages. These preferences were especially strong among those children who lived in homes with more television sets and who more frequently ate food from McDonald's.

## 2-2b BRAND EQUITY MODELS

Although there is a considerable agreement on basic brand principles, several models of brand equity present slightly different perspectives on the concept. These include the Brand Asset Valuator,<sup>8</sup> Dimensions of Brand Knowledge,<sup>9</sup> the Brand Awareness Pyramid,<sup>10</sup> the Customer-Based Brand Equity Model,<sup>11</sup> and the Brand Dynamics Pyramid.<sup>12</sup> This chapter focuses on the first three of these brand equity models.

### Brand Asset Valuator

The Chicago-based advertising agency, Young & Rubicam (Y&R), developed a model of brand equity entitled the BrandAsset® Valuator (BAV). The BAV is based on research with over 1 million consumers in 51 countries, for over 45,000 brands, and provides a comparative measure of brand equity elements across many different categories. The BAV is composed of the following four key components or pillars of brand equity:

- **Differentiation** (or sometimes referred to as energized differentiation): the degree to which the brand is seen as unique or different from others.
- **Relevance**: the degree to which the consumer identifies with the brand or is involved in the brand in their everyday lives (e.g., “What’s in it for me?”).
- **Esteem**: the degree to which the brand is held in high regard and well respected.
- **Knowledge**: the degree to which consumers are familiar with and aware of the brand.

The relationships among these brand components or pillars can provide insight into the brand’s current and future status. For example, as depicted in Figure 2.1, the BAV’s Power Grid is based on the brand’s strength (differentiation, relevance) and the brand’s stature (esteem, knowledge).

**Brand awareness**  
An issue of whether a brand name comes to mind when consumers think about a particular product category and the ease with which the name is evoked.

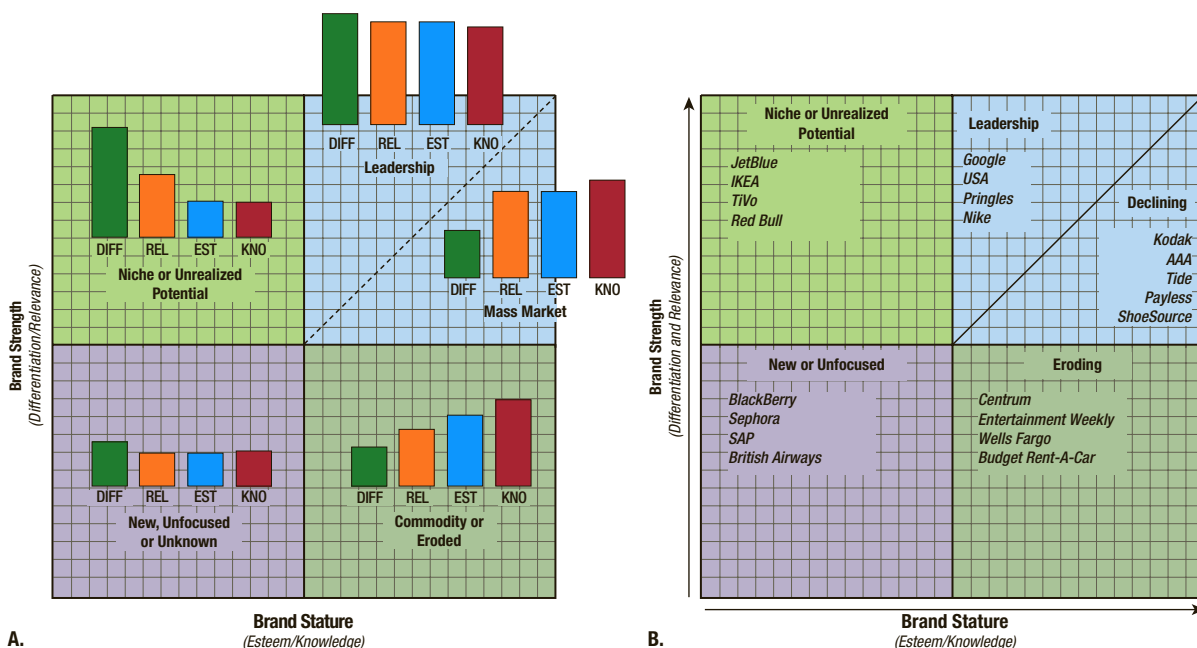
(esteem, knowledge), depicting successive stages of brand development from differentiation to relevance to esteem to knowledge. Figure 2.1 suggests that brands can cycle through stages of being new to a niche player to leadership and to eventual erosion. The second panel shows a representative placement of brands on the Power Grid.

### Dimensions of Brand Knowledge

From the perspective of the customer, a brand can be said to possess equity to the extent that people are familiar with the brand and have stored in memory favorable, strong, and unique brand associations.<sup>13</sup> Such associations are the particular thoughts and feelings that consumers have linked in memory with a particular brand. For example, what thoughts/feelings come immediately to mind when you think of McDonald’s, Instagram, Snapchat, or Apple? Thus, as suggested by Keller’s “Dimensions of Brand Knowledge,” another way of thinking about brand equity is that it consists of two forms of brand-related knowledge: *brand awareness* and *brand image*, as shown in Figure 2.2.

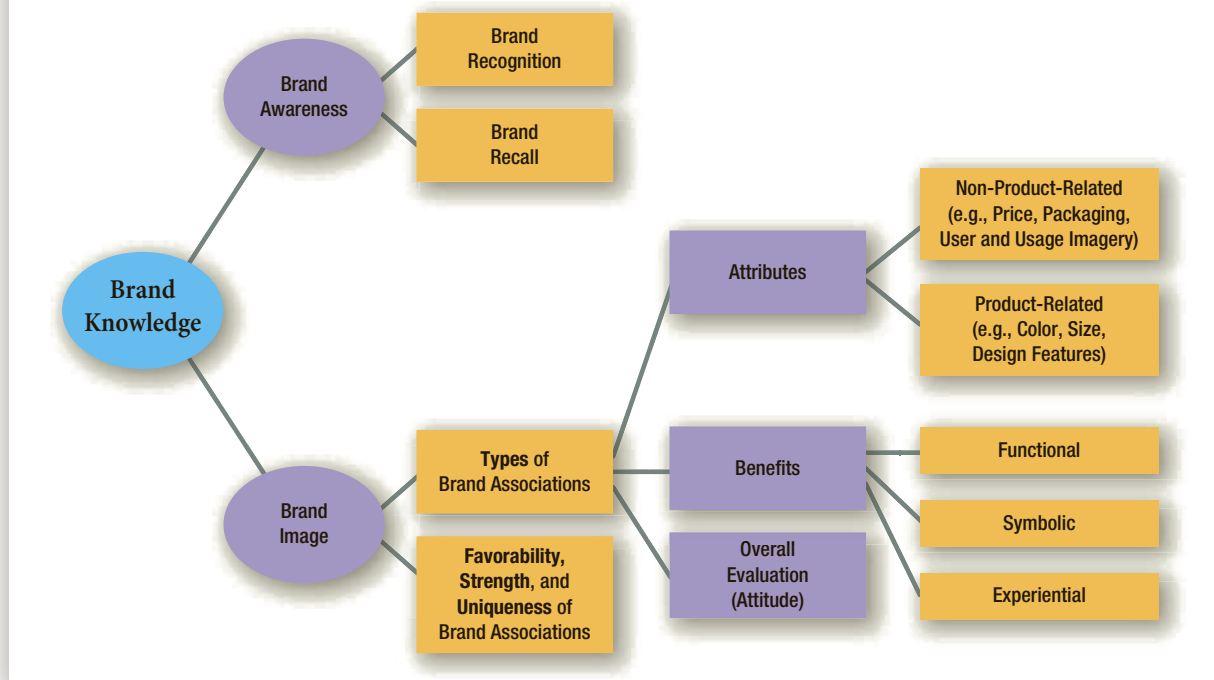
**Brand awareness** is an issue of whether a brand name comes to mind when consumers think about a particular product category and the ease with which the name is evoked. For example, regarding toothpaste brands in the United

Figure 2.1 ▶ BrandAsset® Valuator’s Power Grid





**Figure 2.2** ▶ A Customer-Based Brand Equity Framework



Source: Adapted from Kevin Lane Keller, "Conceptualizing, Measuring, and Managing Customer-Based Brand Equity," *Journal of Marketing* 57 (January 1993): 7.

States, Crest and Colgate probably came to mind immediately, because these brands are the market share leaders. Yet, perhaps you also thought of Aquafresh, Mentadent, and Arm & Hammer insofar as these brands also obtain a large share of toothpaste purchases. But did you consider Close-Up, Pepsodent, Tom's or Aim? Maybe so, yet probably not, due to low awareness levels. As with the BAV's measure of knowledge, brand awareness and brand image (as depicted in Figure 2.2) can be important dimensions of brand equity.

Figure 2.2 shows two levels of awareness: brand recognition and recall. *Brand recognition* reflects a relatively superficial level of awareness, whereas *brand recall* indicates a deeper form. Consumers may be able to identify a brand if it is presented to them on a list or if hints/cues are provided. However, fewer consumers are able to retrieve a brand name from memory without any reminders.

The second dimension of consumer-based brand knowledge is a brand's image. **Brand image** represents the associations that are activated in memory when people think about a particular brand. As shown in Figure 2.2, these associations can be conceptualized in terms of *type*, *favorability*, *strength*, and *uniqueness*. For example, the *types* of associations in one consumer's memory about Apple might include a recollection of your first trip to an Apple Store, the positive experience of trying

**Brand image** The associations that are activated in memory when people think about a particular brand.

a Mac laptop or iPhone demo, and memories of the many knowledgeable and helpful employees, and well-designed store layout and packaging. All of these associations represent *favorable* links with Apple as far as a consumer is concerned. These associations might be held *strongly* in the consumer's memory and some of the associations might be *unique* in comparison to other computer stores. For example, only Apple has their "Genius Bar," in which consumers can set up personalized appointments to quickly solve any technology problem with Apple products.

From this illustration and in the context of the specific elements portrayed in Figure 2.2, we can see that this consumer associates Apple with various *attributes* (e.g., iPhones, Mac laptops) and *benefits* (e.g., personal set ups and quickly solving problems), and that they possess an overall favorable evaluation, or *attitude*, toward this brand. These associations are held strongly and are favorable and somewhat unique. Apple would love to have millions of consumers like this in

its market, which it undoubtedly does. To the extent that this consumer is typical of other consumers, it can be said that Apple has high brand equity.



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### The Brand-Awareness Pyramid

An important role of marcom is to move brands from a state of unawareness, to recognition, on to recall, and ultimately to top-of-mind awareness (TOMA). This pinnacle of brand-name awareness (i.e., TOMA status) exists when your company's brand is the first brand that consumers recall when thinking about brands in a particular product category.

### Brand-Related Personality Dimensions

Brands—just like people—can be thought of as having their own unique personalities. Research has identified five personality dimensions that describe most brands: sincerity, excitement, competence, sophistication, and ruggedness.<sup>14</sup> That is, brands can be described as possessing some degree of each of these dimensions, ranging from “the dimension doesn't describe the brand at all” to “the dimension captures the brand's essence.”

The five brand-related personality dimensions are described and illustrated as follows.

1. *Sincerity*—This dimension includes brands that are perceived as being down-to-earth, honest, authentic, wholesome, and cheerful. Sincerity is precisely the personality that Disney has imbued in its brand.
2. *Excitement*—Brands scoring high on the excitement dimension are perceived as daring, spirited, imaginative, and up to date. The Apple iPhone perhaps epitomized this personality dimension when it originally was introduced in 2007 amid much fanfare and even consumer frenzy, as purchasers sought to be among the first to own this unique cell phone. This is still true for the Apple iPhone 7 in 2016 offering

its thinnest version ever, and with its wireless and water-resistant features.

3. *Competence*—Brands scoring high on this personality dimension are considered reliable, intelligent, and successful. In the automobile category, with the exception of an accelerator recall in 2009, Toyota has done well on this dimension over the years. J.D. Power annually reports that Toyota is at or near the top of satisfaction ratings, primarily due to its reliability.
4. *Sophistication*—Brands that are considered upscale and charming score high on the sophistication dimension. Luxury automobiles, jewelry items, expensive perfume, and high-end kitchen appliances are just some of the many product categories that include brands that score high on the sophistication scale. In the jewelry category, for example, Rolex and Cartier are well-known sophisticated brands.
5. *Ruggedness*—Rugged brands are thought of as tough and outdoorsy. REI, North Face, and Patagonia typify retailers that offer brands regarded as rugged and outdoorsy. In the automobile category, Land Rover's Range Rover, with its appeal to younger, outdoor-oriented consumers, is another example of a brand that would score high on the ruggedness dimension.

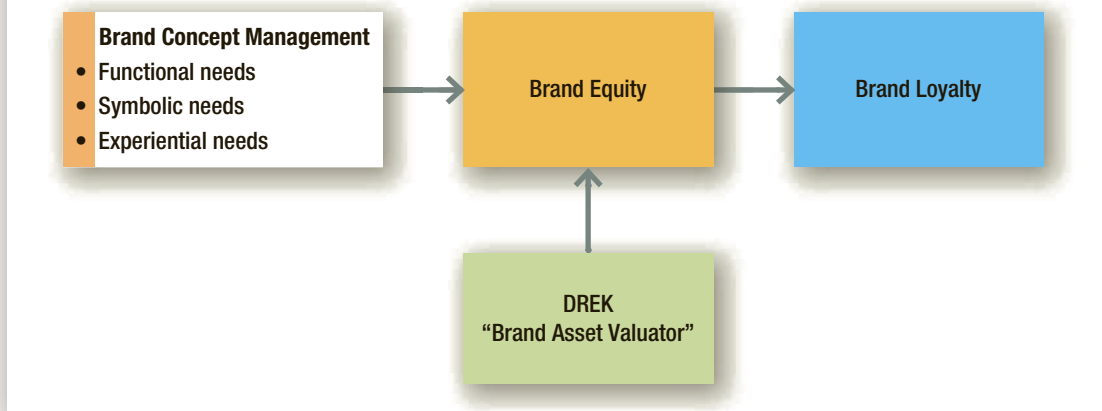
### 2-2c RELATIONSHIPS AMONG BRAND CONCEPTS, BRAND EQUITY, AND BRAND LOYALTY

In order to build brand equity, as measured by the BAV's pillars or the dimensions of brand knowledge, brand



B.M. Uz/Alamy Stock Photo

**Figure 2.3** ▶ Brands and Their Management



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managers often focus first on the development of the brand concept. The **brand concept** is the specific meaning that brand managers create and communicate to their target market. This often follows extensive research on their target market's interests and media habits.

In turn, **brand concept management** (e.g., for McDonald's, Facebook, Beats Electronics, Netflix, and Harley-Davidson) represents the analysis, planning, implementation, and control of a brand concept throughout the life of the brand. For example, recent strategies for building brands have focused on (1) defining new subcategories for which competitors are not as strong (e.g., Dogfish 60- and 90-minute IPAs), (2) communicating emotional stories about brands (e.g., a young boy's wish to be a UPS driver for a day: <https://www.youtube.com/watch?v=0Is-L5AMqLMY>), and (3) linking the brand with a higher purpose (e.g., Patagonia and the environment).<sup>15</sup> In turn, message development of brand concepts can be achieved with marcom appeals to consumers' functional, symbolic, and/or experiential needs.<sup>16</sup> Although we elaborate more on these appeals in Chapter 5's material on positioning, we briefly describe these now as they relate to brand concept building. An appeal to *functional needs* attempts to fulfill the consumer's consumption-related problems. For instance, a Rockport shoe commercial depicted two girls who needed the comfort of Rockport shoes in walking dogs around the hills of San Francisco. Next, an appeal to *symbolic needs* focuses on associating the brand with symbolic objects. For example, the Nike swoosh symbol has long been associated with their athletic shoes, apparel, and celebrity endorsers. Often, symbolic appeals are directed at consumers' desires for self-enhancement, role position, group membership, and belongingness. Finally, appeals to *experiential needs* focus

**Brand concept**

Specific meaning that brand managers create and communicate to their target market.

**Brand concept management**

The analysis, planning, implementation, and control of a brand concept throughout the life of the brand.

**Brand loyalty**

A consumer's commitment to continue using or advocating a brand, as demonstrated not only by repeat purchases, but also by other positive brand behaviors (e.g., word-of-mouth advocacy, brand identification).

on messages that provide sensory pleasure, variety, and/or cognitive stimulation. An example of this is a commercial for Pictionary showing a house "exploding" in laughter from people playing this fun board game.

These appeal types all can help to develop a brand's concept, hopefully, leading to enhanced brand equity and long-term brand loyalty. Thus, the ultimate objective is to achieve **brand loyalty**, a consumer's commitment to continue using or advocating a brand, as demonstrated not only by repeat purchases, but also by other positive brand behaviors (e.g., word-of-mouth advocacy, brand identification).<sup>17</sup> Relationships among appeals used to develop brand concepts, brand equity, and brand loyalty are depicted in Figure 2.3.

A favorable brand image, brand equity, and strong loyalty do not happen automatically. Sustained marketing communications are generally required to create favorable, strong, and perhaps unique associations about the brand. For example, it could be claimed that one of the world's greatest brands, Coca-Cola, is little more than colored sugar water. In the United States alone, the Coca-Cola Company commands 43 percent of the carbonated soft-drink market, totaling over \$46 billion in revenue. Coke Classic (Coke) held an individual brand share of nearly 18 percent, whereas its nearest competitor, Pepsi, had about a 9 percent share.<sup>18</sup> It is effective advertising, exciting sales promotions, creative sponsorships, social media, and other forms of marketing communications that are responsible for Coca-Cola's positive image and massive market share. Coca-Cola outperforms Pepsi not because Coke is necessarily a better tasting product, but because it has developed a more positive image with greater numbers of consumers.

## insights online

To learn more about why Coca-Cola outperforms Pepsi based on neuromarketing, go to to Insights Online in MindTap.

### 2-2d STRATEGIES TO ENHANCE BRAND EQUITY

What strategies can be taken to enhance a brand's equity? The following discussion identifies three ways by which brand equity may be enhanced and labels these the (1) speak-for-itself approach, (2) message-driven approach, and (3) leveraging approach.<sup>19</sup>

#### Enhancing Equity by Having a Brand Speak for Itself

As consumers, we often try brands without having much, if any, advance knowledge about them. Consumers form favorable (or perhaps unfavorable) brand-related

associations merely by consuming a brand absent any significant brand knowledge prior to the usage experience. In effect, the brand “speaks for itself” in informing consumers of its quality, desirability, and suitability for satisfying their consumption-related goals.

#### Enhancing Equity by Creating Appealing Messages

Marcom practitioners can build positive brand-related associations via the power of repeated claims about the features a brand possesses and the benefits it delivers. This type of brand-equity building can be thought of as the “message-driven approach.” Such an approach is effective if marcom messages are creative, attention getting, believable, and memorable. As previously noted, appeals to a consumer's functional, symbolic, or experiential needs can be helpful in this regard. Yet, we should note that the speak-for-itself and message-driven approaches are not necessarily independent; that is, consumers' associations about the brand can result from both first-hand experiences and message communications.

#### Enhancing Equity via Leveraging

A third equity-building strategy that increasingly is being used is “leveraging.” Brand associations can be shaped and equity enhanced by having a brand tie into, or leverage, positive associations that already exist through socialization in culture and society. For example, the Statue of Liberty, Ellis Island, and Lincoln Memorial are signs of freedom to Americans. To Germans and many other people throughout the world, the Berlin Wall signified oppression and hopelessness. Comparatively, yellow ribbons signify crises and hopes for hostage release and the safe return of military personnel. Pink ribbons signal support for breast cancer victims. The Black Liberation flag with its red, black, and green stripes—representing blood, achievement, and the fertility of Africa—symbolizes civil rights. Recycled material in Timberland Earthkeepers boots represents an appeal to environmental awareness (see Figure 2.4).

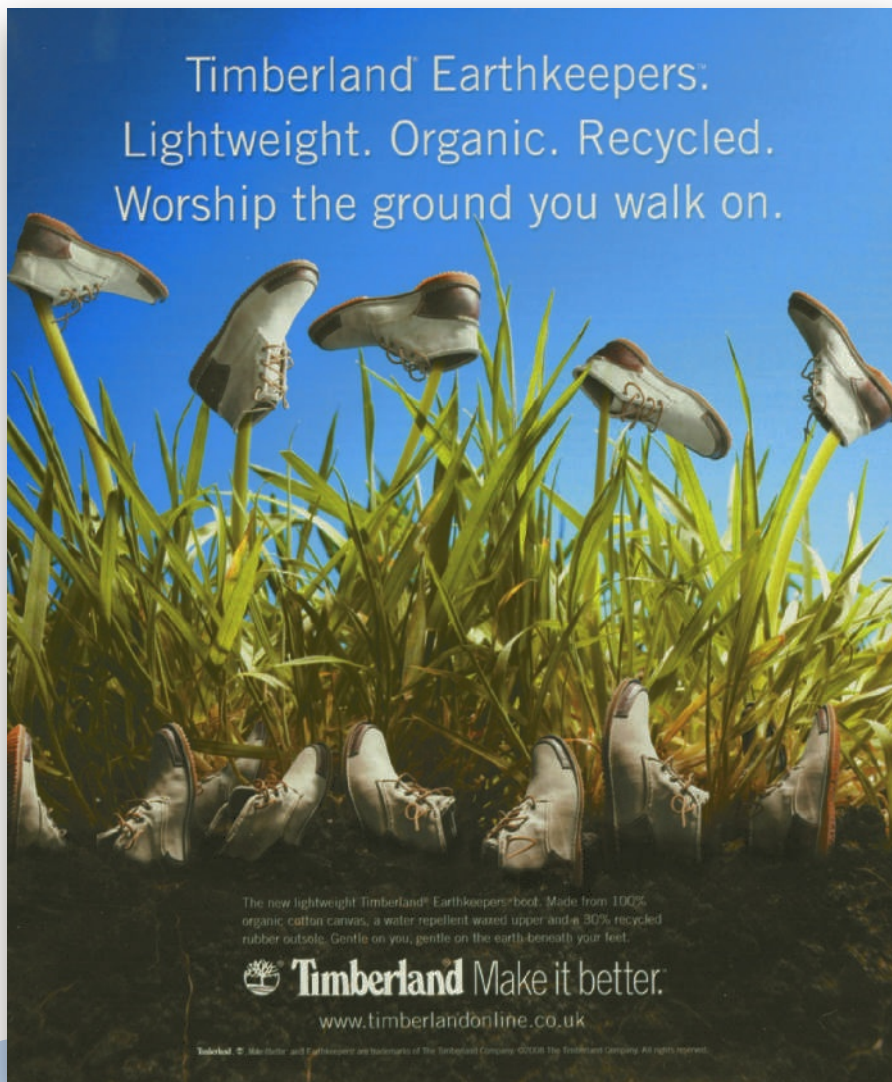
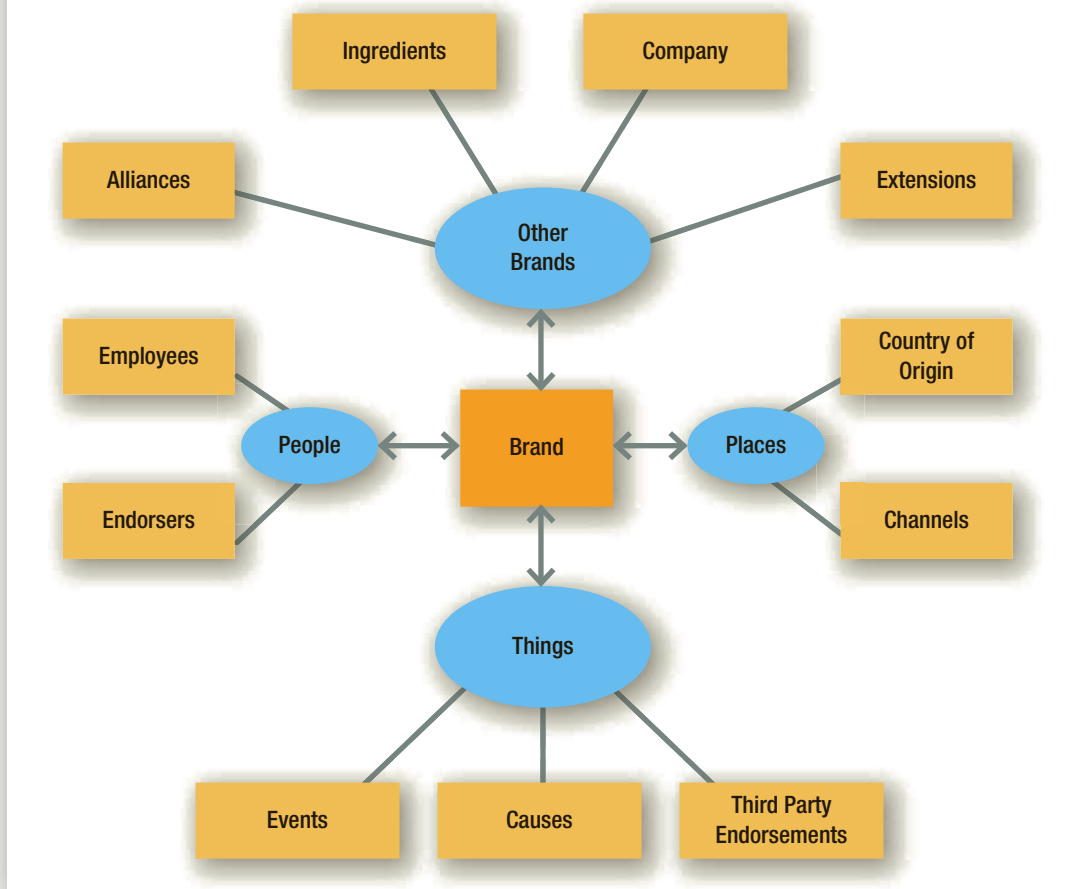


Image Courtesy of The Advertising Archives

Figure 2.4 ▶ An Appeal to Environmental Awareness

**Figure 2.5** ▶ Leveraging Brand Meaning from Various Sources



Source: Kevin Lane Keller, "Brand Synthesis: The Multidimensionality of Brand Knowledge," *Journal of Consumer Research* 29, no. 4 (2003): 598. Reprinted by permission of the University of Chicago Press.

Similarly, marketing communicators can *leverage* meaning and create associations for their brands by connecting them with other objects that already possess well-known meaning. Figure 2.5 portrays how brands leverage associations by forming connections with (1) other brands, (2) places, (3) things, and (4) people. There are numerous ways for leveraging favorable brand associations, and Figure 2.5 is a good starting point for appreciating these options.

### Leveraging Associations from Other Brands

Among other forms of leveraging, Figure 2.5 shows how a brand can leverage associations from *other brands*. In recent years, two brands often enter into an alliance or a **co-branding** relationship that potentially serves to enhance both brands' equity and profitability. You need only look at your bank card (e.g., Visa) to see that it likely carries the name of an organization such as your college or university. The common

#### Co-branding

A relationship that potentially serves to enhance both brands' equity and profitability.

#### Ingredient branding

A special type of alliance between branding partners, whereby one brand (ingredient) appears on or inside another brand (the host).

theme of many co-branding alliances is that their images are similar, that they appeal to the same market segment, and that the co-branding initiative is mutually beneficial. Thus, the brands should possess a *common fit* and that the combined marketing efforts maximize the advantages of the individual brands while minimizing the disadvantages.<sup>20</sup> This collaboration can happen by studying how consumers *naturally* use a particular brand (e.g., Post Grape Nuts cereal) with another brand (e.g., General Mills Yoplait yogurt).

**Ingredient branding** is a special type of alliance between branding partners. For example, Lycra, a brand of spandex from DuPont, initiated a multi-million-dollar global advertising effort to increase consumer ownership of jeans made with Lycra. Along the lines of the "Intel Inside" campaign, Lycra's advertising featured Lycra jeans by Levi Strauss, Diesel, DKNY, and other jean manufacturers. DuPont began this campaign in an effort to differentiate itself from cheaper unbranded

spandex from Asia.<sup>21</sup> Other well-known instances of ingredient branding include various skiwear and running shoe brands that prominently identify the Gore-Tex fabric from which they are made and cookware makers that tout the fact that their skillets and other cookware items are made with DuPont's Teflon nonstick coating. Although ingredient branding is in many instances beneficial for both the ingredient and “host” brands, a potential downside for the host brand is that the equity of the ingredient brand might be so great that it overshadows the host brand. This situation would arise, for example, if skiers knew that their ski jacket was made of Gore-Tex fabric, but they had no awareness of the company that actually manufactured the jacket.

**Leveraging Associations from People** Beyond leveraging a brand's image by associating itself with another brand, Figure 2.5 points out that a brand can leverage its equity by aligning itself with *people*, such as its own employees or endorsers. A later chapter discusses the role of endorsers in detail, so nothing more will be said at this time other than to note that brand associations with endorsers can be fabulously successful (think Michael Jordan and Gatorade), potentially successful

(e.g., Steph Curry and Under Armour) or potentially disastrous (e.g., Tiger Woods and his public acknowledgement of affairs and the brands that quickly dropped their relationships with him—Accenture, AT&T, Gatorade, and Gillette).

**Leveraging Associations from Things** Other forms of leveraging include associating a brand with *things* such as events (e.g., sponsorship of the World Cup soccer championship) and causes (e.g., sponsorship of refugees). Again, no further discussion is devoted to these topics at this point given that Chapter 21 describes these forms of association in depth.

**Leveraging Associations from Places** Finally, a brand's equity can be leveraged by being associated with *places* such as the channel in which a brand is distributed or a country image (labeled country of origin in Figure 2.5). Imagine, for example, if a brand were carried in a mass merchandise store (e.g., Walmart) compared to being distributed in a high-end department store. If quality and price were held constant, in which store would the brand be regarded more positively?

Leveraging a brand by emphasizing its *country of origin* is a potentially effective way to enhance the brand's equity.<sup>22</sup> For example, although the United States currently is ranked first overall for their brands, German and Swiss brands often are perceived around the globe as being the best in automotive and luxury categories, respectively; whereas, Japan ranks first for electronic products. Also, interestingly, older consumers, for example, are generally more concerned with where a brand comes from than are their more youthful counterparts, who are more comfortable living in a global world and buying products based on considerations other than where they are made.<sup>23</sup> When a brand leverages its country of origin, the potential exists for the brand to benefit from this association or possibly to suffer if the country is perceived in a less than positive light. It obviously is in brand marketers' best interest that their countries of origin are perceived favorably.<sup>24</sup>



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## 2-2e WHAT BENEFITS RESULT FROM ENHANCING BRAND EQUITY?

As previously noted, one major by-product of efforts to increase a brand's equity is that consumer *brand loyalty* might also increase.<sup>25</sup> Indeed, long-term growth and profitability are largely dependent on creating and reinforcing brand loyalty. The following quote from two respected

marketing practitioners sums up the nature and importance of brand loyalty:

*While marketers have long viewed brands as assets, the real asset is brand loyalty. A brand is not an asset. Brand loyalty is the asset. Without the loyalty of its customers, a brand is merely a trademark, an ownable, identifiable symbol with little value.<sup>26</sup>*

Research has shown that when firms communicate unique and positive messages via advertising, personal selling, promotions, events, and other means, they are able to differentiate their brands effectively from competitive offerings and insulate themselves from future price competition.<sup>27</sup>

Marketing communications plays an essential role in creating positive brand equity and building strong brand loyalty. However, this is not always accomplished with traditional advertising or other conventional forms of marketing communications. For example, Starbucks, the virtual icon for upscale coffee, does very little advertising, yet this brand has a strong following among its customers. Nevertheless, Starbucks' chairman voiced concern that efforts to grow sales and profits—e.g., introducing breakfast items in some stores and replacing conventional espresso makers with automatic machines—may have damaged Starbucks' reputation for providing a unique consumption experience.<sup>28</sup> An ex-CEO and chairman of PepsiCo provides us with an important conclusion regarding the company's efforts to build the equity of its brands, "In my mind the best thing a person can say about a brand is that it's their favorite. That implies something more than simply they like the package, or the taste. It means they like the whole thing—the company, the image, the value, the quality, and on and on."<sup>29</sup>

## 2-2f CHARACTERISTICS OF WORLD-CLASS BRANDS

Some brands have such exceptional brand equity that they deserve the label "world class." The well-known Harris EquiTrend survey by the market research firm Harris Interactive is conducted biannually and includes responses from more than 38,000 consumers who collectively, not individually, rate over 1,400 brands across 148 categories. Each respondent evaluates each of 40 randomly selected brands in terms of (1) whether he or she is *familiar* with the brand, (2) how good the brand's *quality* is, and (3) whether he or she would *consider purchasing* the brand. These three scores then are combined to form a *brand equity* score for each brand, with a theoretical range from zero to 100.<sup>30</sup>

The EquiTrend survey in Table 2.2 reveals 12 brands with a consistent, overall high equity. These brands were the top brands in their categories for 5 or more consecutive

**Table 2.2** ▶ Brands with Staying Power: Top Brands in their Categories for Five or More Consecutive Years (Among more than 1,400 total brands included in Harris EquiTrend's Spring 2015 survey)

BRAND OF THE YEAR	CATEGORY
Visa	Payment card
Hallmark Greeting Cards	Greeting card
Craftsman Tools	Power tool
Subway	Sandwich shop
Target Stores	Mass merchandiser
The Weather Channel	TV news
Michelin Tires	Tires
KILZ	Paint
Southwest Airlines	Value airline
Mercedes-Benz Vehicles	Luxury automotive
Verizon Mobile Network	Mobile network
Blue Cross and Blue Shield	Health insurance

Source: Spring 2015 Harris EquiTrend brand study by Harris Interactive, <http://www.theharrispoll.com/business/Enduring-Brands-Top-2015-Harris-Poll-EquiTrend-List.pdf> (accessed January 11, 2016).

years recently. They possess high brand equity because they are well known and have strong and favorable associations in consumers' memories.

Another brand-ranking analysis is undertaken annually by Interbrand, which ranks the 100 top global brands.<sup>31</sup> Its brand-ranking method is based on calculating (1) the percentage of a company's revenue that can be credited to a brand, (2) the strength of a brand in terms of influencing customer demand at the point of purchase, and (3) the ability of the brand to secure continued customer demand as a result of brand loyalty and repurchase likelihood. Only those brands that provide public financial data (thus excluding private companies) and that secure at least one-third of their revenues from international operations are potential candidates for inclusion in Interbrand's rankings of "best global brands." This latter factor accounts for why some of the brands included in Table 2.2, which consists mainly of American brands, are not also included in Interbrand's top-20 list. Table 2.3 lists the top 20 "best brands" based on a recent Interbrand's analysis.

**Table 2.3** ▶ Interbrand's Top 20 Global Brands, 2015

RANK	BRAND	COUNTRY OF ORIGIN	BRAND VALUE (\$MIL)
1	Apple	U.S.	170,276
2	Google	U.S.	120,314
3	Coca-Cola	U.S.	78,423
4	Microsoft	U.S.	67,670
5	IBM	U.S.	65,095
6	Toyota	Japan	49,048
7	Samsung	South Korea	45,297
8	GE	U.S.	42,267
9	McDonald's	U.S.	39,809
10	Amazon	U.S.	37,948
11	BMW	Germany	37,212
12	Mercedes	Germany	36,711
13	Disney	U.S.	36,514
14	Intel	U.S.	35,415
15	Cisco	U.S.	29,854
16	Oracle	U.S.	27,283
17	Nike	U.S.	23,070
18	Hewlett-Packard	U.S.	23,056
19	Honda	Japan	22,975
20	Louis Vuitton	France	22,250

Source: Interbrand Report, "Best Global Brands 2015," <http://interbrand.com/best-brands/best-global-brands/2015/ranking>.

## 2-3 Affecting Behavior and Achieving Marcom Accountability

In Chapter 1, one major point was that marcom efforts should be directed, ultimately, at affecting behavior rather than merely enhancing equity. Creating brand awareness and boosting brand image may serve little positive effect unless individuals ultimately make purchases or engage in some other form of desired behavior. By "behavior" we mean that the customer takes some *action* such as contributing to a charitable organization,

**ROMI** The idea of *return on investment* (ROI), which is well known in accounting, finance, and managerial economics circles, is referred to in marketing circles as ROMI, or *return on marketing investment*.

discontinuing smoking, voting for a political candidate, staying on a diet plan, attending a concert, and so on. All of these behaviors, or acts, contrast with prebehavioral cognitions or emotions whereby one merely thinks that doing something is a good idea or feels good about the prospect of doing something. Ultimately, the proof of the behavioral pudding is in the *action*.

The effect of marcom, or of its specific elements such as advertising, can thus be measured in terms of whether it generates reasonable revenue (i.e., volume × net price) from the marcom investment. This idea of return on investment (ROI) is referred to in marketing circles as **return on marketing investment (ROMI)**. In a world of increased accountability, it is important that marketing people in all capacities, including marcom practitioners, demonstrates that additional investments in, say, advertising yield returns that meet or exceed alternative applications of corporate funds. The vast majority of chief executive officers (CEOs), as well as chief marketing officers (CMOs) and chief financial officers (CFOs), are increasingly asking, "What's my ROMI?"<sup>32</sup> Two primary motivations underlie this increased focus, as explained in the following quote:

*First, greater demands for accountability on the marketing function from the CEO, the Board, and other executives mandate a greater focus on measurement. For a CMO to truly command an equal seat at the executive table, a CMO must define and deliver quantitative measurements for the corporation. And these metrics must be clearly and convincingly communicated to the appropriate audiences. A second, perhaps equally important driver is the imperative for a CMO to get better at what they do. As the budget battles become more frequent and uncomfortable, a CMO can make marketing a more effective organization only by measuring and understanding what is working and what isn't.*<sup>33</sup>

### 2-3a DIFFICULTY OF MEASURING MARCOM EFFECTIVENESS

Though most marketing executives agree that measuring marketing performance is critically important, a problem resides with the difficulty of *measuring* marcom effectiveness. Several reasons account for this complexity: (1) obstacles in identifying an appropriate measure, or metric, of effectiveness;

(2) complications with getting people throughout the organization to agree that a particular measure is the most appropriate; (3) snags with gathering accurate data to assess effectiveness; and (4) problems with determining the exact effect that specific marcom elements have on the measure that has been selected to indicate effectiveness.



## Choosing a Metric

An initial problem is one of determining which specific measures (also called *metrics*) should be used to judge marcom effectiveness. Although a variety of metrics are available, not all may be equally appropriate for judging how well a company's marcom efforts have performed. Consider, for example, the case of an automobile company that has increased its annual marcom budget for a particular model by 25 percent over the previous year's budget. The company will advertise this particular model using a combination of TV, magazine, and online advertising. It also will sponsor a professional golf tournament and have a presence at several other sporting and entertainment events. Moreover, it will use an attractive rebate program to encourage consumers to buy sooner rather than postpone purchases. What metric(s) should the company use to gauge the effectiveness of its marcom efforts? Possible options include changes in *brand awareness* before and after the aggressive marcom program is undertaken, improved *attitudes* toward the automobile model, increased *purchase intentions*, and larger *sales volume* compared to last year's performance. None of these options is without problems. For example, awareness is a good measure of marcom effectiveness only if increases in awareness ultimately translate in some known proportion to sales increases; likewise, improved attitudes and purchase intentions are suitable measures only if they predictably turn into increased sales in the current or subsequent periods. And sales itself is an imperfect measure, because marcom efforts in the current accounting period may not improve sales volume measurably until a later period. Moreover, other "3P" efforts (product, price, and place/distribution) may influence sales as well. In short, there typically is no perfect metric by which marcom effectiveness can be judged. All measures/metrics can be flawed in some way, though some may be more preferable given the right match between the marcom objective and the target market in question.

The difficulty of determining how best to measure marketing's return on investment is illustrated by a recent study that the Association of National Advertisers (ANA) conducted on its membership.<sup>34</sup> In response to a key question asking respondents to identify which metric is closest to their company's definition of marketing ROI, more than 15 versions of ROMI were revealed. Yet, the five metrics in most frequent usage are these: (1) incremental sales revenue generated by marketing activities (66 percent of respondents identified this metric), (2) changes in brand awareness (57 percent), (3) total sales revenue generated by marketing activities (55 percent), (4) changes in purchase intention (55 percent), and (5) changes in attitudes toward the brand (51 percent).<sup>35</sup> (The percentages sum to greater than 100 because some companies use multiple metrics.) It also is noteworthy that three of the leading metrics (i.e., changes in brand

awareness, attitudes, and purchase intentions) do not even involve sales revenue, but instead are based on pre-sales diagnostics.

## Gaining Agreement

As is generally the case when intelligent people are asked to select a particular solution to a problem, consensus may be lacking. This is primarily due to the fact that individuals from different backgrounds and with varied organizational interests often see their "world" differently or operate with varying ideas of what best indicates suitable performance. For example, those in finance may be inclined to view things in terms of *discounted cash flows* and *net present values* of investment decisions, whereas marketing executives have historically tended to use measures of brand awareness, image, and equity to indicate success.<sup>36</sup> Hence, arriving at a suitable system for measuring marcom performance requires gaining agreement from different company officials, who likely have different views regarding how performance should be assessed.

## Collecting Accurate Data

Whatever the measure chosen, any effort to meaningfully assess marcom performance necessitates having data that are reliable and valid. Returning to the automobile example, suppose that sales volume is used to judge the effectiveness of this year's marcom efforts. It would seem a simple matter to measure how many units of the automobile model have been sold during the present fiscal period. However, some of the units sold this year are residual orders from last. Also, a number of the units sold are fleet sales to companies that are entirely independent of the marcom efforts directed to consumers, or affected by pricing, product changes, or purchase locations. How sales should be calculated can also be problematic, given the difference between units sold to dealers and units moved through to end-user consumers. All in all, collecting accurate data is no slam dunk.

## Calibrating Specific Effects

Our hypothetical automobile company will employ several marcom tools (e.g., advertising media, several events, and periodic rebates) to persuade consumers to buy their cars. Ultimately, brand managers and other marketing executives are interested in knowing more than just the overall effectiveness of the marcom program. They also need to identify the relative effectiveness of individual program elements in order to make better decisions in the future about how best to allocate resources. This is, perhaps, the most complicated problem of all. How much relative effect does each program element have on, say, sales volume compared to the effects of other elements? A technique called *marketing mix modeling* is increasingly being used for this purpose.

## 2-3b ASSESSING EFFECTS WITH MARKETING MIX MODELING

To help understand marketing mix modeling, let us return to our example of the automobile marketer that increased its marcom budget for a particular model by 25 percent over the previous year's budget. To advertise and promote the brand, the following marcom tools were used: (1) advertising via TV, magazine, and online media; (2) sponsorship of a professional golf tournament along with several other sporting and entertainment events; and (3) use of an attractive rebate program to encourage consumers to buy now rather than later.<sup>37</sup>

Each of these activities can be thought of as individual *elements* constituting the brand's marcom mix. The issue that marketing mix modeling addresses is this—what effect did each of these elements have in affecting this automobile model's sales volume in a prior period? Marketing mix modeling employs well-known econometric statistical techniques (e.g., multivariate regression analysis) to estimate the effects that the various advertising, promotion, and other marcom elements have in driving sales volume. Though it is beyond the scope of this text to offer a technical explanation of regression analysis or of other more sophisticated analytic techniques used in marketing mix modeling, the conceptual underpinnings are straightforward. Let us demonstrate this approach using the following multivariate regression equation:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i}$$

where:

$Y_i$  = The number of automobiles sold during the period of analysis, designated as period  $i$

$X_{1i}$  = TV advertising expenditures (designated as element 1) during the  $i$ th period

$X_{2i}$  = Magazine advertising expenditures (element 2) in the  $i$ th period

$X_{3i}$  = Online advertising expenditures (element 3) in the  $i$ th period

$X_{4i}$  = Amount spent sponsoring the golf tourney (element 4) in the  $i$ th period

$X_{5i}$  = Amount spent sponsoring other, minor events (element 5) in the  $i$ th period

$X_{6i}$  = Amount spent on rebates (element 6) during the  $i$ th period

$\beta_0$  = Baseline sales without any advertising or promotions

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  = Estimates of the individual effects the various advertising and promotion elements had on sales.

In order to employ marketing mix modeling, a relatively long series of longitudinal data is required. The data for

each period would include the level of sales during that period ( $Y_i$ ) along with corresponding advertising, promotion, and sponsorship expenditures for each program element ( $X_{1i}$  through  $X_{6i}$ ). Imagine, for example, that our hypothetical automobile company records weekly sales and has meticulous records of precisely how much is spent weekly on each advertising and promotion element for a period of two full years. Records of this sort would produce a set of 104 observations (52 weeks  $\times$  2 years), which would provide a sufficient number of observations to produce reliable parameter estimates for the various program elements.

The analysis for marketing mix modeling yields statistical evidence regarding the relative effects that each program element has had in influencing sales of this particular automobile model. Managers learn from such analysis which elements are outperforming others and can use this statistical information to shift budgets from program element to element. Obviously, more effective elements would in the future receive relatively greater budgets vis-à-vis the less effective elements.

Marketing mix modeling has been used off and on for nearly a quarter century, but includes use by leading marketers such as Procter & Gamble (P&G) and the Clorox Company benefiting greatly from this analytic approach. In one recent year, for example, P&G's application of marketing mix modeling resulted in that firm's changing how it spent more than \$400 million of its advertising and promotion budget.<sup>38</sup> Based on its modeling, P&G substantially increased its advertising budget. Comparatively, Clorox's use of marketing mix modeling led it to shift some money away from advertising into promotions. The important point is that each application of marketing mix modeling is based on a unique set of marketing circumstances. One solution does not, in other words, fit all.

Any company (e.g., nonprofits, B2B) can employ the techniques of marketing mix modeling, provided it maintains (or can purchase from syndicated sources) sales data on a period-by-period basis as well as meticulous records of its expenditures on a period-by-period basis for all of its advertising, promotion, and other marcom elements. The example we've been working with for the automobile model could be more complicated in that a full marketing mix analysis could consider not just expenditures on, say, a particular advertising medium, such as television, but would disaggregate the data for specific types of TV expenditures (e.g., network TV versus cable) and even different day parts (daytime, prime time, etc.). The finer, or more disaggregated, the data, the better analysts can determine which specific marketing mix elements are most and least effective in driving sales.

# Summary

This chapter discussed the nature and importance of brand equity. Brand equity is defined as the goodwill (i.e., equity) that an established brand has built up over its existence. This value can be measured by the degree to which a brand is different, relevant, held in high esteem, and has developed consumer knowledge. High brand-name awareness and strong, favorable, and perhaps unique associations that consumers have in memory about a particular brand help in this regard. Enhanced equity, in turn, helps bolster consumer brand loyalty, may increase market share, differentiates a brand from competitive offerings, and may permit charging relatively higher prices—depending on the target market.

The chapter also discussed the importance of not only restricting the assessment of marcom performance to brand equity measures, but also in considering whether marcom efforts have influenced behavior. By examining the effect that marcom has on behavior, it is possible to gauge financial accountability and thus better equip marketing communicators when they request increased budgets from CFOs. The technique of marketing mix modeling provides an analytic method for assessing the effectiveness of individual marcom elements and for determining how budgets should be shifted among program elements.

## Discussion Questions

1. With reference to the *Marcom Insight* segment that opened the chapter, and in view of the detailed section on brand equity later in the chapter, explain why brand awareness is a necessary, but insufficient indicator of brand equity.
2. Using the framework in Figure 2.2, describe all personal associations that the following brands hold for you: (a) McDonald's hamburgers, (b) Snapchat video messaging app, (c) Burton snowboards, (d) *The Onion* online newspaper, (e) basketball player Steph Curry, (f) Pinterest photo-sharing website, (g) the MINI Cooper automobile, and (h) Nike running shoes and apparel.
3. An ex-CEO of PepsiCo was quoted in the text as saying, "In my mind, the best thing a person can say about a brand is that it's their favorite." Identify two brands that you regard as your favorites. Describe the specific associations that each of these brands hold for you and thus why they are two of your favorites.
4. Provide examples of brands that in your opinion are positioned in such a way as to reflect the five personality dimensions: sincerity, excitement, competence, sophistication, and ruggedness.
5. Provide several examples of co-branding or ingredient branding other than those presented in the chapter.
6. When discussing brand equity from the firm's perspective, it was explained that as the equity of a brand increases, various positive outcomes result: (a) a higher market share, (b) increased brand loyalty, (c) ability to charge premium prices, and (d) capacity to earn a revenue premium. Select a brand you are particularly fond of and explain how its relatively greater equity compared to a lesser brand in the same product category is manifest in terms of each of these four outcomes.
7. Compare and contrast the speak-for-itself and message-driven approaches to enhancing brand equity.
8. Select a brand of vehicle (automobile, truck, motorcycle, SUV, etc.) and with this brand describe the type, favorability, strength, and uniqueness of brand associations that you hold in memory for this brand. Do the same for the brand's differentiation, relevance, esteem, and knowledge that it holds for you.
9. What are your reactions to the application of neuroscience to marketing (neuromarketing) that was described in *Insights Online* on the MindTap page? Do you consider this technique ethical? Do you fear that with the knowledge obtained from its application marketers will be able to manipulate consumers?
10. Describe the leveraging strategy for enhancing brand equity. Take a brand of your choice and, referring to Figure 2.5, explain how that brand could build positive associations, thereby enhancing its equity, by linking itself to (a) places, (b) things, (c) people, and (d) other brands. Be specific.
11. What does it mean to say that marketing communications should be directed, ultimately, at affecting behavior rather than merely enhancing equity? Provide an example to support your answer.
12. Why is demonstrating accountability important for marcom practitioners?
13. Assume that your college or university has had difficulty getting nonstudent residents in the local community to attend basketball games. Your school's athletic director requests that an organization you belong to (say, a local chapter of the American Marketing Association) develop an advertising program that is to be targeted to local residents to encourage them to attend basketball games. What measures/metrics could you use to assess whether the advertising program you developed has been effective? How might you assess the ad campaign's ROMI?

# Brand Adoption, Brand Naming, and Intellectual Property Issues

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Appreciate marcom's role in facilitating the introduction of new brands.
- 2 Explain the innovation-related characteristics that influence adoption of new brands.
- 3 Understand the role performed by brand names in enhancing the success of new brands.
- 4 Explain the activities involved in the brand-naming process.
- 5 Appreciate the role of logos.
- 6 Describe following intellectual property rights associated with brands: patents, copyrights, and trademarks.

## Marcom Insight

### Goodwill Boutiques: Thrifty Brand Takes Off

Have you been to a Goodwill Industries store recently? If so, and in the past, you may not have been willing to admit it, as it was once seen as a necessity for families to make ends meet or for college students preferring to spend money on pizza and beer. Yet times have changed. In 2014, the sales revenue from the resale market reached \$9.2 billion, with D.C.-based Goodwill stores accounting for \$4 billion annually. Currently, they have 165 store locations in the United States and eight other countries with 42.6 percent market share of the U.S. thrift category.

An important reason for the Goodwill brand resurgence is the opening of 60 sleek resale boutiques, including OC Boutique by Goodwill and Rare by Goodwill, where slightly used designer dresses are draped over chic mannequins. As noted by Frank Talarico, CEO of Goodwill Orange County, California, "When you walk into our [boutiques], they look and feel like Urban Outfitters or Anthropologie—polished cement floors, exposed ceilings, brick walls, a whole fragrance system inside—because we're very sensitive to the shopping experience." The ultimate objective of Goodwill's boutique-store strategy is to focus on (1) high-end shoppers who have never been to a Goodwill store before and (2) existing thrift store shoppers who



Source: [ocgoodwill.org](http://ocgoodwill.org)

want a better shopping experience, The millennial segment (18 to 35 years) is a special focus of this successful effort. As a nonprofit, Goodwill Industries' mission is to "enhance the dignity and quality of life of individuals and families by helping people reach their full potential through education, skills training, and the power of work." In 2014, more than 26.4 million received job training or used Goodwill's training services to improve their skills.

In order to keep Goodwill's social mission running and the boutique-store model viable, they have focused on making the donation of high-end clothes and goods easy and appealing. For example, in New York City recently, Goodwill teamed up

with Uber drivers through the hashtag #UberSpring Cleaning and were asked to pick up donations from apartment residents. Also, Goodwill launched a "Give Back Box" program for the 2015 holiday season in which e-commerce retailers (Levi's, Overstock.com, Dockers) included a prepaid box with orders for consumers to send back unwanted items to a local Goodwill store for free. So far, all of these creative efforts, coupled with the new boutique stores, have been quite successful in the rebranding and repositioning of Goodwill.

Source: Adapted from Molly Sloat, "Thrifty Business," *Marketing News*, December 2015, 26–35, <http://www.goodwill.org>.

### 3-1 Introduction

Introducing new brands is important for achieving continued growth and long-term success, and this chapter examines general factors that influence the acceptance of new brands and their likelihood of success. Also examined are considerations involved in developing brand names, which play a key role in influencing the initial success of new brands and the sustained success of mature brands. Finally, we examine the dimensions of intellectual property rights affecting brands, including patents, copyrights, and trademarks.

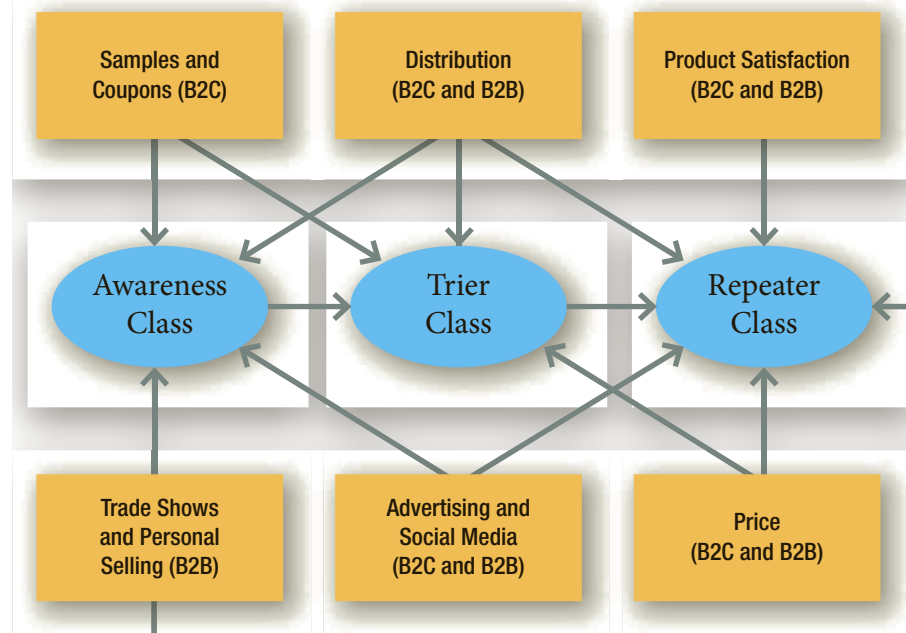
Introducing a stream of new brands is absolutely essential to most companies' long-term growth. Yet, despite

the huge investments and concerted efforts in introducing new brands, many are never successful. Although it is impossible to pinpoint the exact percentage of unsuccessful new brands, once introduced, failure rates typically range between 35 and 45 percent, and the rate may be increasing.<sup>1</sup> Thus, facilitating the successful introduction of new brands is an important part of the success of a company.

### 3-2 Marcom and Brand Adoption

The acceptance of new ideas, including new brands, has traditionally been referred to as *product adoption*, although the emphasis here will be with respect

**Figure 3.1** ▶ Model for the Brand Adoption Process



© Cengage Learning

to specific brands rather than entire product categories. This process of brand adoption occurs when consumers and B2B customers become aware of new brands, undertake trial purchases of these brands, and possibly become repeat purchasers.<sup>2</sup> The notions of trial and repeat purchase are particularly apt for inexpensive consumer packaged goods, and low involvement situations,<sup>3</sup> but even expensive durable goods like automobiles are tried via test-drives and repeat purchased at longer inter-purchase rates than characterize consumer goods.

The model in Figure 3.1, termed the *Brand Adoption Process*, indicates—with circles—the three main stages through which an individual becomes an adopter of a new brand. These stages are the awareness, trier, and repeater classes, with the term *class* referring to a group, or category, of consumers who occupy the same stage. The blocks surrounding the circles are mostly marcom tools that play a role in moving consumers from initial awareness, through trial, and ultimately to becoming repeat purchasers.

The proposed FordPass app is featured in Figure 3.2 and now will be used to demonstrate the Brand Adoption Process. FordPass® is a collection of personal, digital, and physical solutions for drivers introduced at the 2016 North American International Auto Show providing a wide range of mobility options through its

app.<sup>4</sup> For example, Ford is working with ParkWhiz and Parkopedia to help people find and pay for parking more easily, and with FlightCar to borrow and share vehicles when they travel. FordGuides provides one-on-one help via phone or live chat, which some have described as a “free-of-charge, personal mobility concierge.” Not only navigation, roadside assistance, and restaurant reservations are offered, but also any other personal needs. FordPass Perks is a reward system allowing access to merchandise and purchases with partners, such as McDonald’s and 7-Eleven. FordPay will allow users to pay for features of FordPerks and FordPass and could be facilitated with geo-location services. Finally, similar to Apple Stores, Ford will be offering new “mobility experience centers” starting in New York, Shanghai, London, and San Francisco that will have real-life FordGuides to help with mobility solutions. No doubt, Ford is repositioning itself as a mobility company, not just a carmaker, in order to take back the many apps and other devices used in their cars and broaden their solutions for drivers. (See the link <https://www.youtube.com/watch?v=t3wpM87-BFw> for a video presentation of FordPass.)

The first step in facilitating adoption is to make consumers aware of a service’s or product’s existence. Figure 3.1 illustrates four determinants of the awareness class: free samples and coupons, trade shows and personal selling, advertising and social media, and

**Figure 3.2** ▶ FordPass Hub Stores, FordPass App, and the Brand Adoption Process



Source: fordpass.com

distribution. The first three of these are distinctly marcom activities; the fourth, distribution, is closely allied in that point-of-purchase materials and shelf placement are aspects of a brand's distribution. Successful introduction of new brands typically requires an effective advertising and social media campaign, widespread distribution backed up with point-of-purchase materials, and, in the case of inexpensive packaged goods, extensive sampling and couponing. FordPass, for example, is being launched successfully beginning with the 2016 North American International Auto Show, YouTube and website advertising, personal sales mentions at dealerships, and especially through publicity garnered in high-tech blogs. These all are invaluable means of making prospective customers aware of new offerings. Although not shown in the Brand Adoption Process Model, word-of-mouth communication, a form of free advertising, also plays a significant role in facilitating brand awareness. (A later chapter will describe in detail efforts by marketing communicators to build buzz surrounding the introduction of brands.)

Once customers become aware of a new service, product or brand, there is an increased probability they will actually try the new offering.<sup>5</sup> Normally, coupons, distribution, and price are the factors that can affect the **trier class** (see Figure 3.1). The availability of cents-off coupons, wide product distribution on retailer shelves and displays, and lower prices (such as introductory, low-price offers) all facilitate trial of new consumer packaged goods. For durable goods, and in the case of the FordPass app service, trial may involve test-driving a new Ford automobile with the app or visiting a Ford Hub store to acquire hands-on experience with the mobility features. In the case of inexpensive packaged goods, trial more likely involves purchasing a new brand to test its performance characteristics—its taste, appearance, or whatever attributes and benefits are pertinent to the product category.

Repeat purchasing, demonstrated by the **repeater class**, is a function of five primary forces: personal selling, advertising and social media, price, distribution, and product satisfaction. That is, customers and consumers are more likely to continue to purchase a particular brand if personal sales efforts, advertising, and social media continue to remind them about the brand, if the price is considered reasonable, if the product or service is easily accessed, and if product quality is deemed satisfactory. On this last point, it is undeniable that marcom efforts are critical to boosting repeat purchasing, but they cannot make up for poor product or service performance. Consumer satisfaction with a brand is the major determinant of repeat purchasing. Ford is hopeful that consumers will be more than

satisfied with the mobility features of its new FordPass service.

### 3-2a BRAND CHARACTERISTICS THAT FACILITATE ADOPTION

Five brand-related characteristics influence consumers' attitudes toward *new* brands and their likelihood of adopting them. These are a brand's (1) relative advantage(s), (2) compatibility, (3) complexity, (4) trialability, and (5) observability.<sup>6</sup>

#### Relative Advantage

**Relative advantage** represents the degree to which consumers perceive a new brand as being better than existing alternatives with respect to specific attributes or benefits. This is a function of consumer perception and is not a matter of whether a new brand in a new product category is actually better by objective standards.

Relative advantage is positively correlated with an innovation's adoption rate. That is, the greater an innovation's relative advantage(s) compared to existing offerings, the more rapid the rate of adoption, all other considerations held constant. (Conversely, a new brand's relative disadvantages—high price, difficulty of learning how to use a new product, and so on—will retard the rate of adoption.) In general, a relative advantage exists to the extent that a new brand offers (1) better performance compared to other options, (2) savings in time and effort, or (3) immediacy of reward.

Consider the following illustrations of relative advantages:

- The cashless economy is becoming a reality due to new technology. Google Wallet and Apple Pay apps can turn a user's smartphone into a payment device. Sweetgreen and Starbucks estimate that 20 percent of their transactions are through their mobile apps.<sup>7</sup>
- Wireless technology via Bluetooth (in headphones, speakers, smartphones, TVs, texts delivered via car audio) offers the distinct advantage of not having to find or use cumbersome cables, wires, or plugs to enjoy entertainment and communication (see Figure 3.3).
- Hybrid automobiles (such as the Toyota Prius, Chevy Volt) and electric cars (e.g., Nissan Leaf, Chevy Bolt, Tesla S) offer meaningful relative advantages in the form of being more fuel efficient and environmentally friendly than conventional, fully gasoline-fueled automobiles.
- Unilever introduced a product long desired by parents: less drippy ice pops. Named Slowmelt Pops,

**Trier class** The group of consumers who actually try a new product; the second step in which an individual becomes a new brand consumer.

**Repeater class** A function of five primary forces: personal selling, advertising and social media, price, distribution, and product satisfaction.

**Relative advantage** The degree to which consumers perceive a new brand as being better than existing alternatives with respect to specific attributes or benefits.



**Figure 3.3** ▶ Advertisement Illustrating Relative Advantage

these specially formulated ice pops reduce melting and dripping and stay on the stick longer.

- PepsiCo recently introduced a “Social Vending Machine,” giving consumers the option to gift a beverage to a friend, which they can redeem at participating machines with an SMS (text) code.<sup>8</sup>

insights  
online

To learn more about relative advantages for ride-sharing apps (e.g., Uber) in China, go to Insights Online in MindTap.

### Compatibility

The degree to which an innovation is perceived to fit into a person’s way of doing things is termed **compatibility**. In general, a new brand is more compatible to the extent that it matches consumers’ needs, personal values, beliefs, and past consumption practices. Incompatible brands are those that are perceived as incongruent with how people have learned to satisfy their consumption needs. For example, reusable containers for water and food really took off when consumers realized the enormous amount of waste created by disposable

**Compatibility** The degree to which an innovation is perceived to fit into a person’s way of doing things, such as consumers’ needs, personal values, beliefs, and past consumption practices.

plastic and other containers. For runners, jackets with special stretchable hand cuffs were a smart idea to help keep out wind and snow without having to resort to always wearing running gloves.

Consider also the traditional manner by which wine bottles have been “corked.” For hundreds of years, real cork—which is the outer bark of oak trees—has provided the stopper material for wine bottles. Alternatives to real cork are serving as substitutes, including plastic stoppers and even twist-off metal caps. Although these newer types of stoppers are as effective as cork (and may even be superior because they cannot contaminate wine with the sometimes musty smell of cork), many traditionalists consider noncork stoppers unacceptable and not compatible with wine enthusiasts. For example, a survey of members of the U.S. wine trade (restaurateurs, hotel wine buyers, etc.) revealed that these experts believe their customers think that noncork enclosures cheapen a bottle of wine and that the reason consumers prefer cork enclosures is simply a matter of tradition rather than performance.<sup>9</sup>

In general, adoption rapidity is increased with greater compatibility. Innovations that are compatible with consumers’ existing situations are less risky, are more meaningful, and require less effort to incorporate into one’s consumption lifestyle. The adoption of electric cars in the United States has been hampered by the range



of the charge (usually less than 100 miles) and availability of charging facilities.<sup>10</sup> Yet, the recent availability of brands that range over 200 miles on a charge (e.g., Tesla S and affordable Chevy Bolt) and greater number of charging stations have helped aid electric car options to be more compatible with current driving habits in the United States.

Sometimes, the only way to overcome perceptions of incompatibility is through heavy advertising to convince consumers that a new way of doing things truly is superior to an existing solution. For example, even though *Time* recognized the Apple iPad as one of the 50 best inventions when launched,<sup>11</sup> this line of tablet computers received mixed reviews. As an example, some felt that the many details communicated on aspects of its hardware were less important than software and user interface issues. Yet, Apple went on to sell 15 million iPads, expecting to take 83 percent of the tablet computing market in the United States. A similar story occurred for Apple's promotion of the MacBook Air—"The World's Thinnest Notebook." Although criticized as omitting certain features, its thin, lightweight, and stylish attributes caught on quickly with consumers.<sup>12</sup>

### Complexity

**Complexity** refers to an innovation's degree of perceived difficulty. The more difficult an innovation is to understand or use, the slower the rate of adoption. As unlikely as it may seem in the twenty-first century, personal computers when first available were adopted slowly because many homeowners perceived them as too difficult to understand and use. The adoption of programmable TVs with hard drives (e.g., TiVo) also had been slower than expected, as many consumers feared they will be unable to use the technology successfully. Recently, smart TVs—providing Internet TV functions, online interactive media, over-the-top content, on-demand streaming media, and home networking access—are becoming easier to use than streaming devices such as Roku and Chromecast.<sup>13</sup>

The success of Apple's iMac in the late 1990s attests to the value of making product use simple. The iMac was virtually an instant success, selling about one-quarter of a million units in the first six weeks after launch and becoming one of the hottest products on the market during the holiday season. Although a very good personal computer, the iMac's retail price of \$1,299 at the time was, if anything, at a premium level compared to functionally competitive PCs. Indeed, in terms of specifications, the original iMac was nothing exceptional, with only 32 MB of RAM, a 4-GB hard drive, and a 233-MHz processing chip. However, the iMac's design was special. With a choice of five novel colors, translucent case, one-piece unit, rounded (versus angular)

**Complexity** An innovation's degree of perceived difficulty—the more difficult an innovation is to understand or use, the slower the rate of adoption.

**Trialability** The extent to which an innovation can be used on a limited basis prior to making a full-blown commitment.

**Observability** The degree to which the user of a new brand or other people can observe the positive effects of new-product usage.

shape, and preinstalled software, the iMac was unlike any other personal computer. Beyond its unique design, the iMac was perhaps the most user-friendly computer to ever hit the market. Essentially, the user simply had to plug it in and turn it on—no setup, no hassle. This perhaps explains why nearly one-third of the iMac buyers were first-time computer owners who apparently believed that the iMac did not exceed their threshold for complexity.

### Trialability

The extent to which an innovation can be used on a limited basis prior to making a full-blown commitment is referred to as **trialability**. In general, new brands that lend themselves to trialability are adopted at a more rapid rate. Trialability is tied closely to the concept of perceived risk.

Test-driving new automobiles, eating free food products at local supermarkets, using a trial-sized version of a new shampoo, and trying out a new golf driver before purchasing it illustrate trial behaviors. The trial experience (e.g., through sampling) serves to reduce the consumer's risk of being dissatisfied with a product after having permanently committed to it through an outright purchase.

Facilitating trial is typically more difficult with online services and durable products than with inexpensive packaged goods. Automobile companies allow consumers to take test-drives, but what do you do if you are, say, an online eyeglasses retailer or a lawn mower maker? If you are creative, you do what companies like Warby Parker and John Deere do in novel efforts to give people the opportunity to try their products. Warby Parker allows online consumers to try on eyeglasses via their Warby Parker mirror and a five-day home trial for up to five pairs before a final purchase.<sup>14</sup> John Deere offered a 30-day free test period during which prospective mower purchasers could try the mower and then return it, no questions asked, if not fully satisfied. The firm Rent the Runway allows one to borrow designer dresses at a discount. British-based Land Rover initiated a unique money-back offer to encourage purchases of Land Rover's Discovery Series II SUV model. Prospective buyers could drive the new SUV for 30 days or 1,500 miles and then return it for a full refund if they were dissatisfied with its performance.

### Observability

**Observability** is the degree to which the user of a new brand or other people can observe the positive effects of new-product usage. The more a consumption behavior can be sensed (seen, smelled, heard, etc.), the more observable, or visible, it is. Thus, wearing a new perfume with a subtle fragrance is less "visible" than adopting an avant-garde hairstyle. Driving an automobile with a new type of engine is less visible than driving one with



a unique body design such as a BMW MINI Cooper, Zipcar, or a Nissan Juke. In general, innovations that are high in observability lend themselves to rapid adoption if they also possess relative advantages, are compatible with consumption lifestyles, and so on. Products whose benefits lack observability are generally slower in adoptability.<sup>15</sup>

The important role of product observability is illustrated by Nike's long-standing use of showing the technology in its athletic shoes, such as its Shox brand. Highly visible inserts in the heels of shoes convey the benefits of stability, cushioning, and increased lift through tiny shock absorbers that provide spring. French luxury footwear and fashion designer Christian Louboutin produces footwear that has incorporated shiny, red-lacquered soles that have become his signature. These red-tipped fashion shoes are quite visible. The importance of observability perhaps explains why Apple released many of its iconic iPhones in different colors such as rose gold, space gray, and gold, as shown in Figure 3.4.<sup>16</sup>

Because status from brand ownership is one form of consumption advantage, an advantage high in symbolism rather than functionality, it perhaps is not surprising that many well-known clothing brands plaster their apparel items with prominent brand names and logos that are observable to the world. Consumers have become walking billboards for designer brands, a case of observability incarnate.



**Figure 3.4** ▶ iPhone Color Options

### 3-2b QUANTIFYING THE ADOPTION-INFLUENCING CHARACTERISTICS

At this point, it would be useful to provide a procedure whereby the five characteristics could be quantified to determine whether a proposed product concept stands a good chance of being successful. Table 3.1 illustrates a procedure for accomplishing this goal. Each of the five characteristics is rated in terms of its *importance* (from “1” to “5”) in determining the success of a proposed new product and then multiplied by its *evaluation* (scored from “-5” to “+5”), i.e., with respect to how well the new brand performs on each characteristic. These scores are then summed into a total score, ranging from “-25” to “+25.”

For illustration purposes, consider the issue of Ford’s proposal launch of the FordPass mobility app discussed previously. As shown in Table 3.1, relative advantage and trialability are judged to be the most important considerations in determining the success of this new mobility app, both with importance ratings of 5. This new app must compete against conventional methods and current apps (e.g., Waze, Google Maps, Yelp, iPhone features) in locating parking, directions, car and roadside assistance, ride sharing, restaurant reservations, partner purchases, etc. Although free, it is hoped that it will help solidify preferences for Ford vehicles and partner purchases. So the FordPass app must possess a *relative advantage* vis-à-vis existing apps and methods if it stands any chance of succeeding. Likewise, it is quite important that potential users be able to try the app in advance of actually downloading it (e.g., at a dealer or Ford Hub store), so *trialability* also receives an importance score of 5. *Compatibility*, however, is

considered to be of only moderate importance (a score of 3) depending on one’s familiarity with using smartphone apps and possession of a smartphone. *Complexity of use*, with an importance score of 4, is considered a very important determinant of product adoption as many novice app users may be reluctant to switch from their present methods. Finally, *observability* receives an importance score of only 1 in that adoption of the app usually does not involve others seeing how well the product works because this usually is a process done in private.

With importance ratings determined, we can turn to the evaluation of the FordPass app on each of the five adoption-influencing characteristics. On relative advantages, this new brand is assessed to have a possible score of 2, as it will be interesting to see if users give up their old methods and apps. The importance rating multiplied by its evaluation score results in a combined relative advantage score ( $I \times E$ ) of 10 points on this single dimension. Because the app may not replace a driver’s way of doing things, its compatibility evaluation score is -1, which thus produces a combined  $I \times E$  score of -3 points. It can be seen in Table 3.1 that the FordPass app scores on the negative side with respect to complexity in that it may be hard to replace or integrate with current apps. Yet it is likely to be easy to try at a dealer, Ford website, or hub store prior to, say, a Ford auto purchase or use. Because observability is a minor issue, the FordPass app  $I \times E$  score on this dimension is 1. The total score, as shown in Table 3.1, is 20. Based on its past new-product introduction efforts, let’s assume that Ford has learned that all brands with scores of 18 or higher typically are successful when

**Table 3.1** ▶ Hypothetical Illustration of Quantifying the Adoption-Influencing Characteristic

CHARACTERISTIC	IMPORTANCE (I)*	EVALUATION (E) **	$I \times E$
Relative advantage(s)	5	2	10
Compatibility	3	-1	-3
Complexity	4	-2	-8
Trialability	5	4	20
Observability	1	1	1
Total score	NA	NA	20

\*Importance is rated on a scale with values ranging from 0 to 5. A rating of 0 would indicate that a specific characteristic has no importance in this particular case. High positive values indicate progressively increasing levels of importance.

\*\*Evaluation is rated on a scale with values ranging from -5 to 5. A rating of 0, the midpoint of the scale, would indicate that the proposed new product performs neither favorably or unfavorably on the characteristic at hand; negative values indicate poor performance, with -5 representing the worst possible performance; positive values indicate favorable performance, with 5 representing the best possible performance.

introduced to the market. Therefore, with a total score of 20, it is likely that FordPass mobility app will be a success.

Yet, brand managers can build spreadsheets based on the results and ascertain what changes may be needed in order to increase the odds that a new product will succeed. For example, the FordPass app may not be evaluated quite as favorably in terms of its complexity for some new to apps. So, the brand management team may consider working aspects of their FordPass online video (<https://www.youtube.com/watch?v=t3wpM87-BFw>) into an ad campaign or for in-store display that allows prospective users to better understand the ease of use and applications of the mobility app.

### 3-3 Brand Naming

Choosing an appropriate brand name is an important decision, largely because that choice can influence early trial of a new brand and affect future sales volume. Indeed, brand names have been described as the “cerebral switches” that activate images in target audiences’ collective minds.<sup>17</sup> Research has shown that even children (as young as 3 or 4) are aware of brand names and that by the age of 10 or so the brand name takes on conceptual significance whereby children think about brand names as more than simply another product feature. In other words, the name takes on a “life of its own,” and children judge brands on the basis of their acquired reputations and evaluate people in terms of what brands they own.<sup>18</sup> A good brand name can evoke feelings of trust, confidence, security, strength, durability, speed, status, and many other desirable associations. A product’s brand name plays a major role in determining its immediate success upon introduction and its sustained prosperity as it matures.

The name chosen for a brand: (1) affects the speed with which consumers become aware of the brand,

(2) influences the brand’s image, and (3) thus plays a major role in brand equity formation. Achieving consumer awareness of a brand name is the critical initial aspect of brand equity enhancement. Brand-name awareness has been characterized as the gateway to consumers’ more complicated learning and retention of associations that constitute a brand’s image.<sup>19</sup> Through brand names, a company can create excitement, elegance, exclusiveness, and influence consumers’ perceptions and attitudes.<sup>20</sup>

#### 3-3a WHAT CONSTITUTES A GOOD BRAND NAME?

This is a difficult question that is often left up to brand-naming professionals, such as California’s Master-McNeil and Landor Associates, some of the first firms formed exclusively for brand naming and research.<sup>21</sup> It’s estimated that some 500,000 business open each month in the United States, and each one needs a name. For the process that leads to a single brand name, companies can pay anywhere from \$3,000 to \$75,000.<sup>22</sup> If that name becomes the foundation of a branding campaign, companies might pay “tens of millions of dollars” more to establish the brand’s presence, as occurred with the \$40 million rebranding of US Air as US Airways (now part of American Airlines).<sup>23</sup> Master-McNeil is responsible for such successful brand names as PayPal, Chevy Traverse, Buick LaCrosse, and the WE (women’s entertainment) TV network. Recent names developed include Clear Path, Numonyx, Planet Labs, Quid, Skyrocket, World Bridge, and Zesty. While at San Francisco-based Landor Associates before Master-McNeil, founder S.B. Master was responsible for naming Walt Disney’s Touchstone Pictures and Westin Hotels. A focus on brand-naming objectives and criteria, conceptual support (e.g., metaphors), name availability and linguistic services, customer relations, and global contacts are all important in the brand-naming process.



Source: jaumvr.com

However, it can be a real challenge in developing the right brand identification and differentiation needed for a successful brand name. For example, consider the following Internet-based company brands developed in part due to URL (uniform resource locator, i.e., Web address) availability: Colib, Diigo, Gliffy, Meebo, Trumba, and Zimbio. (Readers will note that many of these contain two syllables and double vowels, similar to Google and Yahoo!) Yet, as noted by a leading brand-naming expert describing some now-defunct brand names, “How . . . are you supposed to remember, or even care in the first place, what Eskobo does, what makes Renkoo special, and what differentiates Otavo from Oyogi from Qoop?”<sup>24</sup>

At this point, and given these challenges, let’s consider an actual brand name and the logic that went into choosing that name. More than \$34 million was raised by investors that were intrigued by a virtual reality (VR) experience starring the former Beatle, Paul McCartney, that replicated the experience of standing center stage with him as he sang “Live and Let Die” with 70,000 screaming fans. However, initially, the investors couldn’t come up with a brand name for this VR experience. So they turned to Anthony Shore, who had spent 13 years at the brand-naming shop Landor Associates, and a year at the branding firm Lexicon, before opening his single-employee naming agency, Operative Words. Shore first asked the investors “the brief,” i.e., what made the VR process new, different, amazing, etc. The investors wanted something short, conveying the idea of transport and science fiction. Shore relied on six creative factors (buckets) for branding naming to help: change (in location and time), entertainment, experience, immersion, presence and reality, and a “wow” factor. For the first factor, he concentrated on the *sound* of going to one place instantly. Speed (and the notion of “faster” and “smaller”) would be conveyed by *fricatives*, consonants produced by forcing air the narrow channel between teeth and tongue:

*f, s, v, and z.* The point of arrival would be conveyed through *plosives*, consonants in which the air is blocked: *b, d, p, and t.* Plosives or stops convey the notion of “slower” and “bigger.” The exercise produced names such as “Slide” or “Slyde.” Then, Shore used the Universal Text Combination app to produce a list of 7,500 names combining fricatives and plosives. Other websites that show how words work with other words (onelook.com) and rhyme with other words (rhymezone.com) were helpful in pairing the list down to 1,200 names and then to 61 of the best. These included Virch, Amuzium, FarAcross, Thrall,

Howl, Mezmer, Joyager, Jumpdoor, Livit, Lunge, Midst, Popover, Zyde, Jaunt, among others. Following an examination of name reasoning, a trademark search, cultural issues, and investor preferences, Jaunt was selected.<sup>25</sup>

Beyond this single name choice, marketing practitioners and researchers have attempted to specify factors that determine brand-name quality. There is a general agreement that brand names should satisfy several fundamental requirements. First, a good brand name should distinguish the brand from competitive offerings. Second, it should facilitate consumer learning of desirable brand associations by describing or suggesting brand attributes or benefits. Third, it is important that the name achieves compatibility with the brand’s desired image and with its product design and packaging. Fourth, it is useful for the name to be memorable and easy to pronounce and spell.<sup>26</sup> Finally, although not discussed subsequently as a fifth requirement, another important consideration is the suitability of the brand name for marketing a brand in multiple countries. Ideally, a brand name would satisfy requirements one through four equally well in all countries in which the brand is marketed. Needless to say, many brand names may fail to satisfy this ideal.

### Requirement 1: Distinguish the Brand from Competitive Offerings

It is desirable for a brand to have a unique identity, something that clearly differentiates it from competitive brands. Failure to distinguish a brand from competitive offerings creates confusion and increases the chances that consumers will not remember the name or mistakenly select another brand. Clinique selected the name Happy to suggest precisely that feeling for its perfume brand, a name choice that is striking in its differentiation from the usually sexually suggestive names chosen for perfumes such as Passion, Allure, and Obsession.



Philip Lange/Shutterstock.com

In the low-fare airline category, brand marketers have come up with unique names such as Ted Airlines (now part of United), Song (now part of Delta), Ryanair (Europe), Spirit Airlines, and JetBlue Airways—unique names that provide each airline with a distinct identity. Compare these names with the stodgy monikers that historically dominated the U.S. airline industry, names such as United, Continental, TWA, Delta, American, Northwest, Eastern, Southwest, and so on. The new airline names seem intent on conveying brand personalities that suggest these airlines deliver something more than mere functionality. Moreover, all are memorable and easy to pronounce (see requirement 4).

Rather than using brand names to differentiate themselves from competitors, some marketers attempt to hitchhike on the success of other brands by using names similar to better-known and more respected brands. However, the Federal Trademark Dilution Act of 1995 protects owners of brand names and logos from other companies using the identical or similar names. (In legal terms, brand names and logos are referred to as *trademarks*.) The objective of this legislation is to protect trademarks from losing their distinctiveness.<sup>27</sup> Trademark infringement cases occur with some regularity in the United States, and stealing well-known brand names is widely practiced in some newly emerging market economies such as China.

### Requirement 2: Facilitate Consumer Learning of Brand Associations

As described in Chapter 2, when discussing customer-based brand equity, a brand's image represents the *associations* that are activated in memory when people think about a particular brand. It is desirable that marketing efforts create associations that are favorable, strong, and perhaps unique. Brand names serve as *memory cues* that facilitate recall of product attributes and benefits and also predict product performance.<sup>28</sup>

Post-it (notepads), I Can't Believe It's Not Butter (margarine), I Can't Believe It's Not Chicken (a faux-chicken soy-based product), Healthy Choice (low-fat foods), Huggies (diapers), and Crocs (rubber shoes) illustrate brand names that do excellent jobs in describing (or suggesting; see later discussion) their respective products' attributes or benefits. Consider also the name Liquid-Plumr, which is the brand name for a liquid product that is poured into sinks to open clogged drainage pipes. The name implies that the product is virtually like having your own plumber, without, of course, incurring the expense and inconvenience of hiring an actual plumber. The *Insight Online* in MindTap describes a very interesting product that has a brand name, Tooth Tunes, that clearly describes that brand's key product attribute/benefit. Finally, compare some of the many tech-sounding names for smartphones with smartphone names that describe or suggest specific brand features or benefits (e.g., Samsung's Galaxy, Apple's

iPhone, the Motorola RAZR, HTC's Sensation, and LG's Chocolate and Revolution).

insights  
online

To learn more about Tooth Tunes, go to Insights Online in MindTap.

**Brand-Name Suggestiveness** Transmeta Corp., once a manufacturer of computer chips that competed against the much larger Intel and its Pentium class of products, introduced a super-efficient chip designed for laptop computers. This new chip promised to extend laptop usage without battery recharge for many hours beyond the standard two or three hours enabled by conventional chips. Transmeta named the new chip Crusoe after the famous fictional character Robinson Crusoe, suggesting that a “stranded” user to continue working for many hours without access to an electrical outlet.

Researchers have carefully examined the issue of brand-name suggestiveness. *Suggestive* brand names are those that imply particular attributes or benefits in the context of a product category. Crusoe is a suggestive brand name. So is Healthy Choice for food products, intimating that this brand is low in fat content and calories. The name Outback for Subaru's SUV suggests a product that is durable and rugged—capable of taking on the challenge of the famous Australian outback. Ford Explorer and Ford Escape are names that suggest adventure for prospective purchasers of SUVs and crossovers seeking the thrill of off-road driving. The name Crocs (rubber shoes) suggests that this brand is appropriate for wear in or around water as well as on land and is as tough as a crocodile's skin.

Suggestive brand names facilitate consumer recall of advertised benefit claims that are consistent in meaning with the brand names.<sup>29</sup> Suggestive names reinforce in consumers' memories the association between the name and the semantically related benefit information about



Source: ConAgra Foods

the brand.<sup>30</sup> Conversely, these same suggestive names may reduce the recallability of benefit claims after a brand has been repositioned to stand for something different than its original meaning.<sup>31</sup>

**Made-up Brand Names** To convey key brand attributes/benefits, brand-name developers sometimes create names rather than select names from actual words found in dictionaries. Microsoft's Zune is a made-up name. Many automobile brand names currently in use are made-up names, including Acura, Lexus, and Sentra. These names were created from *morphemes*, which are the semantic kernels of words. For example, Compaq, which now has merged with HP, combined two morphemes (*com* and *paq*) and in so doing suggested the product benefit of a compact computer. The automobile name Acura is a derivative of *accurate* and suggests precision in product design and engineering. The name Lexus, by comparison, appears to be an entirely made-up name that does not suggest any particular product feature or benefit. The same is true for Exxon, as this computer-generated name had no prior meanings or connotations globally and was distinct from their prior name (Esso) and its tiger mascot that had carried with it varied interpretations throughout the world.

**Sound Symbolism and Brand Naming** Research is increasingly showing that sound symbolism plays a major role in determining how consumers react to brand names and form judgments about brands.<sup>32</sup> Individual sounds, called *phonemes*, are the basis for brand names. Not only do phonemes serve to form syllables and words, but also they provide meaning about a brand through a process of *sound symbolism*.<sup>33</sup> Consider, for example, the use of “front” vowels in brand names (i.e., vowels such as *e* as in “bee” and *a* as in “ate”) compared to “back” vowels (vowels such as *ü* as in “food” and *o* as in “home”). Research has demonstrated that brand names that include front vowels (versus back vowels) convey attribute qualities such as smallness, lightness, mildness, thinness, femininity, weakness, and prettiness.<sup>34</sup>

A study using ice cream as the target product created the names Frosh and Frish for an allegedly new brand. These names differ only with respect to their phonetic sounds, with Frosh and Frish based on *o* (a back vowel) and *i* (a front vowel) sounds, respectively. The study determined that the name Frosh conveyed more positive brand attribute associations and more favorable brand evaluations than did Frish. The study further revealed that the effect of brand name sound symbolism occurred in an effortless, automatic fashion without cognitive involvement. It was this sound symbolism that led research participants to evaluate more favorably Frosh versus Frish ice cream.

### Requirement 3: Achieve Compatibility with a Brand's Desired Image and with Its Product Design or Packaging

It is important that the name chosen for a brand be compatible with a brand's desired image and also with

its design or packaging. Suppose, for example, that you wanted to name a brand of all-natural foods that have no artificial colors, flavorings, or preservatives along with a line of organic produce that has been grown with no synthetic fertilizers or pesticides. What would you name that brand? The Florida-based supermarket chain, Publix, chose the name GreenWise for its private-label collection of earth-friendly food items—a name compatible with the image desired. Many grocers have health food sections with their own brands. Healthy Choice is an ideal name for a category of fat-free and low-fat food items targeted toward weight- and health-conscious consumers. The name suggests the consumer has a choice and that Healthy Choice is the right one.

Another name that had fit well with a desired brand image was Swerve, which was Coca-Cola's now discontinued milk-based drink aimed at children and teens. The dictionary meaning of the word *swerve* is to make an abrupt turn in movement or direction. Prospective users of Swerve were thus promised a drink that was out of the ordinary and that would make them part of a “movement”—perhaps away from ordinary soft drinks. In a sense, this name suggested that drinking milk is a “cool” thing. Swerve's packaging graphics reinforced the name by displaying a grinning cow in dark glasses, suggesting a smart brand for young people who desire their own identity and perhaps march to their own drummer. However, even a good brand name cannot save a product that eventually fails to appeal to its intended target audience, as Coca-Cola discontinued the Swerve brand after only about three years on the market.

### Requirement 4: Be Memorable and Easy to Pronounce

Finally, a good brand name is easy to remember and pronounce. Although shortness is not an essential ingredient for a good name, many brand names are short, one-word names that facilitate ease of memory and pronunciation (Tide, Bold, Shout, Jaunt, Bounce, Cheer, Swatch, Smart, Zune, Crocs, Yum! etc.). Probably few words are as memorable as those learned in early childhood, and among the first words learned are animal names. This likely explains auto marketers' preference at one time for using animals as brand names (e.g., Mustang, Thunderbird, Jaguar, and Ram). In addition to their memorability, animal names conjure up vivid images. This is very important to the marketing communicator because concrete and vivid images facilitate consumer information processing. Dove soap, for example, suggests softness, grace, gentleness, and purity. Ram (for Dodge trucks) intimates strength, durability, and toughness.

In coming up with memorable names, companies often take liberties with standard dictionary spellings. For example, research shows that names with unusual spellings enhance consumer recall and recognition, perhaps explaining the naming decision for Campbell's Invigor8 drink.<sup>35</sup>

### Some Exceptions to the “Rules”

The previous discussion has identified four guidelines for brand naming (and also mentioned a fifth, although it—compatibility across cultures—was not discussed in detail). Yet, some successful brand names seem entirely at odds with the “rules” and become successful in spite of their names. The first brand in a new product category can achieve tremendous success regardless of its name if the brand offers customers distinct advantages over alternatives. Second, in all aspects of life there are exceptions to the rules, even in brand naming. For example, some successful brand names may not be short, but are memorable due to distinctive advertising, packaging, product features, or word-of-mouth campaigns (e.g., Häagen-Dazs ice cream, Leinenkugel beer).

A third major exception to the “rules” is that brand managers and their brand-name consultants sometimes intentionally select names that, at inception, are virtually meaningless (e.g., Exxon). As another example, the word *lucent* in Lucent Technologies (now Alcatel-Lucent) was selected because for most people this word has relatively little meaning and few associations—the *empty-vessel philosophy* of brand naming. The empty-vessel expression can be useful in that subsequent marketing communications are able to create the exact meaning desired without contending with past associations already accumulated in people’s memories.

### 3-3b THE BRAND-NAMING PROCESS

Brand naming involves a rather straightforward process, as determined by a survey of over 100 product and brand managers who represent both B2C and B2B products. Figure 3.5 lists the steps, and the following discussion describes each.

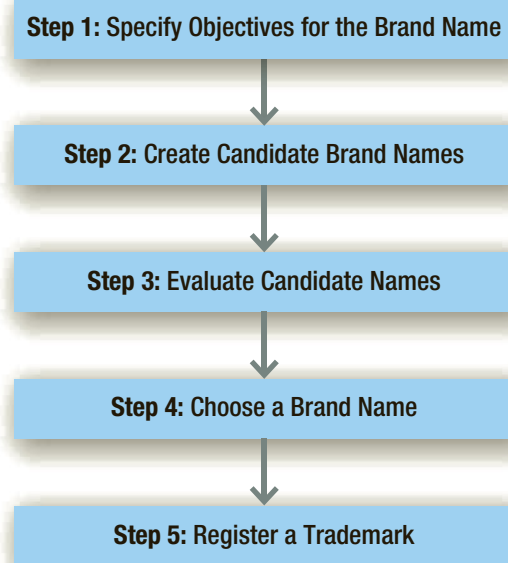
#### Step 1: Specify Objectives for the Brand Name

As with all managerial decisions, the initial step is to identify the objectives to be accomplished. Most managers are concerned with selecting a name that will successfully position the brand in the minds of the target audience, provide an appropriate image for the brand, and distinguish it from competitive brands.<sup>36</sup> As previously described, the name Jaunt for the virtual reality experience product was selected to be a short name that conveyed the idea of transport and science fiction.

#### Step 2: Create Candidate Brand Names

Brand-name candidates often are selected using creative-thinking exercises and brainstorming sessions. Companies frequently use the services of naming consultants to generate candidate names, as was the case in the selection of JetBlue, Verizon, Accenture, Lucent, and Jaunt. The survey of product and brand managers noted previously determined that nearly 50 candidate names were created for each brand-naming assignment.<sup>37</sup> Yet with the latest apps (e.g., Universal Text Combination)

Figure 3.5 ▶ The Brand-Naming Process



© Cengage Learning

and website help, the initial lists may be in the thousands, as occurred with the process for Jaunt.<sup>38</sup>

#### Step 3: Evaluate Candidate Names

The many names generated are evaluated using criteria such as relevance to the product category, favorability of associations conjured up by the name, and overall appeal. Product and brand managers consider it critical that names be easily recognized and recalled.

#### Step 4: Choose a Brand Name

Managers use the criteria noted in steps 1 and 3 to select a final name from the candidate field. In many firms, this choice is a matter of subjective judgment rather than the product of rigorous marketing research. For example, the airline name JetBlue was chosen subjectively based on hunch and insight.<sup>39</sup> JetBlue’s chief executive and his associates were uncertain what they wanted in a name for their new airline, but they were absolutely certain what they did not want—namely, they didn’t want (1) a geographic destination such as Southwest or Northeast, or (2) a made-up word such as brand names popular in automobile marketing (e.g., Lexus and Acura).

The marketing team at New Air, which was the operating name for the airline while awaiting the selection of a permanent name, considered numerous name possibilities, including New York Air, Gotham, Taxi, the Big Apple, Imagine Air, Yes!, and Fresh Air. Taxi was the name that had the greatest appeal to a top marketing executive, who thought that the name had “a New York feel” and would enable a unique plane design with yellow and black checkering on the tails of planes (reminiscent of the look of New York City’s Checker cabs). The name *taxi* eventually was



rejected, however, because in its verb usage, taxi describes what planes do on runways, and the Federal Aviation Administration rejected this usage for a brand name. Also, some feared that New York City taxi cabs may have had negative image associations for some riders.

New Air's marketing executives then considered other name possibilities, such as Blue, It, and even Egg. All three names were rejected, and as a last resort the company employed the services of Landor Associates, a firm that specializes in brand naming. Landor eventually came up with six candidate names: Air Avenues (too suggestive of New York's swank Park Avenue, which is an inappropriate association for a budget airline), Hiway Air (a made-up name, and rather silly at that), Air Hop (another silly name), Lift Airways (ultimately rejected for being suggestive of the emergency situation embodied in the similar sounding "airlift"), Scout Air (rejected because it implied an adventure destination and suggested the name of scouting organizations such as the Girl Scouts), and True Blue.

True Blue was the name initially selected. A key member of the marketing team shared these views: "The blue has a good visual aspect to it. It's the sky, it's friendship, it's loyalty." A long and arduous process was finally completed, and the new airline was prepared to trumpet its engaging name, True Blue. But just two weeks before launching public relations and advertising campaigns, the company learned that the True Blue name was already owned by Thrifty Rent a Car, which had copyrighted the name for use in a customer service program. (As an aside, the fact that the name was already owned had escaped Landor's legal analysis, much to the dismay of this respected brand-naming company.) Just one week before announcing the new airline, a member of the marketing team recommended the name JetBlue. Everyone agreed that the name would work, and New Air became JetBlue Airways—a fledgling airline that may become a mainstay of American airline service.

### Step 5: Register a Trademark

Most companies apply for a trademark registration. Some companies submit only a single name for registration, whereas others submit multiple names (on average, five names). One survey found that three names are rejected for every registered name, with one in two rejected more recently.<sup>40</sup> Trademarks and other intellectual properties are further discussed in a later section of this chapter.



Chris Parypa/Photography/Shutterstock.com

### 3-3c THE ROLE OF LOGOS

As part of a brand's "trade dress" (name, design, shape, colors, sounds, etc.) associated with a brand is a graphic design element called a *brand logo*. These design elements, or logos, can be thought of as a shorthand way of identifying a brand. For identifying their brands, companies use logos with or without brand names.<sup>41</sup> Not all brand names possess a distinct logo, but many do. Figure 3.6 presents a collection of six famous logos, ones that are readily recognizable to millions of people around the globe. For example, the Nike swoosh is virtually as famous as the company name, as are the logos for Shell Oil, Coca-Cola, and the other brands shown in Figure 3.6. Consumers learn these logos and easily recognize the brands on which the logos are emblazoned. (To test this, take a moment and visualize the logos for each of the following well-known brands: Pepsi, Ralph Lauren's Polo, Starbucks coffee, Twitter, Snapchat, Mercedes-Benz automobiles, New York Yankees, Arm & Hammer baking soda, and Cracker Jack popcorn.)

Logo designs are incredibly diverse, ranging from highly abstract designs to those that depict nature scenes and from very simple to complex depictions. Generally, good logos (1) are recognized readily, (2) convey essentially the same meaning to all target members, and (3) evoke positive feelings.<sup>42</sup> Research has determined that the best strategy for enhancing the likability of a logo is to choose a design that is moderately elaborate rather than one that is too simple or too complex. Also, natural designs (as opposed to abstract illustrations) were found to produce more favorable consumer responses (see Figure 3.7).<sup>43</sup>

### Updating Logos

Because logos become dated over time, companies occasionally update logos to be more attuned with the times. For example, the logo representing General Mills' Betty Crocker brand is a created person named Betty Crocker. Betty Crocker has represented this brand for more than 95 years and during this time has undergone a variety of changes. Figure 3.8 displays the four most recent incarnations of Betty Crocker. The current version, which was introduced in 1996 in celebration of Betty Crocker's 75th birthday, is a digitally morphed amalgam of the photos of 75 women.

Many other brands routinely update their logos. The URL presented in the following footnote provides a useful source for reviewing logo changes for a number of well-known brands such as Adidas, Apple, Chevy, Fiat, IBM, Kodak, Mercedes, Pepsi, Renault, Shell, Starbucks, and VW.<sup>44</sup> For example, Starbucks removed its angular text to leave a rounded logo. In fact, many logos have moved from an angular look to a more rounded

**Figure 3.6** ▶ Famous Logos

A3386 Uli Deck Deutsche Presse-Agentur/Newscom; Source: Starbucks.com; Colombia/Newscom; Source: Nike.com; AP Images/Anonymous; © HO/AFP/Getty Images/Newscom

appearance; however, recent research has shown that such a change is evaluated more negatively from consumers strongly committed to the brand.<sup>45</sup> Also, with relatively well-known brands (e.g., Gap), negative social media (e.g., via Twitter accounts) can hurt with major logo changes. However, angular to rounded logo changes are found to be more receptive in countries, such as India and China, that have cultures that are more interdependent and collectivist in nature.<sup>46</sup>

### 3-4 Intellectual Property

**Intellectual property** refers to a number of different author or company creations (e.g., a new brand name and/or logo) for which a set of exclusive rights are recognized under law.<sup>47</sup> Common types of intellectual property associated with product and brand protection include patents, copyrights, and trademarks.<sup>48</sup>

**Intellectual property** A number of different author or company creations (e.g., a new brand name and/or logo) for which a set of exclusive rights are recognized under law. This includes patents, copyrights, and trademarks.

**Patent** Permits an author or a firm to secure a monopoly or exclusive rights to the use of an invention for a period of 20 years, which is generally not renewable.

#### 3-4a PATENTS

In the United States, federal patent protection is the exclusive method for retaining rights to publicly disclosed inventions, according to Article I, sec. 8 of the U.S. Constitution. Under Congressional amendments, a **patent** permits an author or a firm to secure a monopoly or exclusive rights to the use of an invention for a period of 20 years, which is generally not renewable.<sup>49</sup> (This also is consistent with the World Trade Organization's [WTO] agreement on Trade-Related Aspects of Intellectual Property Rights.)

In the United States, there are three types of patents: utility, design, and plant.<sup>50</sup> The term *utility* patent is the most frequent type, and in the United States, it is used to distinguish itself from the other two types. The utility category includes patents for inventions such as biological, business method, chemical, and software patents. In contrast, *design* patents protect the appearance or shape, rather than the utilitarian function found with utility patents. This could include the design of a soft drink bottle, a smartphone, or other

**Figure 3.7** ▶ A Natural Design Logo**Figure 3.8** ▶ The Changing Faces of Betty Crocker

innovative consumer packaging. Finally, *plant* patents offer protection for discovery of certain naturally occurring and previously uncultivated plants or for the breeding of novel plants.<sup>51</sup>

U.S. patent applications are filed with the Patent & Trademark Office ([www.uspto.gov](http://www.uspto.gov)); yet to obtain rights, certain criteria must be met. For example, the patent filer must demonstrate that they have a novel, useful, and nonobvious process or product. Legally, a patent provides the right to *exclude others* from making, using, selling, offering for sale, or importing the invention for the term of the patent (usually 20 years).<sup>52</sup> If another party infringes on an owner's patent, the owner must file suit (in federal court) to seek an injunction and recover damages. For example, patent holder Robert Kearns was awarded a \$10 million judgment from Ford Motor Company for their violation of Kearns' intermittent windshield wipers.<sup>53</sup>

### 3-4b COPYRIGHTS

A **copyright** is a set of exclusive rights, not for an actual idea or invention, but for the *form* in which it is expressed, and it should be in a tangible medium.<sup>54</sup> For example, one may play a captivating song on a guitar, but the musical work needs to be scored (e.g., sheet music) to receive copyright protection. The focus of copyright protection is on the originality of the expression by the owner. Initially, copyright law addressed the copying of books, but has expanded over many years to include maps, sheet music, dramatic works, paintings, photographs, architectural drawings, sound recordings, motion pictures, computer programs, etc.

Although registration is not a requirement for copyright protection in the United States, the work should be registered with the Copyright Office of the Library of Congress ([www.copyright.gov](http://www.copyright.gov)) to receive these rights. A U.S. copyright is usually granted for the life of the author plus 70 years, or if "work for hire" (e.g., with an ad agency), 90 years from the date of publication or 120 years from its creation, whichever happens first. The registration application includes two copies of the work, a small filing fee, and the application form. Copyright laws are standardized via international agreements (e.g., Berne Convention, Trade-Related Aspects of Intellectual Property Rights [TRIPS]).

Copyright protection has certain limits. For example, the *fair use* doctrine (sec. 107 of 1976 Copyright Act) states that use of the copyrighted work for the purpose of criticism, comment, news reporting, teaching, scholarship, or research is not an infringement of a copyright.<sup>55</sup> Another important defense is the *lack of use for commercial purposes*. Yet, the recent Digital Millennium Copyright Act prohibits the manufacture, importation, or distribution of devices whose intended use, or only significant commercial use, is to bypass an access or copy control put in place by a copyright owner.<sup>56</sup> Fair use

**Copyright** A set of exclusive rights, not for an actual idea or invention, but for the form in which it is expressed, and it should be in a tangible medium.

**Trademark** A distinctive sign, or an indicator used by an individual, business organization, or other legal entity to identify the goods or services to consumers with which the trademark appears; and to distinguish its goods and services from competition.

**Trade dress** The appearance and image of the product, including its packaging, labeling, shape, color, sounds, design, lettering and style - all associated with the brand.

is not a defense to such distribution, as found in the music recording industry.

### 3-4c TRADEMARKS

A **trademark** is a distinctive sign, or an indicator used by an individual, business organization, or other legal entity to *identify* the goods or services to consumers with which the trademark appears; and to *distinguish* its goods and services from competition. In the United States, there are approximately two million active trademarks, and 5,000 new applications filed with the Patent & Trademark Office each week.<sup>57</sup> A trademark typically is a (brand) name, word, phrase, logo, symbol, design, image, or combination of these elements.<sup>58</sup> **Trade dress** may encompass these as well as unconventional categories, such as associations of the brand with color, smell, sounds, etc.

In the United States, the 1946 Lanham Act supplemented common law by offering federal protection through federal registration (via the Patent & Trademark Office: [www.uspto.gov](http://www.uspto.gov)). Although registration is not mandatory, it is encouraged to

provide trademark owners with benefits.<sup>59</sup> For example, registration offers nationwide protection that would only cover local areas under normal use. Interestingly, unlike the United States and most countries, registration trumps use in China.<sup>60</sup> Moreover, it is suggested that you register your mark in one or several Chinese languages (e.g., Mandarin). For instance, Starbucks used Xian Bake, as "Xian" translates to "star" in Chinese and "Bake" is pronounced like "bucks" in Chinese.<sup>61</sup> In addition to registration in other countries, experts suggest registration with your country's customs service (e.g., U.S. Customs Service for U.S. firms) that can seize infringing items imported into your country.

In many parts of the world—e.g., Africa—stopping *trademark counterfeiting* can be quite challenging. Fake Kiwi shoe polish, knockoff Rolexes, counterfeit Louis Vuitton handbags, copycat Gucci eyeglasses, and fake Viagra are commonplace.<sup>62</sup> As it turns out, the protection of intellectual property rights in many developing countries is a new concept. This means that many brand owners are at the mercy of (Chinese) counterfeiters in places like Uganda and Kenya.<sup>63</sup>

In addition to trademark counterfeiting, *trademark dilution* or *disparagement* cases have occurred (e.g., abuse of trademarked Disney characters online). In addition, a company could lose their trademark if the mark becomes a "common descriptive work" (i.e., becoming a generic term or referred to as the process of *genericness*). For example, through the generic usage of the brand, Kellogg lost the exclusive rights to their cereal *Shredded Wheat*. To avoid genericness, firms are told to use the word *brand* with their name (e.g., Xerox brand, Jell-O Brand) and to avoid using the name as a general product category term in their marketing communications.

# Summary

The continual introduction of new brands is important to the success of most business organizations. Marketing communications can facilitate the brand-adoption process by communicating a new brand's relative advantages, showing how it is compatible with consumers' existing purchase preferences and values, reducing real or perceived complexity, enhancing the brand's communicability, and making it easy to try.

The brand name is the single most important element for a product and plays an influential role in determining whether new brands succeed. The brand name works with advertising and other product features to communicate and position the brand's image. The brand name identifies the product and differentiates it from others

on the market. A good brand name can evoke feelings of trust, confidence, security, strength, durability, speed, status, and many other desirable associations. A brand name should satisfy several fundamental requirements: it should describe the product's benefits, be compatible with the product's image, and be memorable and easy to pronounce. A major section in this chapter was devoted to a five-step process for selecting a brand name. Another section discussed the nature and role of brand logos.

The chapter concluded with a discussion of intellectual property rights associated with products and brands, including patents, copyrights, and trademarks. This discussion includes what each right entails, their application process, legal rights, and coverage limits.

## Discussion Questions

1. Sugar-substitute products have been available for years. The two historically leading brands in this category are Equal (blue package) and Sweet'N Low (pink package). A yellow-packaged product named Splenda claims that it is "made from sugar, so it tastes like sugar." Recent addition Truvia (white and green package) had claimed it was "naturally sweetened." Using Splenda and Truvia for illustration, explain the process by which marketing variables may (or may not) influence consumers to become part of the awareness, trier, and repeater classes for this brand (refer to Figure 3.1).
2. What determines whether a new product or service has relative advantages over competitive offerings? Identify the relative advantages of each of the following: wearable sports cameras, electric automobiles, fitness trackers, smart TVs. Given that each of these products also has relative disadvantages compared to competitive products, present a general statement (i.e., a statement with universal applicability) that would explain why consumers are willing to adopt new products even though they almost invariably have relative disadvantages.
3. Pick a new brand of your choice and describe in detail how that brand satisfies, or fails to satisfy, the following success requirements: relative advantages, compatibility, complexity, trialability, and observability. Note: For the purpose of this assignment, it is better to select a brand that represents an innovative product category rather than a simple extension of an established category.
4. Can the stages in question 3 help explain how teens may start using products (e.g., e-cigs, cigarillos, hookah) that may have negative health consequences for them?
5. Assume you work for a company that is in the business of creating brand names for clients. One of your clients is a major automobile company. This company is in the process of introducing a new electric automobile to compete against Nissan's all-electric Leaf and Chevy's all-electric Bolt. Your task is to develop a name for this new automobile, either a real dictionary-word name or a made-up name along the lines of Lexus or Acura. Present and justify your choice of brand name.
6. Perform the same exercise as in question 5, but now develop a brand name for a new brand of soy milk. Perhaps the best-known brand in this category is Silk, which obviously is a conjunction of soy and milk.
7. Select a product category of personal interest and analyze the brand names for three competitive brands in that category. Analyze each brand name in terms of the fundamental requirements that were described in the chapter. Order the three brands according to which has the best, next best, and worst brand name. Support your ranking with specific reasons.
8. Based on your personal experience in using smartphones, propose a design for a new smartphone that, in your view, would make it a success among consumers in your age group. Based on the new attributes/benefits that your proposed smartphone would possess, provide a brand name for the phone and justify your rationale for this name.
9. A Boston diamond wholesaler developed a special way to cut diamonds that gives diamonds perfect

symmetry and extra sparkle. The wholesaler developed a viewing device (called the proportion scope) that allows consumers to see a diamond with eight perfect hearts and eight arrows when they peer through the scope. The inventor of this specially cut diamond gave his gems the brand name Hearts on Fire. Evaluate this name by applying concepts from the chapter. Propose an alternative name.

10. SUVs have names such as the Ford Explorer, Chevy Tahoe, Nissan Armada, Lincoln Navigator, Infinity QX-60, Jeep Wrangler, Toyota Highlander, Cadillac Escalade, and so on. Suppose you worked for an automobile company and that your company developed an SUV that was marketed as safer and more fuel efficient than other SUVs. What would you name this new vehicle? What is your rationale for this name?
11. Identify several brand logos other than those illustrated in this chapter and indicate why, in your view, these are effective logos.
12. Search online for recent cases involving the following trademark infringements and lost trademark rights: trademark counterfeiting, trademark disparagement and/or dilution, and genericness (common descriptive work). What might have the trademark owners done differently to protect their rights in each case?

# Environmental, Regulatory, and Ethical Issues

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Appreciate the role of marketing communications in environmental (green) marketing.
- 2 Recognize the principles that apply to all green marcom efforts.
- 3 Explain the role and importance of governmental efforts (e.g., Federal Trade Commission [FTC], Food and Drug Administration [FDA]) to regulate marketing communications.
- 4 Be familiar with the elements that guide the determination of whether a particular advertisement is deceptive.
- 5 Be acquainted with the regulation of unfair business practices and the major areas in which the unfairness doctrine is applied.
- 6 Know the process of advertising self-regulation.
- 7 Appreciate the ethical issues associated with advertising, sales promotions, social media, and other marcom practices.
- 8 Understand why the targeting of marketing communications toward vulnerable groups is a debated practice.

## Marcom Insight

### Graphic Visual Tobacco Warnings in the United States

As a matter of U.S. public health and regulatory policy, the United States was the first nation in the world in 1966 to require a health warning on cigarette packages. This text warning read, “Caution: Cigarette Smoking May Be Hazardous to Your Health,” and was updated in 1985 to include five rotating, specific text health warnings. However, although the United States began the trend of labeling cigarette packages with health warnings, it currently has one of the smallest and least prominent warnings on packages in the world. The “bottom line” is that the U.S. warnings have not changed in 31 years, often go unnoticed (due to familiarity and habituation), and fail to really convey relevant information to smokers in order to quit. Currently, more than 77 other countries already have adopted graphic visual tobacco warnings on packages.

Although there has been some progress, the health statistics for smokers in the United States still are not encouraging, as some 483,000 Americans die each year from smoking, approximately 3,200 people under the age of 18 become smokers daily, and overall adult



Handout/Getty Images News/Getty Images

smoking rates (16.8 percent) translate into 40 million adult smokers in the United States.

Although there have been First Amendment challenges from the industry, and a temporary injunction by a federal judge, a major provision of the Family Smoking Prevention and Tobacco Control Act of 2009 requires color graphics with supplemental text that depict the negative consequences and cover 50 percent of the front and back of each pack. Based on research, the U.S. Food and Drug Administration selected nine new graphic visual health warnings in 2011 that were to be included on cigarette packaging and advertising by October 2012.

The ultimate question, of course, is whether or not these regulatory and public health communication efforts will be effective. A review of 94 graphic visual tobacco health warning studies (with 72 quantitative ones) indicated that they indeed can be effective (e.g., impacting awareness, health beliefs, quit intentions, and reported behavior), with larger warnings with pictures being significantly more persuasive than smaller, text-only versions. Also, experimental research (with cause-and-effect inferences and control groups) has shown that adding a visual warning to the textual warning currently used in the United States can decrease the perceived attractiveness of the cigarette package and increase smokers' intentions to quit. In addition, experimental studies have shown that the level of graphicness affects quit thoughts for adolescent smokers, with both high and moderate graphic levels being more effective than low or no graphic warnings. At this point, however, additional research is needed with strong methodologies to assess the impact of the graphic health warnings on actual cessation behavior.

Recently, Australia, the United Kingdom, Ireland, and France have taken one step further than the graphic health warnings by requiring "plain pack" tobacco package branding. Such plain pack branding not only includes larger graphic health warnings but removes all branding colors, imagery, logos, and trademarks, except for a small brand identifier on the pack. Experimental results show that the plain packs can strengthen the more

instantaneous, direct effects (short of quitting thoughts) found with the graphic health warnings.

Sources: Duff Wilson, "U.S. Releases Graphic Images to Deter Smokers," *New York Times*, June 21, 2011, [http://www.nytimes.com/2011/06/22/health/policy/22smoke.html?\\_r=1&hp](http://www.nytimes.com/2011/06/22/health/policy/22smoke.html?_r=1&hp); "Required Warnings for Cigarette Packages and Advertisements," *Federal Register*, U.S. Food & Drug Administration, 76 (120), June 22, 2011, 36628–36777; see also Bethany K. Dumas, "An Analysis of the Adequacy of Federally Mandated Cigarette Package Warnings," (Chapter 11) in *Language in the Judicial Press*, eds., J. N. Levi and A. G. Walker (New York: Plenum Press Corp., 1990): 309–352; *Federal Register*, 36629, 36631; Duff Wilson, "Court Blocks Graphic Labels on Cigarette Packs," *New York Times*, November 7, 2011, <http://www.nytimes.com/2011/11/08/health/policy/court-blocks-graphic-labels-on-cigarette-packs.html>; David Hammond, "Health Warning Messages on Tobacco Products: A Review," *Tobacco Control*, 2011, doi:10.1136/tc.2010.037630; Matthew Myers, "Government's Decision Not to Appeal Cigarette Warning Ruling Is Disappointing; FDA Should Quickly Develop New Set of Graphic Warnings," Washington, D.C.: Campaign for Tobacco-Free Kids, March 2013, [http://www.tobaccofreekids.org/press\\_releases/post/2013\\_03\\_19\\_fda](http://www.tobaccofreekids.org/press_releases/post/2013_03_19_fda); Jeremy Kees et al., "Tests of Graphic Visuals and Cigarette Package Warning Combinations: Implications for the Framework Convention on Tobacco Control," *Journal of Public Policy & Marketing* 25 (Fall 2006): 212–223; Jeremy Kees et al., "Understanding How Graphic Pictorial Warnings Work on Cigarette Packaging," *Journal of Public Policy & Marketing* 29 (Fall 2010): 265–276; Ellen Peters et al., "The Impact and Acceptability of Canadian-Style Cigarette Warning Labels Among U.S. Smokers and Nonsmokers," *Nicotine & Tobacco Research* 9 (April 2007): 473–481; J. Nonnemaker et al., "Experimental Study of Graphic Cigarette Warning Labels" (Research Triangle Park, NC: RTI International, 2010); Daniel Romer et al., "Desire versus Efficacy in Smokers' Paradoxical Reactions to Pictorial Health Warnings for Cigarettes," *PLOS One* 8, no. 1 (2013): e54937, doi:10.1371/journal.pone.0054937; A. Wang et al., "Emotional Graphic Cigarette Warning Labels Reduce the Electrophysiological Brain Response to Smoking Cues," *Addiction Biology* (December 15, 2013), doi:10.1111/adb.12117; J. Craig Andrews et al., "How Graphic Visual Health Warnings Affect Young Smokers' Thoughts of Quitting," *Journal of Marketing Research* 51 (April 2014): 165–183; Richard G. Netemeyer et al., "Graphic Health Warnings on Cigarette Packages: The Role of Emotions in Affecting Adolescent Smoking Consideration and Secondhand Smoke Beliefs," *Journal of Public Policy & Marketing* 35 (Spring 2016): 124–144; Joel Monarrez-Espino et al., "Systematic Review of the Effect of Pictorial Warnings on Cigarette Packages in Smoking Behavior," *American Journal of Public Health*, 104, e11–e30, doi:10.2105/AJPH.2014.302129; J. Craig Andrews et al., "Effects of Plain Package Branding and Graphic Health Warnings on Adolescent Smokers in the USA, Spain, and France," *Tobacco Control*, December 20, 2016, doi:10.1136/tobaccocontrol-2015-052583; e120–e126.

## 4-1 Introduction

This chapter examines three major topics: (1) *environmental issues in marketing communications*, (2) the *regulation* of marcom practices, and (3) *ethical issues* in marketing communications and their implications. All three topics are interrelated: ethical issues confronting contemporary marketing communicators sometimes

occur over environmental marketing efforts, and regulation (from federal and state governments and by industry self-regulators) is needed due in large part to some unethical marketing communications practices.<sup>1</sup> The discussion of graphic visual warnings on tobacco packages in the opening *Marcom Insight* represents a situation where issues of advertising regulation, ethics, and public health are involved.

## 4-2 Environmental Marketing Communications

People around the world are concerned with the depletion of natural resources, the degradation of the physical environment, and sustainability. The world's carbon footprint has grown larger with the rapid economic development of China and India, added to huge petroleum consumption by highly industrialized countries such as the United States and Canada. Although skeptics remain, the scientific community generally agrees that global warming is largely a man-made reality and that corrective measures are required.

insights  
online

To learn more about the measurement of environmentally sustainable consumption, go to Insights Online in MindTap.

Many companies are responding to environmental concerns by introducing environmentally-oriented products and undertaking marcom programs to promote them. These actions are referred to as **green marketing**.<sup>2</sup> Legitimate green marketing efforts should minimally accomplish two objectives: improve environmental quality and satisfy customers.<sup>3</sup> Anything short of meeting these objectives amounts to bogus environmental marketing, or what has been referred to as *greenwashing*. Yet compared to the 1990s, the current climate for environmental claims is one of accountability and scrutiny.<sup>4</sup> For example, when Levi's launched its new line of "eco" organic cotton jeans, it did not promote them,

### Green marketing

Responding to environmental and sustainability concerns by introducing environmentally-oriented products and undertaking marcom programs to promote them.

as it still took one-third of a pound of chemicals to grow one pound of cotton.<sup>5</sup> So, companies that may be *relatively* better may not be so in an *absolute* sense—an ongoing challenge in marketing communications. In fact, to some "deep green" consumers, the only way to be true to the environment is to drive down consumption. The following section discusses illustrative marcom efforts that fall under the banner of credible green marketing.

### 4-2a GREEN MARKETING INITIATIVES

Motivated for reasons such as achieving regulatory compliance, gaining competitive advantage, being socially responsible, and following the commitment of top management, some companies have made legitimate responses to environmental problems.<sup>6</sup> These responses mostly have been in the form of *new or revised products*. Perhaps the major environmentally responsive product initiative has been the introduction of electric-gas hybrid vehicles such as the Toyota Prius and Chevy Volt, and true electric (and affordable) vehicles, such as the Nissan Leaf, Chevy Bolt, and Tesla Model 3.<sup>7</sup>

Compact fluorescent lightbulbs (CFLs) are increasingly prevalent because they are longer lasting and more energy efficient than traditional incandescent bulbs. In fact, the traditional incandescent bulb is targeted for an eventual phaseout in countries throughout the world.<sup>8</sup> In the United States, California's target date for the phaseout is 2018. Even Nike has gone green with its introduction of Air Jordan XX3 sneakers that have an outsole made of recycled material and almost no chemical-based glues.<sup>9</sup> Patagonia has developed a wet suit not from conventional, petroleum-based neoprene, but from natural rubber derived from a desert shrub.<sup>10</sup>

### Green Advertising

Environmental appeals in advertising were commonplace in American advertising for a short period in the early to mid-1990s, but the initial fervor toward the deteriorating physical environment waned. In fact, for 10 years following this period, it was difficult to find examples of environmentally-oriented advertising. Now, however, with a rising tide of interest in green marketing and green consumption, environmental appeals have reemerged. Green advertising represents a wise marcom strategy, but only if brand marketers have something meaningful to say about the ecological efficacy of their brands vis-à-vis competitive brands.



Thampapan/Shutterstock.com



**Figure 4.1** ▶ Green Advertising Addressing the Biophysical Environment



**THANKS TO HIS STUBBORNNESS, THE WASTE ON THIS TRUCK CAN BE USED TO FUEL IT.**

Patrick Foody Sr. is a determined man. Some 30 years ago, he had a visionary idea. He would produce ethanol, a vital ingredient in transportation fuels, from agricultural wastes like cereal straws and cornstalks. Contemporaries doubted him. Initial attempts were costly. Still, Pat and his colleagues at Iogen Corporation pressed on. After much dogged persistence, and with help from

Shell, they found ways to make large-scale production a commercial reality. It may be a while yet before alternatives such as EcoEthanol™ can become a major source of energy. But by seeking out partners like Pat, we're hoping to bring that day a step closer. For more information, visit [www.shell.com](http://www.shell.com).



Source: Dutch Royal Shell

(As previously noted, this is due to greater scrutiny and accountability.) More advertisers would undoubtedly jump on the green bandwagon if their brands had environmentally-based relative advantages.

There are three types of green advertising appeals: (1) ads that address a relationship between a product/service and the biophysical environment (e.g., the ad for Shell in Figure 4.1), (2) those that promote a green lifestyle without highlighting a product or service (see Figure 4.2), and (3) ads that present a corporate image of environmental responsibility.<sup>11</sup>

### Reduced Packaging Responses

Many efforts have been initiated to improve the environmental effectiveness of packaging materials. Early examples included packaging soft drinks and many other products in recyclable plastic bottles, switching from polystyrene clamshell containers to paperboard packages for burgers and other sandwiches, and introducing concentrated laundry detergents to shrink packages and thus produce less waste

disposal to be placed in already crowded landfills. More recently, we have seen efforts on the part of companies such as PepsiCo to reduce the amount of plastic used in bottles for some of its non-cola beverages (e.g., Lipton iced tea and Tropicana juice drinks).<sup>12</sup> PepsiCo's Pepsi and Diet Pepsi cans are now made with 40 percent recycled aluminum,<sup>13</sup> and Coca-Cola has supported financially the world's largest bottle-to-bottle recycling plant and has promised to recycle 100 percent of its aluminum cans sold in the United States.<sup>14</sup> Eighty-five percent of Coca-Cola's unit case volume is delivered in bottles and cans, and they have trimmed the weight of their PET plastic bottles by 25 percent, their aluminum cans by 30 percent, and their glass bottles by more than 50 percent.<sup>15</sup> Recently, the athletics company Adidas ended the use of microbeads in its body care product packages, as the small beads (5 mm in diameter) were passing through sewage treatment plants after being washed down the drain and ending up in rivers, lakes, and oceans (see Figure 4.3).

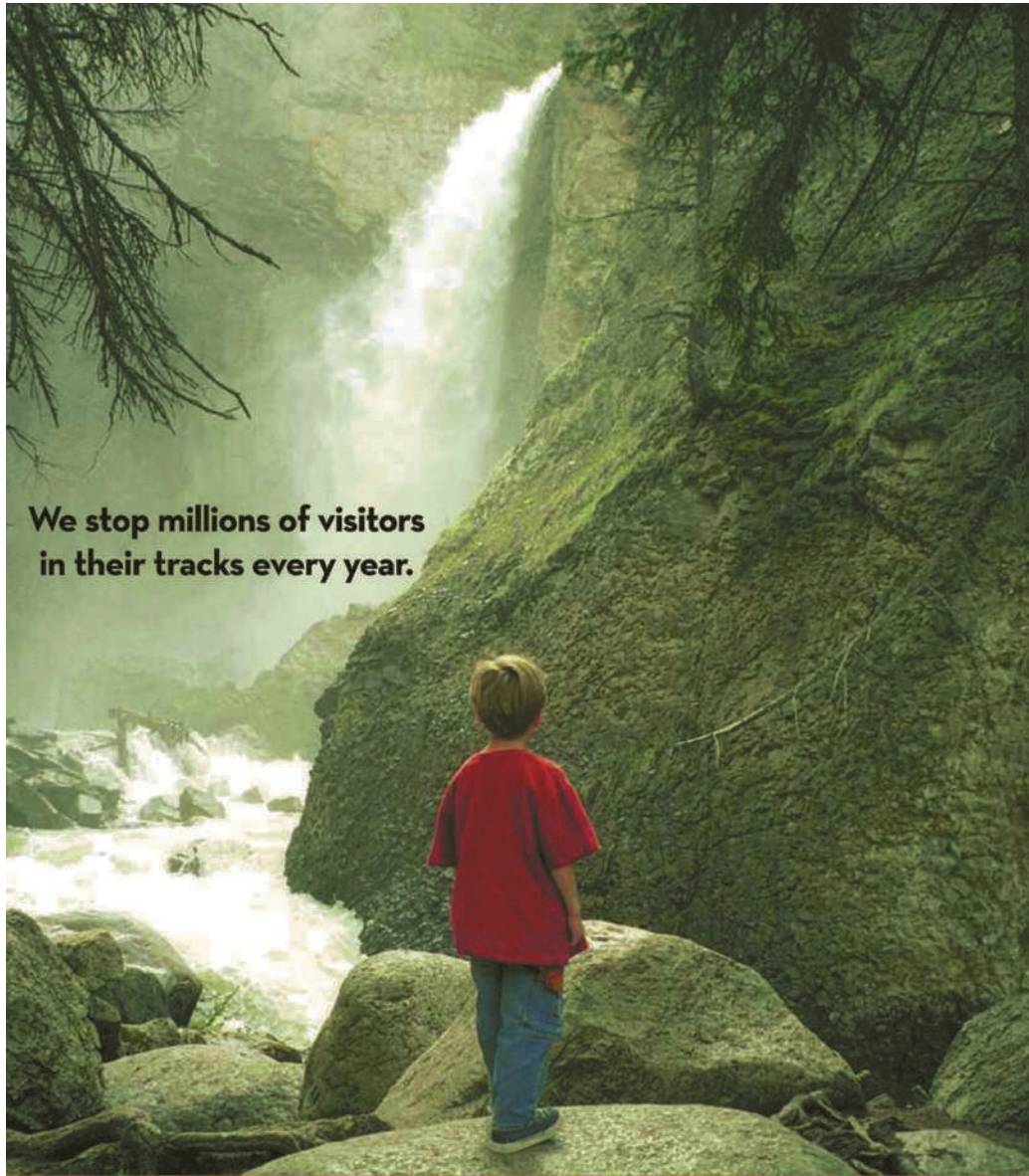
In one of the major initiatives toward more ecologically friendly packaging, Walmart introduced a package-reduction program that requires its 60,000 worldwide suppliers to rate themselves in terms of various packaging-related factors (e.g., product-to-package ratio, percent of recycled content, and packing tightness of shipping pallets). Suppliers report their scores to Walmart and track the progress of their packaging-reduction efforts.

Walmart uses this information as input into its selection of suppliers in competitive product categories. Walmart's objective is to cut by 5 percent the amount of packaging on products carried in its stores. Packaging reduction of this magnitude would equate to savings of millions of trees and millions of barrels of oil that go into producing packaging materials.<sup>16</sup>

### Seal-of-Approval Programs

Organizations around the world have designed programs to assist consumers in identifying environmentally friendly products and brands. In Germany, for example, the Blue Angel seal represents a promise to consumers that a product carrying an environmental claim is legitimate. At present, there are 12,000 brands and services in 120 product categories that carry the Blue Angel ecolabel.<sup>17</sup> For example, a car sharing and bike rental firm recently received Blue Angel certification. Green Seal, a Washington, D.C., nonprofit organization, has developed

**Figure 4.2** ▶ Green Advertising Promoting a Green Lifestyle



**We stop millions of visitors  
in their tracks every year.**

Photo by: Stephen Price, Second Prize, 2004 National Parks Pass Experience Your America™ Photo Contest Winner, Yellowstone National Park, WY.

**SEE AMERICA'S NATIONAL PARKS**

**HELP PRESERVE AMERICA.**

**Buy a National Parks Pass.**

Buy a National Parks Pass at [www.SeeAmerica.org](http://www.SeeAmerica.org) where you will also find detailed travel information, deals and tips for all of the 388 National Parks in America including national monuments, historic sites, trails, battlefields and more. Experience the best America has to offer starting at [SeeAmerica.org](http://SeeAmerica.org).

American Airlines Travelodge Kodak TIME

A program of the National Park Foundation

**SEE AMERICA.ORG**

American Airlines is a mark of American Airlines, Inc. TIME is a registered trademark of Time Inc., used by permission.

Source: National Parks Service

**Figure 4.3** ▶ Companies Eliminating the Use of Harmful Microbeads in Products



Source: Adidas

standards and awarded seals to companies that meet environmental standards—which fewer than 20 percent of all products in the category are able to satisfy. General Electric, for example, received a seal for developing compact fluorescent lightbulbs. In addition to Green Seal, there are various product-category-specific seal programs. For example, the 100% Recycled Paperboard Alliance—a group of North American recycled paperboard manufacturers—allows participating members to identify their products with a logo that consists of a semicircle of small arrows pointing to the words *100% Recycled Paperboard*. More than 80 companies have received certification from the 100% Recycled Paperboard Alliance.<sup>18</sup> Other seal-of-approval programs include the EPA’s “Safer Choice Label,” certifying safer chemical impact of products on the environment, and the Rainforest Alliance’s “green frog” certification.<sup>19</sup>

### Sponsorship Programs: Cause-Related and Event Marketing

In general, sponsorship marketing is when companies sponsor or support worthy environmental or social programs in order to generate goodwill about the company or its brands (see Chapter 21). As an example of cause-related marketing (in which a contribution is linked to customer activity), Bank of America introduced an eco-friendly credit card and promised to contribute \$1 to an environmental organization for every dollar consumers spent using the card.<sup>20</sup> Absolut vodka encouraged consumers to visit its website and select one of three environmental charities (the Ocean Foundation, the Fruit Tree Planting Foundation, and the Environmental Media Association) for which the company would contribute \$1 to up to a total of \$500,000 for the charity.<sup>21</sup> Cause-related marketing programs can be effective if they are not overused and

if consumers perceive a company’s involvement in an environmental cause is sincere and not just raw commercialism.

Companies also are employing event sponsorships (with no strings attached) related to the environment. For example, Ben & Jerry’s sponsored a “Campus Consciousness Tour” by combining a rock concert and an ecology-oriented fair to further students’ understanding of global warming issues. Interested students were provided with postcards to send to Congress encouraging emission-reduction



Source: epa.gov



Source: rainforest-alliance.org

efforts for vehicles, and Ben & Jerry's website ([www.lickglobalwarming.com](http://www.lickglobalwarming.com)) featured a video game requiring users to make sound environmental decisions toward receiving backstage passes to a concert.<sup>22</sup>

### Point-of-Purchase Programs

Billions of dollars are invested in plastic, wood, metal, paper, and other display materials. Many of the displays manufacturers send to retailers are never used and simply end up in landfills. Closer consultations with retailers regarding their point-of-purchase needs would lead to fewer unused and discarded displays. Also, increased use of permanent displays (those engineered to last at least six months) would substantially reduce the number of temporary displays that are quickly discarded, as well as the use of digital displays.

### Direct Marketing Efforts

Direct marketing materials such as brochures, pamphlets, and especially catalogs are voluminous, requiring, of course, major consumption of trees and use of huge amounts of natural gas in their production. Unfortunately, research revealed that only 28 percent of the surveyed direct marketers said that the environment is a frequent factor in their decision making.<sup>23</sup> Companies that use direct marketing in their marcom programs can improve their stewardship of the environment by doing a better job in targeting customers and thereby cutting out waste circulation, going online, by removing unlikely purchasers from their mailing lists, and by reducing the frequency of mailing catalogs and other solicitations to prospective customers. The U.S. Postal Service has developed a set of suggestions for direct mailers to aid sustainability efforts (<https://about.usps.com/what-we-are-doing/green/mailers.htm>).

### Outdoor Advertising Responses

The highways and streets of America are inundated with tens of thousands of outdoor signs. With the exception of digital signs (see Chapter 21), nearly all of the billboards

are covered either with banners made from polyvinyl chloride (PVC), a toxic petroleum-based product, or with thick paper that is impractical to reuse or recycle. Removal of these materials from billboards leads to massive waste that enters into landfills. CBS Outdoor, the second-largest billboard company in the United States, intends to discontinue using PVC vinyl sheets and replace them with a plastic that is reusable. Lamar Advertising, the third-largest outdoor ad firm, is in the process of replacing thick paper panels with a thinner and lighter-weight material. Finally, the leader in outdoor advertising in the United States, Clear Channel Outdoor, is reducing energy usage in its hundreds of thousands of displays by using more energy-efficient lights.<sup>24</sup> All in all, the outdoor advertising industry is making important strides toward “going green,” including efforts in moving to energy-efficient, digital boards with LED technology.

### 4-2b SOCIAL MEDIA CAMPAIGNS

The beer brand Corona launched an environmental campaign on Facebook ([www.facebook.com/savethebeach](http://www.facebook.com/savethebeach)) and Twitter (e.g., for Spain: [https://twitter.com/search?q=savethebeach\\_es](https://twitter.com/search?q=savethebeach_es)) that seeks to preserve beaches throughout Europe. It allows visitors (via a contest) to submit photos, videos, etc. to lobby for “save the beach” funds to save their own European beach. So far, the funds have resurrected Capocotta Beach, Italy, and Portman Bay, Cartagena, Spain.

### 4-2c GUIDELINES FOR GREEN MARKETING

The significance of the environmental problem demands that marketing communicators do everything possible to ensure that green claims are credible, realistic, and believable. To assist companies in knowing what environmental claims can and cannot be communicated in advertisements, on packages, and elsewhere, the Federal Trade Commission (FTC) promulgated guides for environmental marketing claims, commonly referred to as the Green Guides.<sup>25</sup> These guides outline four general principles that apply to all environmental marketing claims: (1) qualifications and disclosures should be sufficiently clear and prominent to prevent deception; (2) claims should make clear whether they apply to the product, the package, or a component of either; (3) claims should not overstate an environmental attribute or benefit, either expressly or by implication; and (4) comparative claims should be presented in a manner that makes the basis for the comparison sufficiently clear to avoid consumer deception. The Green Guides also discuss specific application areas and provide hypothetical examples for illustration to help avoid deceptive practices. These specific areas include the following: general benefit claims (“environmentally friendly”); degradability, biodegradable, and photodegradable claims; compostable



claims; recyclable and recycled content claims; source reduction and refillable statements; and ozone-safe and ozone-friendly claims.

The Green Guides were revised in 1996 and 1998 to update definitions of recyclable, recycled content, and seal of approval claims. In late 2010, the FTC revised the Green Guides to help avoid possible deception with new environmental issues and claims. This included marketers' use of unqualified product certification and seals of approval claims, and "renewable energy" claims.<sup>26</sup> The latest revision in 2012 included new sections on carbon offsets, green certifications and seals, and renewable energy and materials claims.<sup>27</sup>

In addition to these general guidelines and updates, four general recommendations for making appropriate environmental claims are offered: (1) make the claims specific, (2) use claims that reflect current disposal options, (3) make the claims substantive, and (4) only use supportable claims.<sup>28</sup>

1. *Make Specific Claims.* This guideline is intended to prevent marketing communicators from using meaningless claims such as "environmentally friendly" or "safe for the environment." The use of specific environmental claims enables consumers to make informed choices, reduces the likelihood that claims will be misinterpreted, and minimizes the chances that consumers will think that a product is more environmentally friendly than it actually is. For example, a claim that a brand of washing detergent is "fully biodegradable" is more precise than an expression that this brand is "good for the environment."
2. *Reflect Current Disposal Options.* This recommendation is directed at preventing environmental claims that are technically accurate, but practically unrealizable due to local trash-disposal practices. For example, many communities dispose of trash by burying it in public landfills. Because paper and plastic products do not degrade when buried, it is misleading for businesses to make environmental claims that their products are degradable, biodegradable, or photodegradable.

3. *Make Substantive Claims.* Some marketing communicators may use trivial and irrelevant environmental claims to convey the impression that a promoted brand is environmentally sound. For example, a claim that a package is "100 percent more recyclable than before," when it has gone from only 1 to 2 percent recycled material is trivial and is likely to be deceptive.
4. *Make Supportable Claims.* This recommendation is straightforward: environmental claims should be supported by competent and reliable scientific evidence. The purpose of this recommendation is to encourage businesses to make only those environmental claims that can be backed by facts. The injunction to businesses is clear: do not claim it unless you can support it.

### 4-3 Regulation of Marketing Communications

Advertisers, digital marketing managers, and other marcom practitioners are faced with a variety of regulations and restrictions that influence their decision-making latitude. The past century has shown that regulation is necessary to protect consumers and competitors from unethical, fraudulent, deceptive, and unfair practices that some businesses choose to perpetrate. Regarding unfair competition, monopoly power, and anti-trust issues (including pricing and distribution practices that may substantially lessen competition), interested readers may wish to visit the U.S. Department of Justice website ([www.justice.gov/atr](http://www.justice.gov/atr)) or the Federal Trade Commission's Bureau of Competition ([www.ftc.gov/about-ftc/bureaus-offices/bureau-competition](http://www.ftc.gov/about-ftc/bureaus-offices/bureau-competition)), who share jurisdiction in this area. In market economies, there is an inevitable tension between the interests of business organizations and the rights of consumers. Regulators attempt to balance the interests of both parties while ensuring that an adequate level of competition is maintained.

#### 4-3a WHEN IS REGULATION JUSTIFIED?

Strict adherents to the ideals of free enterprise would argue that government should rarely if ever intervene in the activities of business. However, most observers believe that regulation is justified in certain circumstances, especially when consumer decisions are based *on false or limited information*.<sup>29</sup> Under such circumstances, consumers are likely to make decisions they would not otherwise make and, as a result, may incur economic, physical, or psychological injury. Competitors also are harmed because they lose business they might have otherwise enjoyed when companies against whom they compete present false or misleading information. In theory, regulation is justified if the *benefits realized exceed the costs*. What are the benefits and costs of regulation?<sup>30</sup>

## Benefits

Regulation offers three major benefits. First, *consumer choice* among alternatives is improved when consumers are better informed in the marketplace. For example, consider the one of the proposed nine graphic visual warnings on tobacco packages.<sup>31</sup>

This regulation informs consumers visually and in text that smoking causes fatal lung diseases such as emphysema, bronchitis, and chronic airway obstruction, and that 90 percent of all deaths from chronic obstructive lung disease are caused by smoking.<sup>32</sup> It should be noted that federal trade regulations with expenditures in excess of \$100 million in any year are subject to a mandatory cost-benefit analysis.<sup>33</sup> For instance, in the case of the graphic visual tobacco warnings that were to be placed on all cigarette packages by October 2012 (due to the 2009 Family Smoking Prevention and Tobacco Control Act), the overall benefits were estimated by the U.S. Food & Drug Administration (FDA) to be \$601 million on an annual basis and \$9.4 billion overall.<sup>34</sup> These benefits

include smoker lives saved, health status improvement, medical and other financial expenditures saved, and fire losses averted.<sup>35</sup>

A second benefit of regulation is that when consumers become better informed, *product quality tends to improve* in response to consumers' changing needs and preferences. For example, when American consumers began learning about the dangers of fat, saturated fat, sodium, and cholesterol during the 1990s, and with the addition of the Nutrition Facts Panels (NFPs) mandated by Congress and implemented by the FDA, manufacturers started marketing healthier food products that now are widely available in grocery stores. This should continue with recently proposed changes to NFPs, including the addition of added sugars and making calories more prominent on the label.<sup>36</sup> Healthier food choices are expected to occur in U.S. restaurants with legislation that now requires restaurant chains with 20 or more locations to make available nutritional information for the level of calories contained in menu items.<sup>37</sup> New York City now requires restaurants operating in their city with 15 or more locations nationwide to place a triangular salt-shaker icon beside items with at least 2,300 mg of sodium.<sup>38</sup>

Consumers of packaged goods products in the United States also have faced many, voluntary front-of-package (FOP) nutrition symbols and icons, including the "Facts Up Front" system from the Grocery Manufacturers Association and Food Marketing Institute. Other front-of-package icons include the NuVal Scoring System (from 1 to 100), color-coded, Traffic Light System (in the United Kingdom), and Guiding Stars system (with 1 to 3 stars).<sup>39</sup> In general, the intent of the FOP symbols and icons is to help consumers make better choices in constructing a balanced diet due to their simplicity and suggested ease of use.<sup>40</sup>

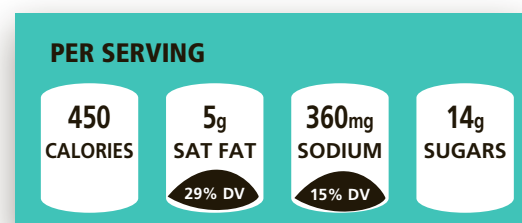
A third regulatory benefit is *reduced prices* resulting from a reduction in a seller's "informational market power." For example, prices of used cars fell when dealers were required to inform prospective purchasers about a car's defects (i.e., via the FTC's "Used Car Rule"), because consumers would not be willing to pay as much for automobiles with known problems.

## Costs

Regulation is not costless. Companies often incur the *cost of complying* with a regulatory remedy. For example, although there is a temporary injunction, U.S. cigarette



Source: fda.gov



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manufacturers as of October 2012 were required to rotate one of nine different graphic visual warnings (with text) at a cost of \$29.1 million annually (\$434 million total). This obviously will be somewhat more costly than the currently required four rotating small text warning messages, yet is outweighed by the estimated \$9.4 billion saved in total, primarily in medical costs.<sup>41</sup> *Enforcement costs* that regulatory agencies incur and taxpayers pay represent a second cost category. For example, the FTC's Enforcement Division is necessary in tracking and enforcing the objectives and outcomes of deception and unfairness case orders.

The *unintended side effects* that might result from regulations represent a third cost to both buyers and sellers. A variety of potential side effects are unforeseen at the time legislation is written. For example, a regulation may unintentionally harm sellers if buyers switch to other products or reduce their level of consumption after regulation is imposed. The cost to buyers may increase if sellers pass along, in the form of higher prices, the costs of complying with a regulation. Both of these prospects are possible when food makers either choose to switch from hydrogenated oil or continue to make their products with hydrogenated oil, with the requirement that they must reveal the high levels of trans fat in their labeling. Or in the case of U.S. restaurant calorie labeling (outside NYC), the narrow focus on calories may overshadow needed consumer attention to high levels of other negative nutrients (e.g., sodium).<sup>42</sup> In sum, major trade regulation is theoretically justified only if the benefits exceed the costs.

When regulation is justified, federal and state agencies, along with the industry, work to oversee the integrity of marketing communications. The following sections examine the two forms of regulation that affect many aspects of marketing communications: governmental regulation and industry self-regulation.

#### 4-3b REGULATION BY FEDERAL AGENCIES

Governmental regulation takes place at both the federal and state levels. All facets of marketing communications are subject to regulation, but advertising is the one area in which regulators have been most active. This is because advertising is the most conspicuous aspect of marketing communications. The discussion that follows examines federal governmental regulation of advertising in the United States as performed by two agencies: the Federal Trade Commission (FTC) and the Food and Drug Administration (FDA). Readers who wish to know more about advertising regulation in European Union countries are directed to the source cited in this endnote.<sup>43</sup>

The FTC is the U.S. government agency with primary responsibility for regulating advertising and promotion at the federal level. The FTC's regulatory authority cuts across three broad areas that directly affect marketing communicators: deceptive advertising, unfair practices, and information regulation.

### Deceptive Advertising

Although the FTC makes most deception rulings on a case-by-case basis, there are guidelines in deciding whether deceptive advertising has occurred. Under current deception policy, the FTC will find a business practice deceptive if “. . . there is a representation, omission, or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer's detriment” (i.e., it is material representation, omission, or practice).<sup>44</sup> Thus, there are three elements that provide the essence of the FTC's **deception** policy: misleading, reasonable consumer, and material.<sup>45</sup>

**Deception** A representation, omission, or practice that is likely to mislead the consumer acting reasonably and the representation, omission, or practice is a material one (i.e., an important characteristic likely to influence their conduct or choice).

**1. Misleading** There must be a representation, omission, or a practice that is likely to mislead the consumer. The FTC defines a *misrepresentation* as an express or implied statement contrary to fact. For example, if a pharmaceutical company claimed that one of its over-the-counter (OTC) drugs did not contain a substance that it actually did, this would be considered a misrepresentation. A *misleading omission* is said to occur when qualifying information necessary to prevent a practice, claim, representation, or reasonable expectation or belief from being misleading is *not* disclosed. A misleading omission would exist, for example, if the same pharmaceutical company failed to disclose an important side effect of using its OTC drug. As another example, Snapchat failed to disclose that sharing a private photo (“snap”) did not always mean that it will disappear after a few seconds, as someone could take a screenshot of it and repost it. So, an FTC settlement with Snapchat prohibited it from misrepresenting the extent to which it maintains the privacy, security, or confidentiality of users' information due to the discovery of such work-arounds used to capture “disappearing” posts.<sup>46</sup>

**2. Reasonable Consumer** The act or practice must be considered from the perspective of the “reasonable consumer.” The FTC's test of reasonableness is based on the consumer's interpretation or reaction to an advertisement—that is, the FTC determines the effect of the advertising practice on reasonable members of the group to which the advertising is targeted. (This information normally is accessed in the “discovery process,” in which the FTC has legal authority to all documents and material on a case, including target market details in marketing plans.) Although not required in FTC cases, ad copy

tests are often conducted to determine the overall (net) impression of the ad claim(s) on consumers in the target market.<sup>47</sup> The following quote indicates that the FTC evaluates advertising claims case by case in view of the target audience's unique position—e.g., its education level, intellectual capacity, mental frame, and so on.

*For instance, if a company markets a cure to the terminally ill, the practice will be evaluated from the perspective of how it affects the ordinary member of that group. Thus, terminally ill consumers might be particularly susceptible to exaggerated cure claims. By the same token, a practice or representation directed to a well-educated group, such as a prescription drug advertisement to doctors, would be judged in light of the knowledge and sophistication of that group.<sup>48</sup>*



**3. Material** To be considered deceptive, the representation, omission, or practice must be “material.” A *material representation* involves information that is important to consumers and that is *likely* to influence their *choice* or *conduct* regarding a product. In general, the FTC considers information to be material when it pertains to the central characteristics of a product or service (including performance features, size, and price). Therefore, if an athletic-shoe company falsely claimed that its brand possesses the best shock absorption feature on the market, this would be a material misrepresentation to the many runners who might consider purchase choices based on this factor. In contrast, if this same company were to claim falsely that it has been in business for 28 years—when in fact it has been in business for only 25 years—this would not be regarded as material because most consumers would not be swayed much differently whether the company had been in business 25 or 28 years.

An important case involving the issue of materiality was brought by the FTC against Kraft Foods and its advertising of Kraft Single American cheese slices. The FTC challenged Kraft on grounds that advertisements for Kraft Singles falsely claimed that each slice contains the same amount of calcium as *five* ounces of milk. In fact, each slice of Kraft Singles begins with five ounces of whole milk, but during processing 30 percent, or one and a half ounces of milk, is lost. In other words, each slice contains only 70 percent of the amount of calcium claimed in Kraft's advertisements.<sup>49</sup> Kraft responded that its \$11 million advertising campaign did not influence consumer purchases. Kraft's legal counsel argued that the advertisements (1) did not convey the misleading representation

the FTC claimed, but (2) even if this representation had been conveyed, it would not have mattered because calcium is a relatively unimportant factor in consumers' decision to purchase Kraft Singles. (Out of nine factors consumers rated in a Kraft copy test, calcium was rated no higher than eighth—yet produced over 50 percent agreement.)

Whereas the FTC's position was that Kraft's advertising *was* likely to mislead consumers (i.e., 40 to 50 percent in the target market took the deceptive claims over control groups), Kraft's defense was that its calcium claim, whether false or not, is non-deceptive because they felt the difference between five ounces of milk and three and a half ounces is an immaterial difference to consumers.

After hearing detailed testimony on the matter and following an appeal process, the FTC Commissioners determined that Kraft's advertising claim was indeed material.<sup>50</sup> The reasoning was that the one-and-a-half-ounce reduction represented two-thirds of the daily calcium deficiency of young girls, a major end market for the cheese slices. According to the FTC Deception Policy Statement, there are several factors for which *materiality is presumed* (e.g., an express claim, seller knowledge of false claim, health and safety issues, basic purpose or cost of product, performance, finding of materiality by another agency). In this case, the calcium deficiency represented an important health issue that is presumed to be important to consumers. In addition, Kraft did not show an actual ad in their copy test—an important criterion in bringing forth copy test evidence in such cases.

Following appeals all the way to the U.S. Supreme Court, the final FTC order had Kraft cease and desist (literally, “stop and go no more,” or discontinue) further misrepresentations of Kraft Singles' calcium content. The Kraft case generated much discussion and controversy.



The articles cited in the end note are worth reading for this particular case, as well as for their broader significance to advertising practice and public policy involving deceptive advertising.<sup>51</sup>

### Covert Marketing Practices and Deception

A particularly cunning form of advertising deception occurs when consumers are exposed to covert forms of marcom messages, or what also is referred to as “masked marketing.” These are messages that appear *not* to be marketing communications, but that actually are.<sup>52</sup> The slyness of masked messages makes them especially potent and potentially deceptive because unsuspecting consumers are inclined to accept messages that appear to be from a nonmarketing source, whereas if they knew these claims were from a marketer, they would be somewhat skeptical and more inclined to reject their validity.

There are various forms of masked marketing communications, but just two forms are described.<sup>53</sup> First, buzz-building or viral campaigns (see Chapter 21) are sometimes conducted in person-to-person settings (e.g., in bars) where people are hired to say positive things about a new brand. Unsuspecting recipients of such messages presume that the favorable word of mouth is from an actual consumer who really likes the brand, when in fact the “buzzer” has been hired to deliver a disguised sales message. This can happen via social media (e.g., Twitter) as well. For example, a retailer sponsored a contest for a shopping spree on Pinterest, in which entrants would pin an image of the company’s products and hashtag (#) of the contest name, both serving as a contest entry. The company was charged with failure to disclose the material connection between the advertised company pins (serving as an endorsement) and the entry into the contest.<sup>54</sup> Not all viral campaigns are deceptive, but some are.

Infomercials are a second form of masked message. These messages often come across to viewers as TV programs, when in actuality they are nothing more than “long advertisements” that mask their real intent by including testimonials from presumed experts and actors posing as real product users. Of course, not all infomercials are misleading, but some are.

False infomercials, misleading viral campaigns, and other forms of masked messages are deceptive when they satisfy the three precepts of the FTC’s deception policy, namely, (1) when they are delivered to reasonable consumers, (2) when they are misleading, and (3) when the content of the messages is material. Of particular note is the FTC’s update on their Endorsement

#### Unfair advertising

Acts or practices that are likely to cause (1) substantial injury to consumers (e.g., health/safety, monetary), which is (2) not reasonably avoidable by consumers themselves, and (3) not outweighed by countervailing benefits to consumers or competition.

and Testimonial Guides.<sup>55</sup> The guides are quite clear that any “material connection” between the endorser and brand must be disclosed, including those appearing in social media.

### Unfair Practices

The FTC has legal authority to regulate unfair as well as deceptive acts or practices in commerce. The *old* (“Cigarette Rule”) criteria used to evaluate whether a business act was unfair had involved such considerations as whether the act (1) offends public policy as it has been established by statutes; (2) is immoral, unethical,

oppressive, or unscrupulous; and (3) causes substantial injury to consumers, competitors, or other businesses.<sup>56</sup> However, this unfairness definition was a matter of considerable dispute for years because the precise interpretation of “unfairness” on these criteria was felt by some to be ambiguous. The dispute ended in 1994 when Congress devised a three-part definition of unfairness that was satisfactory to all parties. Currently, **unfair advertising** is defined as “acts or practices that cause or are likely to cause (1) *substantial injury to consumers* (e.g., health/safety, monetary), which is (2) *not reasonably avoidable* by consumers themselves, and (3) *not outweighed by countervailing benefits to consumers or competition*” (emphasis added).<sup>57</sup>

One example of an FTC unfairness case is that for AMF, Inc., which ran ads for their bicycles showing children riding in an unsafe manner (e.g., in and out of traffic).<sup>58</sup> Although there was nothing deceptive per se in the commercial, if children imitated the unsafe advertised riding practices, it is likely that substantial injury might result, which may not be reasonably avoidable due to limited reasoning ability of children. As part of the FTC order, the company agreed to prepare and distribute



iStock.com/Debbi Smitmoff

public service announcements (PSAs) on bicycle safety for use on children's TV programs.

The FTC has applied its unfairness doctrine in three major areas: (1) advertising substantiation, (2) promotional practices directed at children and other vulnerable populations, and (3) trade regulation rules.

1. *Advertising substantiation.* The ad-substantiation program is not a direct application, but is grounded in principle or theory. It is based on a simple premise: it is *unfair* for advertisers to make claims about their products without having a *reasonable basis* for those claims. The ad-substantiation program requires advertisers to have documentation (e.g., test results or other data) indicating that they have a reasonable basis for making a claim prior to the dissemination of the advertisements.<sup>59</sup>

The following two FTC deceptive ad cases illustrate the ad substantiation program. A federal appeals court upheld a FTC decision against the makers of POM Wonderful juice and supplements (<http://www.pomwonderful.com>) that made false and unsubstantiated claims (e.g., “Floss your arteries daily,” “Drink and be healthy”) suggesting that their products would prevent or treat heart disease, prostate cancer, and erectile dysfunction.<sup>60</sup> Similarly, KFC ([www.kfc.com](http://www.kfc.com)) agreed to stop making unsubstantiated claims about the relative nutrition of its fried chicken and that its fried chicken was compatible with popular weight-loss programs.<sup>61</sup>

2. *Unfairness involving children and other vulnerable populations.* Because children are more credulous and less well equipped than adults to protect themselves, public policy officials are especially concerned with their protection. When applied to cases involving children (and other vulnerable populations), the unfairness doctrine is especially useful because many ad claims may not be deceptive per se, but are nonetheless unfair because children (and other vulnerable consumers) may not have the cognitive capabilities to fully understand the risks associated with product claims (i.e., “not reasonably avoidable”). For example, the FTC considered one company's use of Spider-Man vitamins advertising to be unfair because such advertising was judged to be capable of inducing children to take excessive and dangerous amounts of vitamins.<sup>62</sup>
3. *Trade regulation rules.* Whereas most FTC actions are taken on a case-by-case basis, the use of its trade regulation rules (TRRs) enables the FTC to issue a regulation that restricts *an entire industry* for prevalent unfair and objectionable practices. For example, after website operators were found collecting personally identifiable information from children

**Corrective advertising** Advertising that is based on the premise that a firm that misleads consumers should have to use future advertisements to rectify the deceptive impressions it has created in consumers' minds. It is designed to prevent a firm from continuing to deceive consumers rather than to punish the firm.

under 13, Congress passed the Children's Online Privacy Protection Act in 1998 and placed the FTC in charge of its implementation, as part of the Children's Online Privacy Protection Rule (COPPR).<sup>63</sup> COPPR affects all website operators collecting information from children under the age of 13, and sets provisions for privacy notice, parental consent (for collection), access to information collected, security, etc.

In recent years, the FTC has most actively applied the unfairness doctrine to numerous instances of telemarketing scams and Internet fraud.<sup>64</sup> Both technologies are ripe for fraudulent behavior by unscrupulous marketers, and such behavior can readily injure consumers (as well as competitors) because the tricks and scams cannot reasonably be avoided by consumers themselves. E-mail fraud is the most widely practiced abuse, and the FTC has brought over 200 enforcement actions under its unfairness power against such fraudulent behavior.<sup>65</sup>

### Information Regulation

Although the primary purpose of advertising regulation is the prohibition of deceptive and unfair practices, regulation also is needed at times to provide consumers with information they might not otherwise receive. Usually, the FTC has some options regarding remedies for the order provisions in each case: cease and desist, mandated or triggered disclosures, corrective advertising, consumer redress (back payment), or even asset seizure (in federal court). However, even though it has been used sparingly, the corrective advertising program is arguably the most important of the FTC's information provision programs.<sup>66</sup>

**Corrective advertising** is based on the premise that a firm that misleads consumers should have to use future advertisements to rectify the deceptive impressions it has created in consumers' minds. Corrective advertising is designed to prevent a firm from continuing to deceive consumers rather than to punish the firm.



Source: POM Wonderful, LLC

Consider the corrective advertising order the FTC issued against the Novartis Corporation and its Doan's Pills (an over-the-counter [OTC] medicine for minor backache pain). Doan's advertisements referred to the brand's special or unique ingredients, called itself the "back pain specialist," and depicted the brand against packages of competitors Advil, Bayer, and Tylenol. The FTC concluded that the advertising campaign created the false impression that Doan's was more effective than other OTC drugs for combating back pain. The FTC ordered Novartis to undertake an \$8 million advertising campaign to correct the misimpression that Doan's Pills outperform other OTC analgesics in treating back pain. This order required Doan's packaging and advertising to carry the message, "Although Doan's is an effective pain reliever, there is no evidence that Doan's is more effective than other pain relievers for back pain." Novartis' legal counsel claimed the order was excessive, whereas others have appraised the order as an inadequate remedy in the face of compelling evidence that Doan's advertising was deceptive.<sup>67</sup>

The FTC walks a fine line when issuing a corrective advertising order and specifying the remedial action a deceptive advertiser must take. The objective is to restore the marketplace to its original position prior to the deceptive advertising so that a firm does not continue to reap the rewards from its past deception. However, there is always the possibility that the corrective advertising effort may go too far and severely damage the firm and perhaps, unintentionally, hurt other companies in the industry.<sup>68</sup>

### Food Labeling

The Food and Drug Administration (FDA) is the federal body responsible for regulating information on the packages of food, drug, and tobacco products and prohibits the misbranding of these products. For example, the FDA's Center for Food Safety and Applied Nutrition is involved in regulating the type of nutritional information that must appear on food labels (e.g., Nutrition Facts Panels [NFPs]), nutrition content claims, and health claims (i.e., claims linking a disease with a nutrient). For instance, the requirement that labels must include the amount of trans fats contained in a single serving was an important addition to the NFP. As noted earlier, the FDA is set to change the NFP by including added sugars and making calories more prominent on the label.<sup>69</sup> Future food labeling issues for the FDA include front-of-package symbols,<sup>70</sup> which are common (on a voluntary basis) in U.K. grocery stores, and other claims not regulated by the FDA, such as "GMO-free" (proposed USDA label for GMOs), "organic" (USDA label), "gluten-free," and "natural."

### Prescription Drug Advertising

Whereas the FTC is responsible for regulating deceptive and unfair advertising for all products (including OTC drugs), the FDA is charged with regulating

advertisements for *prescription drugs*. This has been a major challenge in recent years with direct-to-consumer (DTC) advertising. As the name suggests, this form of advertising involves messages for prescription drugs that are directed toward consumers. Pharmaceutical companies expect DTC ads to motivate consumers to urge their physicians to prescribe advertised drug brands. The FDA's role is, in this regard, to examine the truthfulness of DTC ads and to ensure that any claims made are supported by scientific evidence.

The FDA requires prescription drug advertisers to present a *balanced perspective* when advertising drugs. That is, in addition to touting product benefits, they must also identify the side effects and risks of using particular drugs. You may have noticed that TV commercials for DTC drugs show how wonderful a drug is in treating arthritis, cholesterol levels, weight problems, or other health issues. Usually, it is only at the end of the commercial that consumers are informed that in using the drug one may experience nausea, diarrhea, reduced sexual functioning, or any of a number of other undesirable consequences. Drug companies in some instances may wish not to mention these side effects, but doing so is required by the FDA—for the protection of consumers in the best spirit of regulation.

In serious cases, the Office of Prescription Drug Promotion (OPDP) in the FDA's Center for Drug Evaluation and Research can issue warning letters to offending firms. For example, a warning letter to Bayer Healthcare stated that commercials for the birth control pill Yaz overstated the drug's efficacy (e.g., intended just for premenstrual dysphoric disorder [PMDD] and *not* PMS; and "moderate acne," not *all* acne) and minimized serious side effects (e.g., "heart and other health problems").<sup>71</sup>

In magazine ads, pharmaceutical companies provide detailed information about their products' undesirable side effects, but this information typically is placed on the back pages of ads and in very small print. Critics questioned the value of such information on grounds that it is too technical, too detailed, and difficult to read because it typically is printed in very small print. Accordingly, the FDA has provided guidance that drug makers present less detailed information about side effects in print ads, but that they explain the most serious problems in language accessible to typical consumers.<sup>72</sup> Similarly, efforts are underway to make the prescription drug, pharmacy leaflet information more comprehensible.<sup>73</sup>

### Tobacco Labeling, Promotion, and Public Education

The FDA's Center for Tobacco Products (CTP) oversees the implementation of the Family Smoking Prevention and Tobacco Control Act (2009). Some of CTP's responsibilities under the act include setting performance standards (e.g., for e-cigarettes), reviewing premarket applications for new and modified risk tobacco products, requiring

new warning labels (e.g., graphic health warnings), establishing and enforcing advertising and promotion restrictions, and engaging in public education about the dangers of tobacco use (e.g., \$115 “Real Cost” campaign aimed at adolescents, <http://therealcost.betobaccofree.hhs.gov>).<sup>74</sup>

#### 4-3c FALSE ADVERTISING AND LANHAM ACT CASES IN FEDERAL COURT

Although there is not a private right to sue for false advertising under the Federal Trade Commission Act, these rights do exist and are available under Section 43 (a) of the federal Lanham Act of 1946 in federal court.<sup>75</sup> Under the Lanham Act, in addition to fast injunctive relief from false advertising, monetary damages and attorney fees can be available to victorious plaintiffs. Yet, unlike FTC cases, plaintiffs *must* present extrinsic evidence (e.g., ad copy tests) as support for their complaint when *implied* ad claims are involved. (This does not apply to expressly false claims, e.g., “Our car gets 500 miles per gallon.”)

One such famous Lanham Act false advertising case occurred over Papa John’s implied claim of “Better Pizza. Better Ingredients” in comparison to Pizza Hut.<sup>76</sup> The ad claims in question implied that Papa John’s “won big time” in taste tests over Pizza Hut and that Papa John’s sauce and dough were better than Pizza Hut’s due to fresh ingredients and filtered water.<sup>77</sup> The 5th Circuit Court of Appeals eventually ruled in favor of Papa John’s, as it was argued that Pizza Hut failed to present evidence establishing that the implied “better” claims were material to consumers (i.e., likely to influence their purchase decisions regarding the choice of pizza).<sup>78</sup>

Another famous Lanham Act case, eventually decided by the U.S. Supreme Court, was when POM Wonderful sued Coca-Cola based on its prominent display of “pomegranate blueberry” on the front label of Coca-Cola’s Minute Maid juice.<sup>79</sup> It turned out that the “juice blend” product only contained 0.3 percent pomegranate juice and 0.2 percent blueberry juice and over 97 percent apple and grape juices. A federal district court initially granted judgment to Coca-Cola because the FDA and its food labeling regulations for juice allowed a disclosure that it was a “flavored blend.” Yet, the U.S. Supreme Court reversed the ruling taking the position that the FDA regulations do not preempt Lanham Act cases and that the labeling would mislead consumers. In general, there have been a considerable number of Lanham Act false advertising cases in industries for which comparative advertising is prevalent.

#### 4-3d REGULATION BY STATE AGENCIES

Individual states have their own statutes and regulatory agencies to police the marketplace from fraudulent business practices. There is every indication that states will remain active in their efforts to regulate advertising

#### Self-regulation

Regulation undertaken by the advertising community itself (i.e., advertisers, industry trade associations, and ad media) rather than by governmental bodies.

deception and other business practices, which poses a potentially significant problem for many national advertisers who might find themselves subject to multiple, and perhaps inconsistent, state regulations.<sup>80</sup> It is somewhat ironic that many national companies would prefer to see a stronger FTC because these companies are better off with a single regulatory agency that institutes uniform national guidelines and keeps the marketplace as free as possible from the fly-by-night operators that tarnish the image of all businesses.

#### 4-3e ADVERTISING SELF-REGULATION

**Self-regulation**, as the name suggests, is undertaken by the advertising community itself (i.e., advertisers, industry trade associations, and ad media) rather than by governmental bodies. Self-regulation is a form of *private government* whereby peers establish and enforce voluntary rules of behavior.<sup>81</sup> Advertising self-regulation has flourished in countries such as Canada, France, the United Kingdom, South Africa, and the United States.<sup>82</sup>

#### Media Self-Regulation

The *advertising clearance process* is a form of self-regulation ad media undertake that happens behind the scenes before a commercial or other advertisement reaches consumers. A magazine advertisement or television commercial undergoes a variety of clearance steps prior to its actual printing or airing, including (1) advertising agency clearance, (2) approval from the advertiser’s legal department and perhaps also from an independent law firm, and (3) media approval (such as television networks’ guidelines regarding standards of taste).<sup>83</sup> A finished ad that makes it through the clearance process and appears in



Source: The Coca-Cola Company

advertising media is then subject to the possibility of post hoc regulation from federal (e.g., the FTC), state attorneys general, and self-regulators (e.g., the Advertising Self-Regulatory Council).

### The Advertising Self-Regulatory Council (ASRC)

Self-regulation by the Advertising Self-Regulatory Council (ASRC) has been the most publicized and perhaps the most effective form of self-regulation.<sup>84</sup> ASRC (founded as the National Advertising Review Council in 1971) is an organization formed via a partnership among the Association of National Advertisers, the American Association of Advertising Agencies, the American Advertising Federation, Council of Better Business Bureaus, Electronic Retailing Association, Direct Marketing Association, and the Interactive Advertising Bureau.

Advertising self-regulation under the ASRC has four investigative or compliance units and an appeals unit: the Children's Advertising Review Unit (CARU), the Electronic Retailing Self-Regulation Program (ERSP), the Online Interest-Based Accountability Program (Accountability Program), the National Advertising Division (NAD), and the National Advertising Review Board (NARB). CARU reviews advertising directed to children under the age of 12 (and websites directed at children under age 13) to ensure that they adhere to CARU's guidelines and federal laws. ERSP examines direct-response advertising, including home shopping channels and infomercials. The Accountability Program, the most recent self-regulatory mechanism, was put into place to ensure that advertisers comply with industry-backed principles for transparency and choice in online behavioral advertising. The NAD evaluates, investigates, and holds initial negotiations with an advertiser on complaints involving truth or accuracy of national advertising. Thus, the NAD only reviews advertisements that are national in scope rather than local. Finally, the NARB is an appeals court consisting of 70 representatives who are formed into five-member panels to hear appeals of NAD and CARU cases when an involved party is dissatisfied with the initial verdict.

The number of cases investigated and resolved varies, but the NAD often becomes involved in as many as 150 cases a year. Cases are brought to the NAD by competitors, initiated by the NAD staff itself, or originate from local Better Business Bureaus, consumer groups, and individual consumers. Under self-regulation, however, the ultimate resolution is based on the voluntary cooperation of the advertiser.

As an example of CARU in action, Campbell Taggart, the maker of Iron Kids Bread (a fortified white bread), was asked to modify their advertising produced by Publicis in which a boy makes fun of a girl eating wheat bread. Although the advertiser disagreed, it went against

CARU principles to imply that the use of a product will lead to less acceptance by his/her peers, and the advertiser eventually modified their commercials.<sup>85</sup>

Another CARU case challenged a Tyson Chicken Nuggets commercial showing children *not* eating any portions of meals consisting of healthy ingredients; worse yet, they were shown giving them to pets, other kids, or hiding them in toys. Although Tyson strongly disagreed, they were found to violate CARU guidelines that advertising of food products should not discourage or disparage healthy lifestyle choices and that food products should be shown as part of a nutritionally balanced meal.<sup>86</sup> Tyson had voluntarily discontinued the campaign prior to the CARU findings.

Finally, the NAD referred advertising claims made by Nature Works Best Cancer Clinic to the FTC and FDA after the advertiser refused to participate in the NAD process.<sup>87</sup> The NAD requested substantiation for claims that included, "Better results than any other cancer clinic over the last 8 years," "Most cancer patients who complete our treatment go into remission," and "Best documented success rates in the world." The NAD also requested substantiation for implied claims that vitamin C and reducing sugar intake can cure a patient's cancer. Yet, because the NAD process is voluntary, and the advertiser failed to participate, it referred the case to the FTC and FDA regulatory agencies.

In conclusion, advertising self-regulation reduces the need for government regulation and maintains the general integrity of advertising and, in so doing, protects both consumers and competitors. A president of ASRC has succinctly captured self-regulation's value:

*Self-regulation is smart business. It provides a level playing field. Continuing NAD improvements provide the quickest, least expensive and most effective way for advertisers to challenge one another's claims. A court case can take over a year (vs. NAD's 60 business days) and cost 10 times as much as a NAD case.<sup>88</sup>*

**Ethics** In the context of marketing communications, involves matters of right and wrong, or moral, conduct.

## 4-4 Ethical Issues in Marketing Communications

Marketing communicators in their various capacities—as advertisers, sales promoters, package designers, public relations representatives, bloggers, Tweeters, point-of-purchase designers, and so on—regularly make decisions that have ethical ramifications. Ethical lapses and moral indiscretions sometimes occur under pressures of trying to meet business goals and attempting to satisfy the demands of the financial community.

**Ethics** in our context involves matters of right and wrong, or *moral*, conduct pertaining to any aspect of marketing communications. For our purposes, the terms

*ethics* and *morality* will be used interchangeably and considered synonymous with societal notions of *honesty*, *honor*, *virtue*, and *integrity*. Although it is relatively easy to define ethics, the field of marketing—as well as elsewhere in society—lacks consensus about what ethical conduct actually entails.<sup>89</sup> We nonetheless can identify the following marketing communications practices that are especially susceptible to ethical challenges: (1) targeting marketing communications, (2) advertising, (3) public relations and brand placements, (4) packaging communications, (5) sales promotions, and (6) online and social media marketing.

#### 4-4a THE ETHICS OF TARGETING

Based on the principles of marketing strategy, we know that firms should direct their offerings at specific segments of customers rather than use a scatter or shotgun approach. Nevertheless, ethical dilemmas are sometimes involved when special products and corresponding marketing communications efforts are directed at segments that may be vulnerable. For example, especially open to ethical debate is the practice of targeting products and communications efforts to segments that, for various psychosocial and economic reasons, are vulnerable to marketing communications—such as children, teens, and economically disadvantaged groups.<sup>90</sup>

##### Targeting Children and Teens

In-school marketing programs, advertisements in traditional media, and messages online continually urge children to desire various products and brands. In fact, one study has estimated that U.S. businesses spent \$17 billion in one year advertising and marketing their brands to children.<sup>91</sup> Critics contend that many of the products targeted to children are unnecessary and that the communications

are exploitative. Because it would involve debating personal values to discuss what children do or do not need, the following examples present the critics' position and allow you to draw your own conclusions.<sup>92</sup>

**Targeting Food and Beverage Products** Consider a past advertising campaign that targeted Gatorade to children. Advertisements claimed that bottled Gatorade is the “healthy alternative for thirsty kids.” Nutritionists and other critics charged that Gatorade is unnecessary for children and no better than water—no harm or benefit arises from its consumption.<sup>93</sup> If indeed Gatorade does not benefit kids, is it ethical to urge them to encourage a parent to purchase this product?

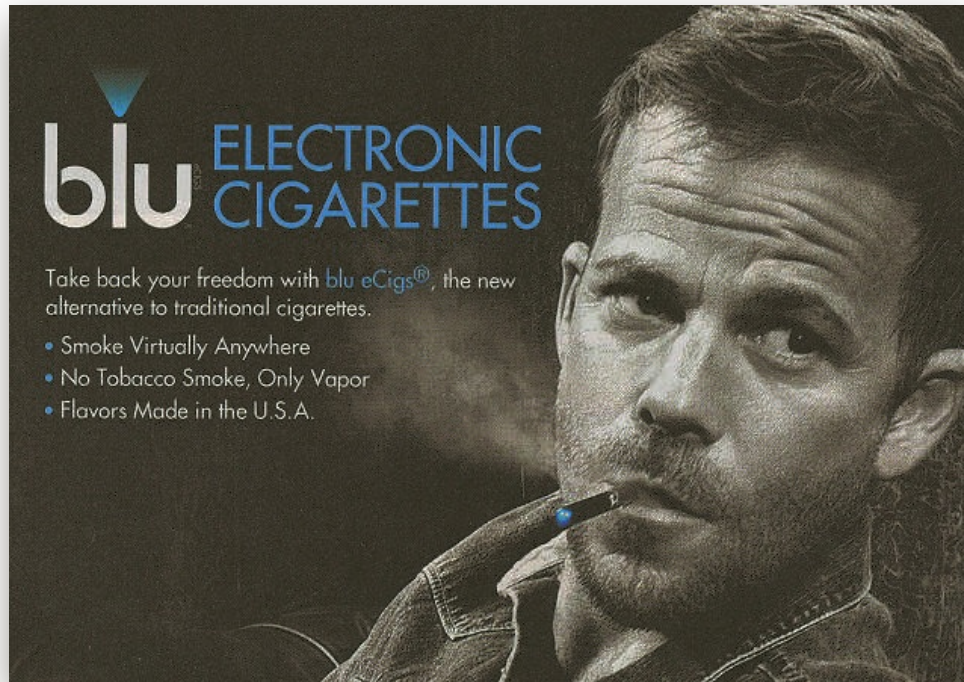
Childhood obesity and the marketing of food products to children are especially hotly debated topics. According to the Centers for Disease Control and Prevention, nearly 1 in 6 children (17 percent or 12.7 million) are considered obese, a rate that compares to 1 in 16 cases of childhood obesity only about 25 years ago.<sup>94</sup> Many critics consider it unethical to market food products to children, perhaps especially through cartoon characters touting sugared cereals and unhealthy snacks.<sup>95</sup>

Consider an advertising effort by the Subway sandwich chain, which once achieved much success using now-disgraced, spokesman Jared Fogle—once morbidly obese who supposedly lost nearly 250 pounds by dieting on Subway sandwiches and exercise. (Fogle has reportedly gained substantial weight back in prison serving a 16-year term for child pornography charges.<sup>96</sup>) Subway had extended the campaign several years ago in an effort directed at children. In one commercial, a preteen boy was overheard in the background saying, “When my brother had friends over, I would, like, stay up in my room because I was afraid they’d call me fat, or something. Now I’m not afraid of that at all. I started running and eating

better stuff. I’m Cody. I’m twelve years old.” After the child bared his soul, Jared Fogle came before the camera and declared, “More than anything, we [Subway] want your children to lead long and healthy lives.” By implication, eating at Subway rather than at nutritionally challenged fast-food outlets is one means for children to reduce weight and to increase the quality of their lives. Critics asserted that this campaign was exploitive.<sup>97</sup> Defenders of Subway’s advertising countered by claiming that this type of advertising serves to raise children’s awareness of the importance of eating more nutritious foods and undertaking exercise regimens. Did Subway cross the exploitation line with this advertising? How has Subway fared since Fogle’s arrest and prison sentence?



Alex Segre/Alamy Stock Photo



Source: blu eCigs

Due to a combination of pressure from critics, fear of more regulations from the FTC, and perhaps their own high moral standards, 11 of the largest food and beverage companies in the United States (e.g., Campbell Soup, General Mills, Kellogg, and PepsiCo) adopted self-imposed rules that limit advertising to children under 12. Among other rules, the companies pledged to discontinue use of licensed characters in ads (i.e., characters from popular TV shows and movies) unless they are used for promoting healthier products—such as General Mills’ use of Sponge-Bob SquarePants on packages to promote its frozen vegetable mixes. Additionally, the companies agreed to stop advertising in elementary schools.<sup>98</sup>

**Targeting Tobacco and Alcohol Products** Marketers have been criticized for targeting adult products to teens and college students. For example, as measured by Nielsen target rating points (i.e., reach × frequency for the target market, see Chapter 16), youth exposure to televised e-cigarette ads increased 256 percent from 2011 to 2013, almost all represented by blu TV commercials from actors Jenny McCarthy and Stephen Dorff.<sup>99</sup> Studies have shown that youth exposed to e-cigarette advertising reported a significantly greater likelihood of e-cigarette use compared to control groups, and more high school seniors now use e-cigarettes (16 percent) than convention cigarettes (11 percent).<sup>100</sup> Even though toxicants in e-cigarette smoke tested are 9 to 450 times lower than cigarette smoke, they still contain significantly higher levels of many carcinogenic and toxic compounds (e.g., formaldehyde, acetaldehyde, nitrosamines, cadmium, nickel, and lead) compared with Nicorette inhaler vapor<sup>101</sup> and concerns

about inhaling heated flavoring chemicals persist. Because e-cigarettes vaporize a propylene glycerol solution containing nicotine, a text addiction warning will be required for advertising and packaging in the United States.<sup>102</sup>

For many years, there has been considerable concern regarding the marketing of beer and other alcoholic beverages to teens and young adults. A study by a watchdog group at Georgetown University reported that one-quarter of alcohol advertising was more likely seen by youths than adults.<sup>103</sup> Research undertaken by the Centers for Disease Control and Prevention monitored over 67,000 radio spots in 104 markets in the United States and concluded that 49 percent of those ads were aired on programs that are youth oriented. The study concluded that beer and liquor companies are not abiding by a self-imposed ban on advertising to teens.<sup>104</sup>

Lawsuits have been filed against major brewers and other companies that market alcohol products on the basis that their advertising and marketing practices increase underage drinking.<sup>105</sup> A consumer advocacy group, the Center for Science in the Public Interest, initiated an effort to reduce the amount of alcohol advertising on televised sports. Coaching legends participated in the program, and The Ohio State University (OSU) became the first major school to get involved when it blocked its local media partners from airing any alcohol ads during the broadcast of OSU sporting events.<sup>106</sup>

**Targeting Violent Entertainment** There has been criticism of the marketing of adult-oriented entertainment products over the years to children and teens. The FTC has issued a regular series of reports, titled *Marketing Violent*

*Entertainment to Children* that admonishes the entertainment industry for targeting children with advertisements for violent films, video games, and music. However, the FTC has called on the entertainment industry to self-regulate and rigorously apply its own codes of conduct, although there are serious concerns that the industry is not as motivated or even capable of cleaning its own house.<sup>107</sup> An editor of *Advertising Age*, a publication widely read by advertising practitioners and a voice of reason in the ad industry, offers the following appropriate conclusion to this discussion:

*This publication's editors . . . almost always side with the advertising industry in preferring self-regulation to government intervention. But self-regulation is a privilege earned with responsible behavior and voluntary restraint. In the marketing of entertainment products to children, marketers have shown little restraint. If they continue to act irresponsibly, they will have invited the regulation they so desperately want to avoid.*<sup>108</sup>

### Targeting Economically-Disadvantaged Consumers

Makers of alcohol and tobacco products frequently employ billboards and other advertising media in targeting brands to economically-disadvantaged consumers. Although billboard advertising of tobacco products is restricted under the Master Settlement Agreement between the federal government and firms in the tobacco industry, and under the Family Smoking Prevention and Tobacco Control Act, in the past billboards advertising tobacco and alcohol were disproportionately more likely to appear in inner-city areas.<sup>109</sup>

Three previous celebrated cases illustrate the concerns.<sup>110</sup> A national uproar ensued when R.J. Reynolds Tobacco Company (RJRT) was preparing to introduce Uptown, a brand of menthol cigarette aimed at African Americans and planned for test marketing in Philadelphia, where African Americans make up 40 percent of the population. Because African Americans have more than a 50 percent higher rate of lung cancer than whites, the product launch incensed many critics, including the U.S. government's Secretary for Health and Human Services. In response to the public outcry, RJRT canceled test marketing, and the brand died.<sup>111</sup>

Following the wake of Uptown's demise, critics challenged another firm, the Heileman Brewing Company, for introducing its PowerMaster brand of high-alcohol malt liquor targeted to inner-city residents—a brand containing 5.9 percent alcohol compared with the 4.5 percent content of other malt liquors.<sup>112</sup> Brewing-industry supporters claimed that rather than being exploitive, PowerMaster and other malt liquors merely meet the demand among African Americans and Hispanics, who buy the vast majority of malt liquor.<sup>113</sup> Nonetheless, the U.S. Department of Justice's Alcohol,

Tobacco, Firearms, and Explosives Bureau (“ATF”), which regulates the brewing and liquor industries, would not permit the Heileman Brewing Company to market malt liquor under the name PowerMaster. The ATF considered the name PowerMaster as promoting the brand's alcoholic content, which violated federal regulations.

The R.J. Reynolds Tobacco Company was again widely criticized when preparing to introduce its Dakota brand of cigarettes to young, economically downscale women. RJRT's plans to test-market Dakota in Houston were squashed when critics created an outcry in response to what was considered to be exploitive marketing.<sup>114</sup>

In summary, the issue is more than “is targeting good or bad.” The important ethical issues are concerned not about fulfilling needs and wants, but about when consumer vulnerabilities are exploited.

### 4-4b ETHICAL ISSUES IN ADVERTISING

The role of advertising in society has been debated for centuries. Advertising ethics is a topic that has commanded the attention of philosophers, practitioners, scholars, and theologians.<sup>115</sup> Even advertising practitioners are mixed in terms of their awareness of and concern for ethical issues in the day-to-day conduct of advertising.<sup>116</sup> The following is a succinct yet eloquent account of why advertising is so fiercely criticized:

*As the voice of technology, [advertising] is associated with many dissatisfactions of the industrial state. As the voice of mass culture it invites intellectuals' attack. And as the most visible form of capitalism it has served as nothing less than a lightning-rod for social criticism.*<sup>117</sup>

A variety of ethical criticisms have been leveled against advertising. Because the issues are complex, it is impossible to treat each criticism in great detail. Also, it is important to note that there is a difference between one's attitude toward advertising in general and toward specific ads. Thus, the following discussion introduces some illustrative issues with the expectation that each will prompt more in-depth thought and perhaps class discussion.<sup>118</sup>

### Advertising Is Untruthful and Deceptive

Roughly two-thirds of Americans think that advertising (in general) is often untruthful.<sup>119</sup> As was discussed previously, deception occurs when an ad claim misleads reasonable consumers and the claim is important enough to likely affect the consumer's conduct (i.e., it is “material”). By this definition, it is undeniable that some advertising is deceptive—the existence of governmental regulation and industry self-regulation attests to this fact. It would be naïve, however, to assume that *most* advertising is deceptive.



Nonetheless, when advertising is deceptive, consumers may eventually be harmed and even competitors of deception perpetrators may be negatively affected because consumers become increasingly skeptical and develop diminished trust in the accuracy of subsequent advertising claims.<sup>120</sup> Recently, advertisers have come under fire for their use of “native advertising,” that is, sponsored content that blurs the line between advertising and editorial staff articles. Native ads have been labeled by advertisers as “sponsored,” “promoted,” or “presented by,” and represent a special class of proactive PR described in Chapter 21.<sup>121</sup> Yet only 41 percent of consumers in a survey from the Interactive Advertising Bureau said native ads on general news sites were clearly identified as being paid for by a brand.<sup>122</sup> Another recent practice is the use of small print disclosures and disclaimers as a form of humor, as used by Dannon, Ikea, and Red Bull brands.<sup>123</sup> Unfortunately, if the disclosure is needed to prevent the ad from being misleading to consumers, and is not “clear and conspicuous,” then the FTC is likely to find it deceptive.<sup>124</sup>

### Advertising Is Manipulative

The criticism of manipulation asserts that advertising can influence people to do things they would not otherwise do were it not for exposure to advertising. Taken to the extreme, this suggests that advertising is capable of moving people against their free wills. But, most adults, when *consciously aware* that attempts are being made to persuade or influence them, have the cognitive capacity and defenses to resist efforts to motivate them in a direction they wish not to be moved.<sup>125</sup>

However (and it is a big *however*), there is growing evidence that much human behavior is *not under conscious control*. (This issue is discussed in Chapter 11 in the context of subliminal advertising.) Many of our actions occur virtually automatically (without cognitive intervention), as if we were on autopilot, especially if the action is compatible with our current need state.<sup>126</sup>

### Advertising Is Offensive and in Bad Taste

Advertising critics contend that advertisements are sometimes insulting to human intelligence, vulgar, and generally offensive to the tastes of many consumers. The critics have in mind such practices as sexual explicitness or innuendo, exaggerated political ads, outlandish humor, and excessive repetition of the same advertisements. Many consumers consider ads for erectile dysfunction drugs (brands such as Cialis and Viagra) as especially offensive, particularly when they appear on programs children view. The American Pediatrics Association has encouraged marketers to restrict such ads to after 10 P.M. so that children do not learn to view sex as a “recreational sport.”<sup>127</sup> Undeniably, some advertising might be viewed as disgusting and offensive.<sup>128</sup> Yet, the same might be said for all forms of mass-media presentations (e.g., some

network reality programs, political candidates and pundits, YouTube clips).

### Advertising Creates and Perpetuates Stereotypes

At the root of this criticism is the contention that advertising tends to portray certain groups in a very narrow and predictable fashion. For example, minorities may have been portrayed disproportionately in working-class roles rather than in the full range of positions they actually occupy; women may have been stereotyped as sex objects; and senior citizens sometimes are characterized as feeble and forgetful. Certainly, at times, advertising *has* been guilty of perpetuating stereotypes, and as noted above, this has occurred at times in network programming and in other form of media as well.

### Advertising Persuades People to Buy Things They Do Not Really Need

A frequently-cited criticism suggests that advertising causes people to buy items or services they do not need. Yet, this criticism might be viewed as a value-laden judgment. Do you need another pair of shoes? Do you need a college education? Who is to say what you or anyone else needs? Advertising most assuredly influences consumer tastes and encourages people to undertake purchases they may not otherwise make, but is this unethical (e.g., misleading, deceiving, taking advantage of vulnerable consumers)?

### Advertising Plays on People’s Fears and Insecurities

Some advertisements appeal to the negative consequences of not buying and using certain products—rejection by others, failure to have provided for the family if one should die without proper insurance coverage, not sending a contribution to save starving children in developing countries, and so on. Some advertisers are guilty of influencing consumer behavior by appealing to negative emotions such as fear, guilt, and humiliation. There certainly are self-regulatory protections on these actions for children, via the CARU. Yet, such appeals are quite common in society at large. For example, theologians sometimes threaten that nonbelievers will go to hell; politicians assert that our fate will be even worse if we vote for their opponent; teachers warn that our futures are in jeopardy if we do not get term papers in on time; and parents intimidate their children on a routine basis using a variety of “fear appeals.” Looked at this way, it might be deduced that advertisers may be rather innocent by comparison.

### A Trade Association’s Code of Ethical Standards

In sum, the institution of advertising is certainly not free of criticism, but advertising also reflects society.<sup>129</sup> Yet, responsible advertising practitioners, knowing their practice is particularly susceptible to criticism, have

a vested interest in producing legitimate advertising. Accordingly, advertising practitioners typically operate under ethical codes of conduct, such as the American Association of Advertising Agencies' (AAAA) code of ethical standards.

The AAAA is the national trade association that represents advertising agencies in the United States. Its members are responsible for creating approximately three quarters of the total advertising volume placed nationwide by ad agencies. AAAA's mission is to improve and strengthen the ad agency business, to advocate advertising, to influence public policy, to resist advertising-related legislation that it regards as unwise or unfair, and to work with government regulators to achieve desirable social and civic goals. The AAAA promulgated a code of high ethical standards in 1924 and updated the code in 1990. It is presented here verbatim because it represents, on the one hand, a set of lofty goals for the advertising industry and, on the other, a framework for evaluating whether advertisements these agencies produce meet these high standards.

*We, the members of the American Association of Advertising Agencies, in addition to supporting and obeying the laws and legal regulations pertaining to advertising, undertake to extend and broaden the application of high ethical standards. Specifically, we will not knowingly create advertising that contains:*

- a. *False, or misleading statements or exaggerations, visual or verbal*
- b. *Testimonials that do not reflect the real opinion of the individual(s) involved*
- c. *Price claims that are misleading*
- d. *Claims insufficiently supported or that distort the true meaning or practicable application of statements made by professional or scientific authority*
- e. *Statements, suggestions, or pictures offensive to public decency or minority segments of the population.*

*We recognize that there are areas that are subject to honestly different interpretations and judgment. Nevertheless, we agree not to recommend to an advertiser, and to discourage the use of, advertising that is in poor or questionable taste or that is deliberately irritating through aural or visual content or presentation.*

*Comparative advertising shall be governed by the same standards of truthfulness, claim substantiation, tastefulness, etc., as apply to other types of advertising.*

*These Standards of Practice of the American Association of Advertising Agencies come from the belief that sound and ethical practice is good business. Confidence and respect are indispensable to success in a*

*business embracing the many intangibles of agency service and involving relationships so dependent upon good faith.*

*Clear and willful violations of these Standards of Practice may be referred to the Board of Directors of the American Association of Advertising Agencies for appropriate action, including possible annulment of membership as provided by Article IV, Section 5, of the Constitution and By-Laws.<sup>130</sup>*

#### 4-4c ETHICAL ISSUES IN PUBLIC RELATIONS AND PRODUCT PLACEMENT

*Publicity*, the aspect of public relations that establishes contacts with the news media, involves disseminating positive information about a company and its products and handling negative publicity when things go wrong. Because publicity is like advertising in that both are forms of mass communications, many of the same ethical issues apply and need not be repeated. The one distinct aspect worthy of separate discussion is the matter of *negative publicity*.

A number of illustrious cases have surfaced in recent years in which companies have been widely criticized for marketing unsafe products. For example, the Environmental Protection Agency (EPA) found that many VW cars being sold in America had a “defeat device”—or software—in diesel engines that could detect when they were being tested, changing the performance to improve results.<sup>131</sup> VW eventually admitted cheating emissions tests in the United States and is facing up to \$90 billion in fines from the EPA. The way firms confront negative publicity has important strategic and ethical ramifications. The primary ethical issue concerns whether firms confess to product shortcomings and acknowledge problems or, instead, attempt to cover up the issues.

Product placement (also known as “brand placement”) is a marketing strategy whereby an advertiser promotes a product by placing it in a context (e.g., program scene or story) of a selected media (e.g., TV, film, movie).<sup>132</sup> The FTC Endorsement and Testimonial Guides indicate that it is misleading when a material connection (e.g., a paid relationship) between the endorsement and placed product is not disclosed.

#### 4-4d ETHICAL ISSUES IN PACKAGING AND BRANDING

Four aspects of packaging involve ethical issues: (1) label information, (2) packaging graphics, (3) packaging safety, and (4) environmental implications of packaging.<sup>133</sup> *Label information* on packages can mislead consumers by providing exaggerated information or by unethically suggesting that a product contains more of desired attributes (e.g., nutrition) or less of undesired

attributes (such as trans fat) than is actually the case. For example, there may be instances in which reduced nutrition ad claims (“lower sodium”) may still be considered to be at high absolute levels of the nutrient, yet are taken as absolutely low by consumers without necessary nutrition knowledge.<sup>134</sup>

*Packaging graphics* may be unethical when the picture on a package is not a true representation of product contents (e.g., as when a children’s toy is made to appear much bigger on the package than it actually is). Another case of potentially unethical packaging is when a store brand is packaged so that it looks virtually identical to a well-known national brand. *Unsafe packaging* problems are particularly acute when packaging is not tamperproof and contains dangerous products that are unsafe for children. Packaging information may be misleading and unethical when it suggests environmental benefits that cannot be delivered.<sup>135</sup>

Related to packaging ethics is *brand naming*. A marketer’s choice of brand name engages ethical considerations when the chosen name suggests the brand possesses product features that it does not, or will deliver benefits that it cannot. Consider, for example, a hypothetical children’s toy carrying the name “Power-Glider.” Because this name suggests that the toy (a plastic airplane) has an actual power source such as an engine, consumers would be deceived when purchasing the brand if in fact the only source of power is the person who has to throw it.

Another ethical violation may occur when a company borrows (or steals) a brand name from a better known and established brand. In effect, by using another company’s well-known brand for its own product, the violator is capitalizing on the power of *leveraging* as described in Chapter 2. Stealing another company’s established brand name is not only unethical but can be illegal according to trademark law. A global form of brand-naming piracy occurs when marketers in one country use brand names for their products that are virtually the same as the names of established brands from another country.

#### 4-4e ETHICAL ISSUES IN SALES PROMOTIONS

Ethical considerations are involved with all facets of sales promotions, including manufacturer promotions directed at wholesalers and retailers and to consumers. As is discussed in Chapter 18, retailers have gained considerable bargaining power vis-à-vis manufacturers. One outcome of this power shift has been retailers’ increased demands for deals, such as *slotting allowances* that illustrate the power shift. This practice (thoroughly discussed in Chapter 18) requires manufacturers to pay retailers a fee for their willingness to handle a new stock unit from the manufacturer. Critics of slotting allowances contend this practice represents a form of bribery and is therefore unethical.

Consumer-oriented sales promotions (including practices such as coupons, premium offers, rebates, sweepstakes, and contests) are unethical when the sales promoter offers consumers a reward for their behavior that is never delivered—for example, failing to mail a free premium object or to provide a rebate check. Sweepstakes and contests are potentially unethical when consumers think their odds of winning are much greater than they actually are.<sup>136</sup> Also, as previously noted, a company was charged by the FTC with failure to disclose a material connection between the advertised company’s pins (serving as an endorsement) on Pinterest and the entry into a contest.

#### 4-4f ETHICAL ISSUES IN ONLINE AND SOCIAL MEDIA MARKETING

Ethical issues abound in the use of online marketing and social media as marcom choices, many of which overlap with the prior, general discussions involving the ethics of advertising and promotions. Aside from the general ethical issues already discussed, invasion of individuals’ *privacy* is notable. Because online marketers can collect voluminous information about people’s personal characteristics, online shopping behavior, and use of information, it is easy to invade individuals’ privacy rights by selling information to other sources and divulging confidential information. Later in Chapter 13, we detail many issues surrounding privacy invasion, but interested readers are encouraged to examine the articles listed in the following end note.<sup>137</sup> As an example, the FTC charged Google with deceptive privacy practices with their rollout of their social network, Google Buzz (now called Google+). The FTC had received thousands of complaints of public disclosure of e-mail contacts due to a failure of Google to fully allow users to opt-out of this disclosure.<sup>138</sup> Google agreed to implement a comprehensive privacy program as an agreement to the order provisions.

Another ethical violation in online marketing relates to the use of blogs, posts, and tweets. For example, companies are unethical when their blogs, posts, and tweets include positive testimonials from falsified consumers. Unethical blogging practices also are evidenced when companies pay individuals to write blogs that provide positive evaluations of a company’s products. Needless to say, there is potential for some information in social media to be exaggerated if not outright erroneous.

#### 4-4g FOSTERING ETHICAL MARKETING COMMUNICATIONS

Primary responsibility for ethical behavior resides within each of us when we are placed in any of the various marketing communicator roles. In large part, it is a matter of our own personal integrity. Although difficult

to define precisely, *integrity* generally means being honest and not acting in a deceptive or purely expedient manner.<sup>139</sup>



To learn more about the promotion for Frozen Coke, in which Coca-Cola executives distributed cash to aid Frozen Coke purchases in trying to land the Burger King account, go to Insights Online in MindTap.

A second example of compromised integrity in marketing communications involves how the FBI uncovered how a supplier stole key winning pieces for the long-running McDonald's Monopoly game.<sup>140</sup>



To learn more about how the FBI caught the supplier stealing McDonald's Monopoly game pieces, go to Insights Online in MindTap.

Businesses can foster ethical or unethical cultures by establishing ethical core values to guide marketing communications behavior. Two core values that would go a long way toward enhancing ethical behavior are (1) treating customers with respect, concern, and honesty—the way you would want to be treated or the way you would want your family treated—and (2) acting toward the environment as though it were your own property.<sup>141</sup>

Firms can foster ethical marcom behavior by encouraging their employees to apply each of the following tests when faced with an ethical predicament:<sup>142</sup>

1. Act in a way that you would want others to act toward you (the *Golden Rule test*).
2. Take only actions that an objective panel of your professional colleagues would view as proper (the *professional ethics test*).

3. Always ask, “Would I feel comfortable explaining this action on television to the general public?” (the *TV test*).
4. Consider “What if everyone acted in this manner?” (the *categorical imperative*).

During your business career (and otherwise in life), you undoubtedly will be confronted with times of moral/ethical predicament calling for one decision versus another. Thoughts such as these will enter your mind: “My supervisor wants me to do such and such (fill in the blank), but I am not sure it is the right thing to do.” “I could increase my brand’s sales and profits if I were to (fill in the blank), but although doing that would be expedient, I am concerned that it is not the right thing to do.” When confronted with such dilemmas, stop before you act. Apply the four tests. For example, imagine yourself standing before a television camera and justifying your behavior or considering what if everyone acted in this way. Ask if this is how you would want someone to treat you. Ponder whether other professionals would endorse your behavior. In short, think before you act. Business can be tough. Living with your own bad decisions (those reflecting anything other than high integrity) can be miserable. Moreover, in subfields of marketing, we often work in smaller circles than one would think, in which “everyone knows everyone.”

We conclude this section by presenting the thoughts of a marketing practitioner who has urged his fellow practitioners to conduct their marcom activities in a manner that lifts the human spirit rather than appeals to human nature’s most base instincts. He urges marcom practitioners to contemplate four questions before creating and transmitting messages.<sup>144</sup> These questions deserve our careful consideration.

- What lasting impact will this message have on our brand if we continue to communicate it over the long run?
- What lasting impact, if any, will my message have on society at large?
- Does my message appeal to the best in people and attempt to lift the human spirit?
- What response am I trying to elicit, and what macro message does that send about our society?

# Summary

This chapter examined a variety of issues related to green marketing initiatives, the regulation of marketing communications, and ethical marcom behavior. In the first section, environmental, or *green*, marketing was described, and implications for marketing communications were elaborated. Marketing communicators have responded to society's environmental interests by developing more environmentally-friendly packaging and undertaking other communications initiatives. Recommendations provided to marketing communicators for making appropriate environmental claims are to (1) make the claims specific, (2) have claims reflect current disposal options, (3) make the claims substantive, and (4) make supportable claims.

The second section examined the regulation of marcom activities. The regulatory environment was described

with respect to both government regulation and industry self-regulation. The FTC's role was explained in terms of its regulation of deception and unfair practices. False advertising under the Lanham Act, as well as the FDA's role in package labeling, and self-regulation by the Council of Better Business Bureaus' National Advertising Division (NAD) and National Advertising Review Board (NARB) were discussed.

The last major section examined implications of ethical (and unethical) marketing communications. The ethics of each of the following marcom activities were discussed: the targeting of marketing communications efforts, advertising, public relations, packaging communications, sales promotions, and online marketing and social media communications. A concluding discussion examined how firms can foster ethical behavior.

## Discussion Questions

1. Some consumers are more concerned about the physical environment than others. Provide a specific profile of what in your opinion would be the socioeconomic and psychographic (i.e., lifestyle) characteristics of the "environmentally concerned" consumer.
2. The text mentioned—in the context of discussing packaging ethics—that an ethical infraction may occur when marketers package store brands so that they look virtually identical to well-known national brands. What are your thoughts on this?
3. From your experience, are most green marketing claims legitimate or do they represent green-wash? Support your answer with examples.
4. Are the profit motive and green marketing inherently in conflict?
5. Did Subway cross the exploitation line when it targeted its food products to obese children? In your opinion, has the arrest and prison term of their former spokesperson Jared Fogle had an effect on Subway?
6. What is your opinion regarding the ethics of product placements (e.g., cigarettes, alcohol) in movies targeted to children? What about violent entertainment in video games seen by children? Identify the arguments on both sides of the issues, and then present your personal position.
7. Is targeting unethical or just good marketing? Identify the arguments on both sides of the issue, and then present your personal position.
8. What is your opinion of the graphic visual health warnings and plain packaging (with no color logos) seen on cigarette packs around the world (but not in the United States)?
9. Are you in favor of the FDA updating their nutritional labeling to include added sugars and to make calories more prominent, or do you consider such requirements an unnecessary intrusion into the free marketplace? Do you think package claims such as natural, gluten-free, GMO-free, and/or organic should be regulated by the FDA, even though organic has a USDA label and GMOs will soon as well? Justify your position on these issues.
10. What is the distinction between a deceptive and an unfair business practice?
11. Give examples of advertising claims that, if found false, probably would be considered material and those that probably would be evaluated as immaterial.
12. What is your opinion of the defense Kraft used in claiming that calcium is an immaterial product attribute? Do you agree with the Supreme Court decision upholding POM Wonderful's false advertising lawsuit against the Minute Maid pomegranate-blueberry "juice blend" product from Coca-Cola?
13. When discussing the criticism that advertising is manipulative, a distinction was made between persuasion efforts of which consumers are cognitively aware and those that fall below their conscious radar screens. First, explain in your own words the

distinction between the potential for advertisers to “manipulate” consumers cognitively and unconsciously. Second, express your thoughts about the ethical ramifications of, say, retailers’ potential use of in-store devices (e.g., “Internet of Things”) to track shopper habits.

14. What is your view of proposals that would ban all advertising and marketing in elementary schools? The recent requirement for calorie and nutrition menu boards in fast-food restaurants with over 20 locations? Tax nutritionally inferior food that provide only added calories?
15. In theory, corrective advertising represents a potentially valuable device for regulating deceptive advertising. In practice, however, corrective advertising must perform a very delicate balancing act by being strong enough without being too forceful. Explain the nature of this dilemma.

## The Practice and Environment of Integrated Marketing Communications (IMC)

- 1 An Overview of Integrated Marketing Communications
- 2 Enhancing Brand Equity and Accountability
- 3 Brand Adoption, Brand Naming, and Intellectual Property Issues
- 4 Environmental, Regulatory, and Ethical Issues

## Fundamental IMC Planning and Decisions

- 5 Segmentation, Targeting, and Positioning
- 6 The Communications Process and Consumer Behavior
- 7 The Role of Persuasion in IMC
- 8 IMC Objective Setting and Budgeting

## Advertising Management and Media Choices

- 9 Overview of Advertising Management
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- 18 Sales Promotion Overview and the Role of Trade Promotion
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- 21 Public Relations, Content Marketing, Viral Marketing, and Sponsorships
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# Part 2

## Fundamental IMC Planning and Decisions

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**8** Objective Setting and Budgeting 160

**P**art 2 builds a foundation for understanding the nature and function of marketing communications and for marcom planning by providing practical and theoretical overviews of four fundamental marcom areas: (1) segmentation, targeting, and positioning; (2) communications and consumer behavior; (3) marcom persuasion; and (4) objective setting and budgeting. *Chapter 5* introduces segmentation, targeting, and positioning as key elements in effective marketing communications. The chapter focuses on the market segmentation process and four sets of audience-defining characteristics that influence how people respond to marcom programs: behavioral segmentation, psychographics, demographics, and geodemographics.

*Chapter 6* provides further foundation for targeting activities by examining both the communications process and essentials of consumer behavior. Consumer behavior is discussed from two different perspectives: (1) the consumer processing model (with rational, logical decisions) and (2) the hedonic/experiential model (with behavior driven by fun, fantasies, and feelings). Particular detail is applied to describing consumer information processing steps,



including exposure, attention, comprehension, agreement, retention, retrieval, decision making, and action from marcom messages.

*Chapter 7* extends the overview of communications and consumer behavior by discussing the role of persuasion (i.e., attitude change) in IMC. Special attention will be devoted to the major elements in persuasion to consider in marcom campaigns, as well as two important models of persuasion processes applied to marcom: (1) the Elaboration Likelihood Model and its motivation, ability, and opportunity to process elements, and (2) the Theory of Reasoned Action.

*Chapter 8* completes the treatment of fundamental marcom decisions by examining IMC objective setting and budgeting. The importance of setting objectives is initially discussed via the hierarchy of marcom effects explaining how the choice of a marcom objective depends on where in the hierarchy (e.g., awareness or product trial) members of the target audience are located. Requirements for setting suitable marcom objectives are detailed. Then, the issue of whether marcom should be based on sales or pre-sales (communication) objectives is addressed. Four practical budgeting methods conclude the chapter: (1) percentage-of-sales, (2) objective-and-task, (3) competitive parity, and (4) affordability.

# Segmentation, Targeting, and Positioning

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Appreciate the importance of market segmentation for specific consumer groups and realize that the targeting decision is the initial and most fundamental of all marcom decisions.
- 2 Understand the role of behavior segmentation in targeting consumer groups.
- 3 Describe the nature of psychographic segmentation.
- 4 Appreciate major demographic developments, such as changes in the age structure of the population and ethnic population growth.
- 5 Explain the meaning of geodemographics and understand the role for this form of targeting.
- 6 Recognize that any single characteristic of consumers—whether their age, ethnicity, or income level—likely is not solely sufficient for sophisticated marcom segmentation.
- 7 Appreciate the concept and practice of brand positioning.

## Marcom Insight

### Positioning and “McBucks”: Should McDonald’s Try to Become Starbucks?

When the name McDonald’s comes to mind, most people might think of the golden arches, Ronald McDonald, french fries, Big Macs, and so on. Similarly, when you call to mind the chain of Starbucks stores, you probably think of strong-tasting coffee and expensive specialty drinks such as espressos, lattes, cappuccinos, and mochas. But a few years ago, McDonald’s repositioned itself and began selling specialty coffee drinks (lattes, cappuccinos, etc.), and Starbucks started offering sandwiches and other non-dessert breakfast items.

Starbucks certainly has experimented in many stores with nontraditional breakfast items—food products typically associated more with fast-food chains than with coffee shops. Perhaps of far greater interest is the move by McDonald’s into specialty coffee drinks. McDonald’s added specialty coffee drinks to the menus of all of its U.S. stores starting in 2009 as part of its McCafé line. Because quick service is and will continue to be mandatory to McDonald’s success (in comparison to the more relaxed atmosphere at Starbucks), McDonald’s uses



ZAK BRIAN/SIPA/Newscom

push-button machines to produce specialty coffee drinks in a single step. These specialty beverages at McDonald's are priced about 50 cents less than at Starbucks.

Why did McDonald's move in this direction? Starbucks has been hugely successful in pioneering the mass distribution of specialty coffee drinks in the United States and beyond, and now the market is ripe for competitive efforts to capture market share. It is estimated that about 20 percent of Americans drink some form of espresso-based coffee daily, and the market for specialty coffee is growing at an annual rate of 20 percent per year. On top of this, the profit margins for specialty coffees are extremely attractive in comparison to most of the McDonald's menu items.

Was McDonald's successful with their McCafe strategy versus Starbucks? Unfortunately five years out, same store sales in the United States fell 1.4 percent due to several factors, including cash-strapped Americans eating out less, especially at midday. Perhaps, the major reason cited by industry observers is that McDonald's competitive advantage (i.e., what they are known for) is food and convenience, not specialty beverages. Moreover, complicated coffee offerings (e.g., blending frappes, frothing lattes) slowed down service, franchises didn't have extra floor space for the specialty coffees, and they balked at spending \$13,000 for espresso machines. In addition, millennials (under age 35) were not coming in for coffee, preferring Starbucks for their welcoming atmosphere.

However, returning to its competitive advantage with food, McDonald's recently has made a strong comeback with a 5.7 percent increase in same store sales in the United States. The major reason is a switch to their popular, all-day breakfast menu. Other successful food menu changes include gourmet burgers, mozzarella sticks, sweet potato fries, mac and cheese, and the McPick \$2 menu (beginning with two items for 2 dollars). Positioning in line with one's perceived competitive advantage is always helpful.

Sources: Janet Adamy, "McDonald's Is Poised for Lattes," March 1, 2007, *Wall Street Journal Online*; Ashley M. Heher, "Big Mac, Fries and a Latte?" (November 19, 2007), *ABC News Online*; Michael Arndt, "The Great Divide: McDonald's vs. Starbucks," *Bloomberg Businessweek*, February 19, 2009 <http://www.bloomberg.com/news/articles/2009-02-18/the-great-divide-mcdonalds-vs-dot-starbucks>; "McDonald's To Look Like Starbucks," *Huffington Post*, May 9, 2011, [http://www.huffingtonpost.com/2011/05/09/mcdonalds-look-like-starbucks\\_n\\_859342.html?view=print](http://www.huffingtonpost.com/2011/05/09/mcdonalds-look-like-starbucks_n_859342.html?view=print); Leslie Patton, "McDonald's Seeks to Out-Latte Starbucks in Coffee War," *Bloomberg Business*, January 29, 2014, <http://www.bloomberg.com/news/articles/2014-01-29/mcdonald-s-seeks-to-out-latte-starbucks-amid-coffee-wars>; Ashley Lutz, "McDonald's Plan to Overtake Starbucks Is Hurting Business," *Business Insider*, January 29, 2014, <http://www.businessinsider.com/mcdonalds-plan-to-overtake-starbucks-2014-1>; Daniel B. Kline, "McDonald's Coffee vs. Starbucks: Can McCafe Make a Dent?" *The Motley Fool*, February 4, 2014, <http://www.fool.com/investing/general/2014/02/04/mcdonalds-coffee-vs-starbucks-can-mccafe-make-a-de.aspx>; and Paul R. LaMonica, "McDonald's Sales Soar Thanks to All Day Breakfast," *CNN Money*, January 25, 2016, <http://money.cnn.com/2016/01/25/investing/mcdonalds-earnings>.

## 5-1 Introduction

This chapter expands the discussion of segmentation, targeting, and positioning that was introduced in Chapter 1. Recall that Chapter 1 provided a model of the marcom process and described various forms of "fundamental" and "implementation" decisions. The section on fundamental decisions concluded with the following mantra:

*All marketing communications should be:*  
 (1) directed to a particular target market,  
 (2) clearly positioned, (3) created to achieve a specific objective, and (4) undertaken to accomplish the objective within budget constraint.

Following a consideration of customer needs and benefits sought, the market segmentation process can be considered the starting point for all marcom decisions. Thus, the purpose of this chapter is to describe how marcom practitioners go through the segmentation process and target prospective customers. Segmentation and targeting allow marketing communicators to deliver their messages precisely and prevent wasted

### Behavioral segmentation

Information about the audience's behavior—in terms of past purchase behavior or online search activity—in a particular product category or set of related categories.

### Psychographics

Information about consumers' attitudes, values, motivations, and lifestyles that relate to buying behavior in a particular product category.

### Demographics

Measurable population characteristics such as age, income, and ethnicity.

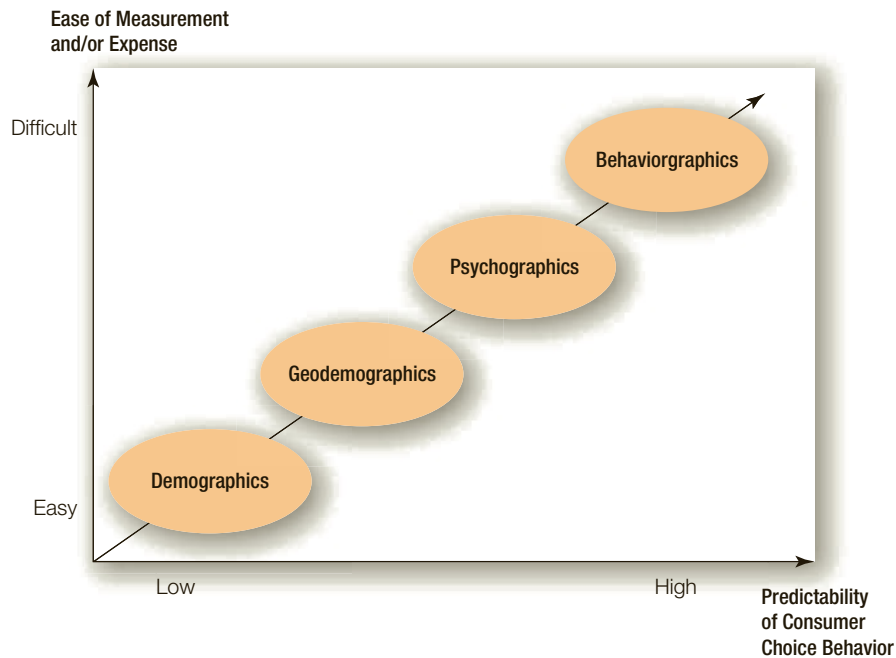
### Geodemographics

Based on demographic characteristics of consumers who reside within geographic clusters such as ZIP code areas and neighborhoods.

coverage on people falling outside the targeted market.

This chapter focuses on four sets of segmentation bases or characteristics that singularly or in combination influence what people consume and how they respond to marketing communications: behavioral segmentation, psychographics, demographics, and geodemographics. Specifically, **behavioral segmentation** ("behaviorgraphics") represents information about the audience's behavior—in terms of past purchase behavior or online search activity—in a particular product category or set of related categories. **Psychographics** captures aspects of consumers' psychological makeup and lifestyles including their attitudes, values, and motivations. **Demographics** reflect measurable population characteristics such as age, income, and ethnicity. And **geodemographics** is based on demographic characteristics of consumers who reside within geographic clusters, such as ZIP code areas and neighborhoods.

Subsequent sections are devoted to all four groups of audience-defining characteristics. First, however, it will be useful to distinguish the four general segmentation bases in terms of

**Figure 5.1** ▶ Classification of Four General Targeting Characteristics

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two considerations: (1) how easy or difficult it is to obtain data (i.e., *measure*) the characteristic on which a targeting decision is to be made, and (2) how *predictive* the characteristic is of consumer choice behavior. The graph presented in Figure 5.1 lays these two considerations out as the vertical (measurement ease) and horizontal (behavior predictability) dimensions. It thus can be seen that demographic data is relatively easy to obtain, but that demographic information is the least predictive of consumer choice behavior. At the other extreme, behavioral segmentation data are relatively more difficult and/or expensive to procure, but are highly predictive of choice behavior. Geodemographic and psychographic data fall between these extremes.

The chapter then concludes with material about brand positioning. A brand's **positioning** represents the key feature, benefit, or image that it stands for in the target audience's collective mind. Brand managers and the marketing team in general must identify a *positioning statement*, which is the central idea that encapsulates a brand's meaning and distinctiveness vis-à-vis competitive brands. Segmentation and targeting decisions affect positioning decisions, as they are made with respect to intended targets. Likewise, segmentation and targeting decisions are based on a clear idea of how brands are positioned and distinguished from competitive offerings. A good example of such positioning strategy was found in

**Positioning** The key feature, benefit, or image that a brand stands for in the target audience's collective mind.

**Market segment** A group of customers who share a similar set of needs and wants.

**Market segmentation** Act of dividing a market into distinct groups of customers who might require separate products and/or marketing mixes.

recent brand decisions for McDonald's and Starbucks, described in the chapter opening *Marcom Insight*.

## 5-2 Segments and the Market Segmentation Process

A **market segment** is a group of customers who share a similar set of needs and wants.<sup>1</sup> For example, a Mountain Dew ([www.mountaindew.com](http://www.mountaindew.com)) campaign for its new beverage Kickstart (Dew, juice, caffeine) and its flavors "Midnight Grape" and "Watermelon," might focus on young urban males ages 14 to 21 who enjoy skateboarding,

alternative, hip-hop or indie music, snowboarding, Facebook, and YouTube videos. In general, the process of **market segmentation** is the act of dividing a market into *distinct groups of customers* who might require separate products and/or marketing mixes.<sup>2</sup> The segmentation process certainly can help with efficiently directing and accounting for marcom resources.

Following a consideration of customer needs and benefits sought, the following represent the *major steps in the market segmentation process*:<sup>3</sup>

1. **Market segmentation:**
  - a. Identify bases (e.g., behavior, demographics) to segment the market
  - b. Develop profiles of resulting segments

2. **Market targeting:**
  - a. Develop measures of segment attractiveness
  - b. Select the target segment(s)
3. **Market positioning:**
  - a. Develop positioning for each target segment
  - b. Develop marketing mix for each target segment

Most of the remaining discussion in this chapter will follow this process, yet will concentrate on the identification of appropriate bases or characteristics to segment the market for marcom programs, as well as the resulting profiles of these segments.

### 5-3 Segmentation Bases: Behavioral Segmentation

Let us move forward 10 years and imagine that you are a successful entrepreneur who owns a really cool store (with a great website) located in a revitalized area of a major city. Your establishment appeals primarily to professional millennials (ages 20 to 35). From the very start of your business five years ago, you have maintained impeccable records on every customer's purchases. You know precisely when they have purchased at the store or online, what items they have selected, and how much they have spent. Now, let us suppose that you are going to run a sale on a certain line of merchandise and will announce this sale via a combination of online ad banners and e-mail. Although you could send online announcements to all of your customers, you want to be more efficient in your selection so as not to waste money on reaching less viable prospects.

How would you make the targeting decision? Actually, you have no need to target, based on customers' demographic characteristics (say, by selecting just those between the ages of 20 and 35) or their psychographic profiles because you have an even better basis for making the selection decision. That is, you know whether they have made past purchases of the specific merchandise line that you are discounting. Thus, based on customers' past behavior and online profiles you know which people are likely to be responsive to a sale on items that they have or have not previously purchased. Accordingly, you send sales announcements to all customers who have previously purchased the merchandise in question to increase your return on investment (ROI).

The previous scenario describes the essence of behavior segmentation: i.e., this form of segmentation is based on how people behave (with respect to a product) rather than in terms of their attitudes and lifestyles (psychographics); their age, income, or ethnicity (demographics); or where they live (geodemographics). Yet, sometimes behavioral data does not exist.

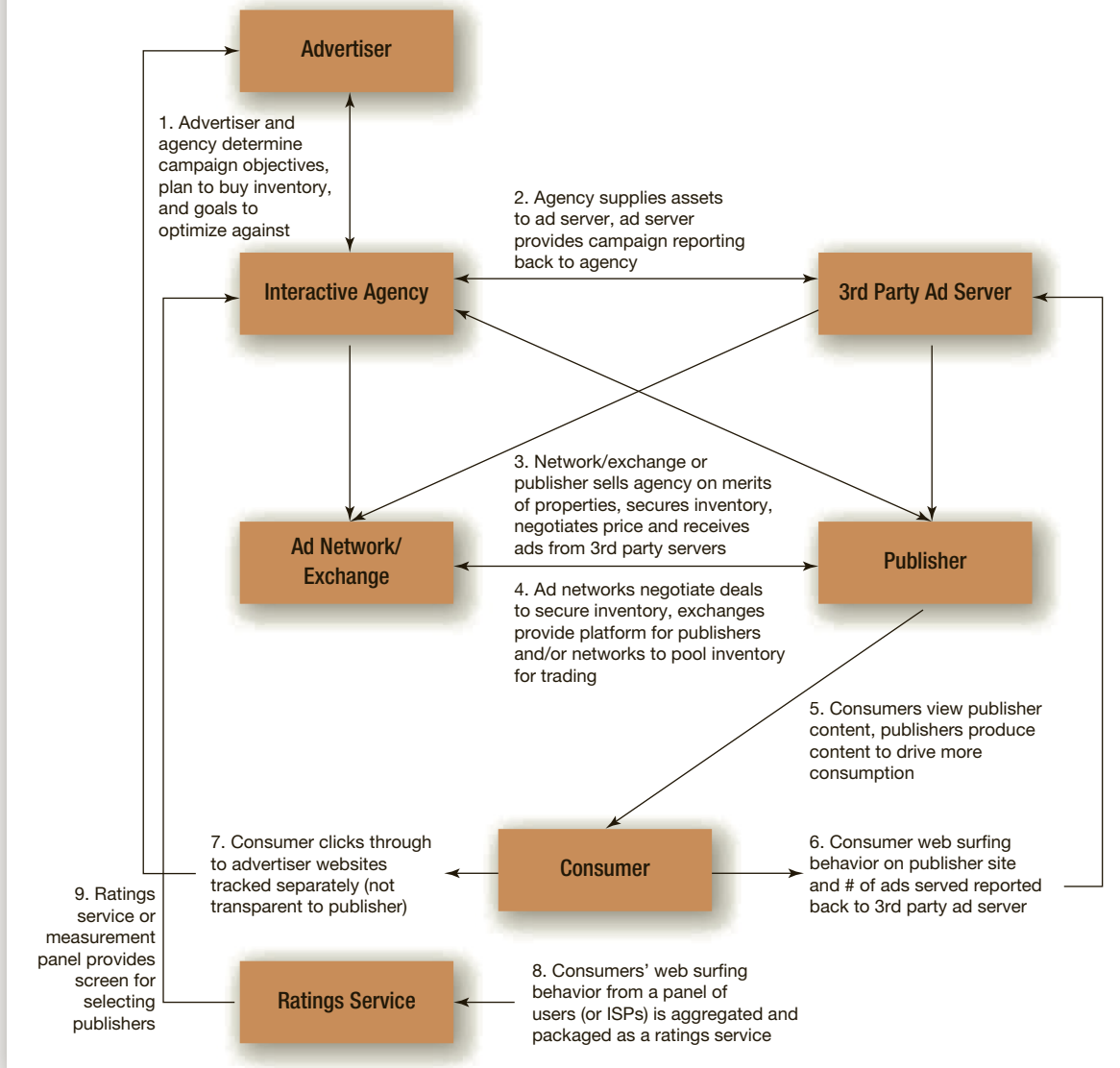
For example, marketers of truly innovative new products do not have past behavior information on which to identify the best prospective customers. Similarly, some manufacturers of products that are sold in retail outlets in developing countries where optical scanning machines are unavailable have no way of tracking customer purchase behavior. In contrast, mass marketers of CPG items (i.e., consumer package goods) do have detailed records on consumer purchase behavior that are available from firms that track—via optical scanners in supermarkets and other retail outlets and online purchase activity—the specific items people purchase and the conditions under which purchases are made (e.g., with or without a coupon). Likewise, most B2B marketers have detailed records on customer purchase behavior and thus are in an ideal situation to target future communications toward “best” prospects based on their past purchasing patterns.

#### 5-3a ONLINE BEHAVIORAL TARGETING

Perhaps the most ideal venue for behavioral-based segmentation is available online. Websites and mobile apps increasingly track their users' online behavior so as to enable advertisers to serve targeted ads (e.g., Google AdWords). Ad network companies such as Audience Science track online users' browsing behaviors and provide this information to advertisers that wish to target prospective customers based on their online search behavior. (See Figure 5.2 for an illustration of online advertising process flows.) For example, suppose a manufacturer of golfing equipment (a company such as Calloway Golf Company) wishes to reach the best prospects for purchasing its newest driver—a club likely to cost \$300 or more. Turning to a company such as Audience Science, Calloway would request the provider to identify prospective customers who spend a lot of time visiting golf-related websites. With knowledge of these individuals, it is technologically simple by attaching “cookie” files on computers that identify the computer's (i.e., user's) site-selection behavior. Then, third-party ad servers (e.g., Google's DoubleClick) place ads for Calloway's new driver on sites visited by these “golf surfers”—golf-related or otherwise. The essence of online



Mita Stock Images/Shutterstock.com

**Figure 5.2** ▶ An Illustration of Online Ad Process Flows

Source: DeSilva + Phillips, LLC, "Online Ad Networks: Monetizing the Long Tail" (March 2008), [http://www.mediabankers.com/PDF/DeSilva+ Phillips Ad Networks White Paper 3 08.pdf](http://www.mediabankers.com/PDF/DeSilva+Phillips%20Ad%20Networks%20White%20Paper%203%2008.pdf) (accessed July 24, 2011), 1–15. Used with permission.

behavioral targeting is thus a matter of directing online advertisements to just those individuals who most likely are interested—as indicated by their online site-selection behavior—in making a purchase decision for a particular product category.

American Airlines employed the service of Audience Science to identify best prospects for placing online ads. People who visited websites containing travel articles were pinpointed on the assumption that these individuals likely traveled on business at least occasionally. Ads for American Airlines were then placed on the website of the *Wall Street Journal* (<http://online.wsj.com>) whenever individuals identified as business travelers visited this website.

This behavioral targeting campaign enjoyed considerable success.<sup>4</sup> Another example involves Netflix, which recently indicated that they felt user demographic data (e.g., age, gender, geography) was “almost useless” for them, instead opting for what their subscribers actually view and how they talk about their programs (e.g., “House of Cards”). Although demographics are still used at Netflix, their application layer comes in after behavioral viewing data.<sup>5</sup>

### 5-3b PRIVACY CONCERNS

As typically is the case, technological advances in marketing bring with them increased ability to serve consumers, but also at the risk of invading privacy. Applied in the

context of online behavior targeting, those online are increasingly more likely to be served with ads for products that are most relevant to their interests. However, this advantage comes at the expense that companies such as Audience Science and Google's DoubleClick have access to our online search behavior *without our approval or knowledge*. On the plus side, to be targeted with only those ads that we are most likely interested in is a good thing. On the other side, who wants "Big Brother" overlooking what we do? Would you want someone observing, if they could, every TV program you viewed during the course of a year? Probably not. As always in life, there are trade-offs to make.

Since the mid-1990s, the Federal Trade Commission (FTC) has been involved in the oversight of privacy issues associated with behavioral targeting (also known as "behavioral advertising"). Following hearings on this topic, a set of four behavioral advertising principles was issued by the FTC staff in 2009:<sup>6</sup> (1) transparency and consumer control (i.e., regarding notice, consent, access of information collected), (2) security for data retained, (3) affirmative express consent (opt-in) for material changes to existing privacy promises, and (4) affirmative express consent (opt-in) for sensitive data (i.e., health, financial, children) for behavioral advertising.<sup>7</sup> One recent privacy case at the FTC involved charges that tech company Vulcan unfairly replaced a popular web browser game ("Running Fred") with a program that installed apps on consumers' mobile devices without their permission.<sup>8</sup>

## 5-4 Psychographic Segmentation

Historically, marketers based their targeting decisions almost exclusively on their audiences' demographic characteristics—considerations such as the market's age, gender, income level, and race or ethnicity. Sophisticated practitioners eventually realized, however, that demographic information tells only part of the story about consumers' buying preferences, media-usage habits, and purchase behaviors. It is for this reason that marketing communicators also began investigating consumers' psychographic characteristics (attitudes, values, motivations, lifestyles, etc.) to obtain a richer understanding of how best to influence consumers to respond favorably to marcom efforts.

For example, several youth and young adult antismoking campaigns, run by the social marketing agency Rescue Social Change, have used "peer crowd segments" quite successfully to not only better identify life-style segments more vulnerable to smoking initiation (e.g., "hip-hop" identification), but also to aid antismoking interventions.<sup>9</sup> Using photos of youth peer crowd segments (e.g., "hip-hop," "alt," "country," "main," "prep"), their I-base technique has youth rank three photos that depict people that would "best fit in your main group of friends" (with scores of 3, 2, and 1 based on rank) and then to rank

three photos that depict people that would "least fit in your main group of friends" (with scores of -1, -2, and -3 based on rank). Thus, the total score for a person's identification with a certain peer crowd (e.g., "hip-hop") might range from 6 to -6. Such self-selected identification of one's peer crowd (e.g., "hip-hop") was found to significantly increase the odds of smoking, as well as aiding public health intervention programs to significantly decrease smoking among these psychographic segments.<sup>10</sup>

Thus, in general, **psychographics** refers to information about consumers' attitudes, values, motivations, and lifestyles as they relate to buying behavior in a particular product category. For example, a psychographic study of sports utility vehicles (SUVs) would assess the types of activities owners of SUVs participate in (e.g., camping and fishing, driving youth sports teams, tailgating at sporting events, hauling lawn care items and do-it-yourself building materials) and measure their values and attitudes toward issues related to owning or not owning an SUV (e.g., how much value they place on safety, their views toward the environment, and their need for control). This information would be useful in designing advertising messages and selecting appropriate media outlets.

### 5-4a CUSTOMIZED PSYCHOGRAPHIC PROFILES

Table 5.1 presents a set of illustrative statements that were included in a psychographic study of consumers' banking practices. Survey respondents answered these statements in terms of how strongly they agreed or disagreed with each. Researchers then analyzed the results and, based on responses to these items, were able to categorize the 1,000 respondents into four psychographic groups—"worried traditionalists," "bank loyalists," "secured investors," and "thrifty bankers." It was determined that people classified into these groups differed substantially in terms of various banking behaviors.<sup>9</sup> Subsequent communications aimed at "worried traditionalists" emphasized safety and security, whereas rate of return received greater emphasis in communications targeted to "secured investors."

### 5-4b GENERAL PURPOSE PSYCHOGRAPHIC PROFILES

In addition to psychographic studies that are customized to a client's particular needs, brand managers can purchase "off-the-shelf" psychographic data from services that develop psychographic profiles of people independently of any particular product or service. One of the best known of these is the Futures Company MindBase psychographic segmentation scheme (<http://thefutures-company.com/mindbase>). MindBase consists of 9 general segments and 27 specific subsegments. Table 5.2 summarizes the eight general MindBase segments and labels these with descriptive terms such as "I am Expressive," "I am Rock Steady," and "I am Sophisticated." The segments

8) RANK THE 3 PEOPLE THAT WOULD **BEST FIT** IN YOUR MAIN GROUP OF FRIENDS, STARTING WITH THE BEST FIT.

Rank #1:

Rank #2:

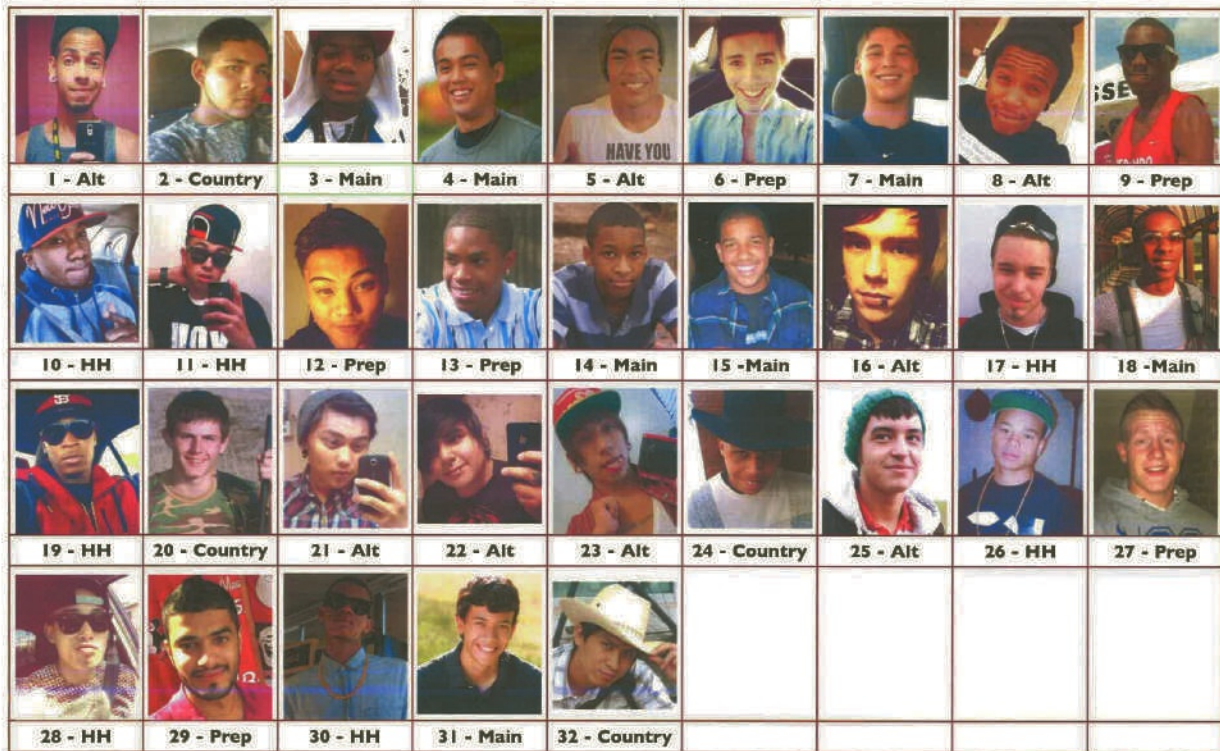
Rank #3:

9) RANK THE 3 PEOPLE THAT WOULD **LEAST FIT** IN YOUR MAIN GROUP OF FRIENDS, STARTING WITH THE WORST FIT.

Rank #1:

Rank #2:

Rank #3:



Source: Rescue Social Change

**Table 5.1** ▶ Illustrative Statements Used in a Banking-Related Psychographic Study

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• A local bank is more likely to lend me money.</li> <li>• Bankers don't know as much as brokers about investments.</li> <li>• I rely on a banker's advice about managing money.</li> <li>• My debt is too high.</li> <li>• I'd never consider an account at a bank that doesn't have an ATM.</li> </ul> | <ul style="list-style-type: none"> <li>• A long-term relationship with a bank is more important than price.</li> <li>• All banks are the same.</li> <li>• I prefer a fixed price for all services provided to me.</li> <li>• I always shop around for the best deal.</li> <li>• I enjoy going to the lobby to do my banking business.</li> </ul> | <ul style="list-style-type: none"> <li>• There is never enough time to study all the financial alternatives.</li> <li>• I worry about saving enough money for the future.</li> <li>• I'd rather invest in mutual funds than CDs.</li> </ul> |
|---|--|---|

Source: James W. Peltier et al., "Interactive Psychographics: Cross Selling in the Banking Industry," *Journal of Advertising Research* 42 (March/April 2002), Table 1. Reprinted from the *Journal of Advertising Research*, © 2002, by the Advertising Research Foundation.



**Table 5.2** ▶ MindBase Segments**I am Expressive**—my motto is *You Only Live Once*

I like being the first in my social circle to try new things and experiment with the latest products to hit the shelf. I stay true to who I am and follow my own path. I prefer to trust myself to figure out what's right for me.

**I am Connected**—my motto is *Live Like You Mean It*

While it's important for me to work hard and have a job I love, I also need to be able to kick back with friends and family. I like finding different ways to enhance my life. I'm here to learn as much as I can about the world and the people around me.

**I am Driven**—my motto is *Nothing Ventured, Nothing Gained*

I'm confident in my abilities and know I can reach great heights in whatever I set my mind to. I'm figuring out how I fit into this world and how I can best make a meaningful impact in the community. I like to help other people reach their full potential and enjoy giving advice.

**I am At Capacity**—my motto is *Time Is of the Essence*

With all my competing responsibilities, things barely feel within my control at times. I'll give up a promotion if that means I have less time to spend with the kids. I haven't saved for retirement as much as I'd like to, and that's not looking like it'll change within the foreseeable future.

**I am Rock Steady**—my motto is *Do the Right Thing*

First and foremost, I take care of my family and my finances, and I can always be counted on to get the job done. Without my family, health, happiness, and spirituality, I wouldn't be where I am today. Establishing a secure retirement fund and providing for my family are two of my biggest priorities in life.

**I am Down to Earth**—my motto is *Ease on Down the Road*

I stay true to myself and that means taking a balanced approach to the different areas of my life. I want to live passionately and seek as many enriching experiences as I can. I try to find value and cut corners where I can since money's a bit tight these days.

**I am Sophisticated**—my motto is *Sense and Sensibility*

From the products I choose to the foods I eat, I put a lot of thought into what I purchase and don't compromise my ideals. I love learning new things and finding ways to expand my knowledge. I'm financially comfortable and easing out of the workforce is on my mind.

**I Measure Twice**—my motto is *An Ounce of Prevention*

I've been a diligent planner and my hard work over the years to maintain a good handle on my finances has paid off. Life is an adventure and I plan to continue the growth and fulfillment I've experienced to this point. It's important for me to stay active.

**I am Devoted**—my motto is *Home Is Where the Heart Is*

My faith is my compass and integral to every aspect of my lifestyle. I've rarely been disappointed by sticking to the tried-and-true. Taking care of my health allows me to enjoy my life.

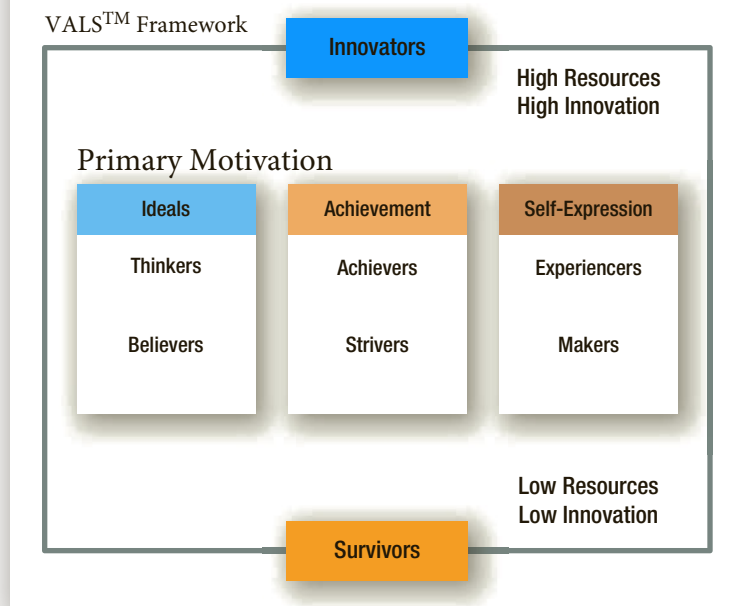
Source: MindBase Segments © 2016 The Futures Company. Used with permission.

are built around core consumer dimensions of success, control, family and connectedness, openness, and financial management from a national database of 260 million U.S. adults. Direct and online marketers and other marketing communicators can use these profiles for designing creative advertising campaigns that best match the attitudes, values, and lifestyles of their target audiences.

A second well-known psychographic segmentation scheme is Strategic Business Insights' (SBI) VALS™ ("Value and Lifestyle") system. The U.S. VALS segmentation scheme places American adult consumers into one of eight segments based on psychological characteristics that are related

to purchase behavior and several key demographic variables such as age and household income. Japanese VALS and U.K. VALS are available for understanding consumers in those countries. (You can determine your segmentation grouping by answering the questions on a survey available at <http://www.strategicbusinessinsights.com/vals/presurvey.shtml>.)

Figure 5.3 presents the eight VALS segments. The horizontal dimension in this figure represents individuals' *primary motivations*, whether in terms of their pursuit of ideals, their need for achievement, or drive to self-express. The vertical dimension reflects individuals' *resources* as based on their educational accomplishments, income

**Figure 5.3** ▶ The 8 VALS Segments

Source: Strategic Business Insights (SBI), <http://www.strategicbusinessinsights.com/vals>. Reprinted with permission.

levels, health, energy, and consumerism. For example, as seen in Figure 5.3, “Thinkers” and “Believers” both are motivated by the pursuit of ideals, but “Thinkers” have greater financial resources than “Believers.” Similarly, both “Experiencers” and “Makers” are driven by the need for self-expression, but “Makers” have fewer resources than “Experiencers.” Each of the eight segments in the VALS framework is now described.<sup>12</sup>

**Innovators** are successful, sophisticated, take-charge people with high self-esteem. They have abundant resources, are very active consumers, and have cultivated tastes for upscale, niche products and services.

**Thinkers** are motivated by ideals. They are mature, satisfied, comfortable, and reflective people who value order, knowledge, and responsibility. They tend to be well-educated and actively seek out information in the decision-making process. Thinkers are conservative, practical consumers; they look for durability, functionality, and value in the products they buy.

**Believers**, like Thinkers, are motivated by ideals, yet have fewer resources. As consumers, Believers are predictable; they choose familiar products and established brands. They favor American products and are generally loyal customers.

**Achievers**, who are motivated by the desire for achievement, have goal-oriented lifestyles, and a deep commitment to career and family. Achievers live conventional lives, are politically conservative,

and respect authority and the status quo. Image is important to Achievers; they favor established, prestige products and services that demonstrate success to their peers and value time-saving devices.

**Strivers** are trendy and fun loving. They are concerned about the opinions and approval of others. Money defines success for Strivers, who don’t have enough of it to meet their desires. They favor stylish products that emulate the purchases of people with greater material wealth. Many see themselves as having a job rather than a career, and a lack of skills and focus often prevents them from moving ahead. As consumers, they are as impulsive as their financial circumstance will allow.

**Experiencers** are motivated by self-expression. As young, enthusiastic, and impulsive consumers, Experiencers quickly become enthusiastic about new possibilities but are equally quick to cool. They seek variety and excitement. Experiencers are avid consumers and spend a comparatively high proportion of their income on fashion, entertainment, and socializing. They want to look good and have “cool” stuff.

**Makers**, like Experiencers, are motivated by self-expression—building a house, raising children, fixing a car, or canning vegetables. Makers are practical people who have constructive skills and value self-sufficiency. They live within a traditional context of family, practical work, and physical recreation and have little interest in what lies outside that context. Makers are unimpressed by material possessions other than those with a practical or functional purpose. Because they prefer value to luxury, they buy basic products.

**Survivors** live narrowly-focused lives. With few resources with which to cope, they often believe that the world is changing too quickly. They are comfortable with the familiar and are primarily concerned with safety and security. They are loyal to favorite brands, especially if they can purchase them at a discount.

To determine the best prospective customer target for a product or service on the market, VALS users look at national surveys that have the VALS questionnaire embedded within it such as GFK MRI’s Survey of American Consumers (<http://www.gfkmri.com/solutions/the-survey-of-the-american-consumerr/the-survey-of-the-american-consumerr/>) or develop custom surveys and include the VALS questionnaire. For determining the best early adopter target for a brand new innovative

product or service (e.g., a new automobile design), a series of focus groups could be held where each group is composed of just one VALS type (e.g., one comprised of Innovators, another Achievers) for qualitative insights and preliminary feedback. VALS also provides preferred media of each type as well as the distinctive communication styles of each group.

## 5-5 Geodemographic Segmentation

The word *geodemographic* is a conjunction of *geography* and *demography*, which aptly describes this form of segmentation. The idea underlying geodemographic segmentation is that people who reside in similar areas, such as neighborhoods or postal ZIP code zones, also share demographic and lifestyle similarities and general marketplace behaviors. Several companies have developed services that delineate geographical areas into common groups, or clusters, wherein reside people with similar demographic and lifestyle characteristics. These companies (and their services, in parentheses) include CACI (ACORN), Knowledge Factory (ClusterPlus), Experian (MOSAIC), Nielsen Claritas (PRIZM NE), and SBI (GeoVALS™). The following section describes Nielsen Claritas' PRIZM NE system of geodemographic profiling. Geodemographic clustering systems have been developed in many countries other than the United States, including Canada, most countries in Western Europe, some African countries, Australia, and Japan.<sup>13</sup>

PRIZM NE is an acronym in which PRIZM stands for Potential Rating Index by ZIP Markets and NE represents the “new evolution” of Nielsen Claritas's original segmentation system. The PRIZM NE classification system delineates every neighborhood in the United States into 1 of 66 clusters based on an analysis of neighborhoods' demographic characteristics. These characteristics include variables such as educational attainment, race/ethnicity, predominant age range, occupational achievement, and type of housing (e.g., owned versus rented). Sophisticated statistical analysis of these demographic characteristics has enabled Nielsen Claritas to identify 66 groups, or clusters, of neighborhoods that share similar demographic profiles. Each cluster is labeled with a colorful and descriptive term. Illustrative names include “Upper Crust,” “Big Fish, Small Pond,” “Bohemian Mix,” “Country Casuals,” “White Picket Fences,” “Heartlanders,” “Suburban Pioneers,” and “City Roots.” Let us briefly characterize two of these clusters to give you a sense of how the clusters are characterized.<sup>14</sup>

*Bohemian Mix* captures a collection of young, mobile urbanites who represent the nation's most liberal lifestyles. Bohemian Mixers are a blend of young singles and couples, students and professionals, Hispanics, Asian Americans, African Americans, and whites. They

are disproportionately likely to be early adopters who are quick to attend the latest movie, frequent the newest nightclub, or adopt the most up-to-date laptop or microbrew. Bohemian Mix households represent nearly 2 percent of all U.S. households. The average occupant of a Bohemian Mix household is less than 35-years-old; has an income of about \$57,000; likely is unmarried; rents an apartment or lives in a high-rise; is college educated; and is employed as a professional or in a white-collar position. He or she is not defined by any particular race or ethnicity.

*Suburban Pioneers* includes neighborhoods where occupants live eclectic lifestyles and includes a mix of young singles, recently divorced, and single parents who have moved into older, inner-ring suburbs. They reside in aging homes and garden-style apartment buildings. The mix of African American, Latino, and white residents work in mostly blue-collar jobs and live a working-class lifestyle. The average occupant of Suburban Pioneer households is under age 55, earns an income around \$33,000, and has a high school education or less. Just over 1 percent of U.S. households fall into this cluster.

Many major marketers use PRIZM NE, Knowledge Factory's ClusterPlus, or another geodemographic clustering service to help them with important marcom decisions. Selecting geographical locales for narrowcasting television advertisements and identifying appropriate households for direct mailings are just two marcom decisions that are facilitated by the availability of geodemographic data. Needless to say, geodemographic data are extremely useful for other marketing purposes such as deciding where to locate new stores.

If you would like to know how the neighborhood in which you grew up or resided would be classified by the PRIZM NE system, enter “Zip Code Lookup PRIZM” into Google or another search engine put in your home neighborhood's five-digit ZIP code. Students in countries outside the United States should go online to identify whether your country has a PRIZM system in place.

insights  
online

To learn more about geodemographic segmentation and the use of smartphones throughout the world, go to Insights Online in MindTap.

## 5-6 Demographic Segmentation

This section examines three major demographic aspects that have considerable relevance for marcom practitioners: (1) the age structure of the population (e.g., children, Generation X, Generation Y (millennials), and baby boomers); (2) the changing household composition

(e.g., the increase in the number of single-person households); and (3) ethnic population developments. The focus is, necessarily, exclusively on characteristics of the U.S. population. Although the same considerations are relevant elsewhere, the particulars are country specific. Interested readers from countries outside the United States can obtain detailed demographic information from a government agency that is equivalent to the U.S. Census Bureau (<http://www.census.gov>), which is a division of the Department of Commerce. (For example, in Spain, see the National Statistics Institute [[http://www.ine.es/en/welcome\\_en.htm](http://www.ine.es/en/welcome_en.htm)] and in China, the National Bureau of Statistics [<http://www.stats.gov.cn/english>]). Before examining features of the U.S. population, it will be helpful to place these topics in context by first examining population growth and geographic distribution of the world and U.S. populations.

At the time of this writing, the total population of human beings on the earth is estimated at approximately 7.31 billion people. (For a daily update on the projected world and U.S. populations, go to <http://www.census.gov/popclock>.) The world population is expected to grow to approximately 8.5 billion people by the year 2030 and 9.7 billion by 2050.<sup>15</sup> Table 5.3 provides a list of the world's 25 largest countries as of 2016; it can be seen that both China and India have populations exceeding 1 billion

people with a huge drop-off to the next largest country—the United States—with an estimated population of approximately 324 million. (Please note that projections of population size vary somewhat depending on the source, because estimators use slightly different assumptions about fertility rates, longevity levels, and other factors that enter into the equation.)

A particularly interesting aspect of the U.S. population is the ancestral diversity of its residents. Known as a melting pot, the United States has attracted immigrants from throughout the world, thus making the country an amalgam of people whose ancestors had different cultures and backgrounds. Many immigrants to the United States now arrive from Latin America, Asia, and Eastern Europe, although historically most came from Western European countries. A report from *USA Today* charted the percentage of the U.S. population claiming their ancestral roots. The top ancestry group was German (15.2), followed by Irish (10.8), African American (8.8), and English (8.7). The fifth group is simply “American.” Interestingly, slightly over 7 percent of the U.S. population now refer to themselves as a part of this “American” group.<sup>16</sup> In other words, many American residents do not acknowledge any particular ancestry—possibly in part due to pride and also in view of the hybrid character of Americans’ ancestries.

**Table 5.3** ▶ World's 25 Largest Countries as of 2016

RANK	COUNTRY	POPULATION	RANK	COUNTRY	POPULATION
1.	China	1,382,323,332	14.	Vietnam	94,444,200
2.	India	1,326,801,576	15.	Egypt	93,383,574
3.	United States	324,118,787	16.	Germany	80,682,351
4.	Indonesia	260,581,100	17.	Iran	80,043,146
5.	Brazil	209,567,920	18.	DR Congo	79,722,624
6.	Pakistan	192,826,502	19.	Turkey	79,622,062
7.	Nigeria	186,987,563	20.	Thailand	68,146,609
8.	Bangladesh	162,910,864	21.	United Kingdom	65,111,143
9.	Russia	143,439,832	22.	France	64,668,129
10.	Mexico	128,632,004	23.	Italy	59,801,004
11.	Japan	126,323,715	24.	Tanzania	55,155,473
12.	Philippines	102,250,133	25.	South Africa	54,978,907
13.	Ethiopia	101,853,268			

Source: “Countries in the World by Population (2016),” Worldometers, <http://www.worldometers.info/world-population/population-by-country> (United Nations Population Division Estimates).

## 5-6a THE CHANGING AGE STRUCTURE

One of the most dramatic features of the American population is its relentless aging. The median age of Americans was 28 in 1970, 30 in 1980, 33 in 1990, 36 in 2000, 37.6 in 2014, and is projected to reach 38 by 2025. Table 5.4 presents population figures distributed by age group. The following sections examine major age groupings of the U.S. population and the implications these hold for marketing efforts. Discussion proceeds from the youngest age cohort, preschoolers, to the elderly. First, however, it will be helpful to overview the epochal event—namely, the baby boom—that has affected future generations and the general trend toward an ever-aging population.

Demographers (people who study demographic trends) termed the birth of around 77 million Americans between 1946 and 1964 the **baby-boom** generation. This population-boom period following the end of World War II (in 1945) persisted for nearly two decades. Using 2016 as a point of reference, the youngest person classified as a “boomer” is 52, and the oldest baby boomer is 70. Effects of the baby boom (and subsequent bust) have been manifested in the following major population developments:

**Baby-boom** The generational term for the birth of around 77 million Americans between 1946 and 1964.

1. The original baby boomers created a mini baby boom as they reached child-bearing age. As shown in Table 5.4, the number of young adults (ages 25 to 34) in the United States totaled about 66 million in 2014, up from a little over 63 million in 2010.
2. Due to a low birthrate from the mid-1960s through the 1970s (prior to the time when most baby boomers were of childbearing age), relatively few babies were born. There now are proportionately fewer younger, middle-aged adults (ages 35 to 49) than there were in prior generations.
3. The number of “olders” (ages 55 to 64) has increased dramatically, totaling nearly 40 million Americans as of 2014. This maturing of the baby boomers is one of the most significant demographic developments marketers face.

### Children and Teenagers

The group of young Americans age 19 and younger has fallen dramatically from 40 percent of the population in 1965 (during the baby-boom heyday) to slightly over 25 percent of the population in 2014. Yet, this remains a substantial group, with over 82 million occupants. (See Table 5.4 for specific breakdowns by age group—i.e., under 5, 5 to 9, 10 to 14, and 15 to 19.)

Marketers typically refer to children ages 4 through 12 as “kids” to distinguish this cohort from toddlers and teenagers. Children in this broad grouping either directly spend or influence the spending of billions of dollars worth of purchases each year. Aggregate spending by kids or on

**Table 5.4** ▶ Population of the United States by Age Group, as of 2014

AGE	POPULATION (MILLIONS)	PERCENT OF TOTAL
<i>Children and Teens (&lt;20)</i>		
Under 5	19.88	6.2
5–9	20.52	6.4
10–14	20.67	6.5
15–19	21.07	6.6
<b>Total</b>	<b>82.14</b>	<b>25.70</b>
<i>Young Adults (20–34)</i>		
20–24	22.91	7.2
25–29	21.99	6.9
30–34	21.53	6.8
<b>Total</b>	<b>66.43</b>	<b>20.90</b>
<i>Middle Ageds (35–54)</i>		
35–39	19.92	6.2
40–44	20.59	6.4
45–49	20.89	6.6
50–54	22.57	7.1
<b>Total</b>	<b>83.97</b>	<b>26.30</b>
<i>Olders (55–64)</i>		
55–59	21.51	6.8
60–64	18.57	5.8
<b>Total</b>	<b>40.08</b>	<b>12.60</b>
<i>Elders (65–74)</i>		
65–69	15.33	4.8
70–74	11.07	3.5
<b>Total</b>	<b>26.40</b>	<b>8.30</b>
<i>The Very Old (75+)</i>		
75–79	7.92	2.5
80–84	5.76	1.8
85+	6.16	1.9
<b>Total</b>	<b>19.84</b>	<b>6.2</b>
<b>Total U.S. Population</b>	<b>318.86</b>	<b>100%</b>

Source: Year Age Groups for the United States, Population Division, U.S. Census Bureau, July 1, 2014, <https://www.census.gov/popest/data>.



**Figure 5.4** ▶ Preschooler in a Store

behalf of this age group roughly doubled every decade in the 1960s, 1970s, and 1980s, and tripled in the 1990s.

**Preschoolers** Preschool-age children (ages 5 or younger) represent a cohort that still is substantial in size at almost 20 million. This has been the case ever since the “baby boomlet,” in which more babies were born in the United States in 1990 (4.2 million) than at any time since the baby boom peak of 4.3 million babies born in 1957. Marketers of toys, games, furniture items, clothing, food, and many other products and services routinely appeal to the parents of these children, or, on occasion, directly to the kids themselves, as depicted in Figure 5.4.

**Elementary-school-age children** This group includes children ages 6 to 11. These children directly influence product purchases and indirectly influence what their parents buy. Children in this group influence their parents’ choice of clothing and toys and even the brand choice of products such as toothpaste and food products. Advertising and other forms of marketing communications aimed at young children, or their families, have increased substantially in recent years. Numerous new products annually hit the shelves to cater to kids’ tastes. For example, Mattel, which is known for its line of Hot Wheels toy cars, has extended the brand into the area of marketing videos (“Track Wars”), license deals (Star Wars, Batman, Marvel), skateboards, snowboards, and extreme-sports apparel under the Hot Wheels name. The Walt Disney Company introduced a line of DisneyCarToys (with YouTube videos) and other merchandise for their movie Frozen aimed at younger children. Marketers are increasingly reaching these young consumers, especially girls, via online and social media communities. Barbie has

millions of followers through their Facebook, Twitter, and Instagram sites.<sup>17</sup> (To learn more about how children are socialized as consumers and develop understanding of advertising, the reader is encouraged to examine the articles identified in the following footnote.<sup>18</sup>)

**Tweens** A category of children that marketers have dubbed “tweens”—not quite kids nor yet teenagers—is an age cohort actively involved in consumption. Tweens are usually classified as children between the ages of 8 and 12. Tweens generally have well-formed ideas about what brands they like and dislike and are largely influenced by their peers to own those products and brands that are considered “cool.” Retailers such as Limited Too gear much of their marcom efforts at garnering

tweens’ growing desire for fashionable clothing items (<http://bluestaralliance.com/limited-too>).

An important study of tweens (including also some teens ages 13 and 14) examined their materialistic values and how these values relate to a variety of demographic variables, purchase-related behaviors, and involvement with advertisements and promotions.<sup>19</sup> A “youth materialism scale” (the YMS) consisted of 10 statements with response options ranging from “disagree a lot” to “agree a lot,” including “I’d rather spend time buying things than doing almost anything else,” “I really enjoy going shopping,” and “When you grow up, the more money you have, the happier you are.” A national sample of nearly 1,000 youths between the ages of 9 and 14 produced the following set of findings:

1. Boys are more materialistic than girls.
2. Youths from lower-income households are more materialistic.
3. Highly materialistic youths shop more frequently.
4. Highly materialistic youths show a greater interest in new products.
5. Highly materialistic youths are: (a) more likely to watch TV commercials, (b) more likely to ask parents to buy products because they’ve seen them on TV, (c) more responsive to celebrity endorsements, (d) more likely to exert pressure on their parents to purchase products, (e) inclined to want more spent on them for Christmas and birthdays, and (f) prone to like school less and to have somewhat poorer grades.

**Teenagers** Consumers in this age group, totaling in the United States over 25 million 13- to 19-year-olds, have



Dasha Miller/Shutterstock.com

**Figure 5.5** ▶ An Appeal to Teenagers

tremendous earning power and considerable influence in making personal and household purchases.<sup>20</sup> Most of their spending is on food (23%), followed by clothing (20%), accessories (10%), video games (8%), cars (8%), electronics (8%), shoes (7%), with music, movies and events making up the remainder. Top clothing brands include Nike, Forever 21, American Eagle, Ralph Lauren Polo, and Victoria's Secret. Although these can vary over time, and can be gender specific, brands losing popularity among teens in 2015 include Aeropostale, Abercrombie & Fitch, and Hollister, while Lululemon, Nike, and Victoria's Secret have gained ground. Preferred restaurants include Starbucks, Chipotle, and Chick-fil-A, while Instagram, Twitter, Facebook, and Snapchat represent their most important social networks.<sup>21</sup>

A study by Teenage Research Unlimited, which follows teen trends and attitudes, estimated that American teenagers spend more than \$159 billion annually.<sup>22</sup> Teenagers have purchasing influence and power far greater than ever, which accounts for the growth of marcom programs aimed at this group (see Figure 5.5). For example, HP changed its back-to-school computer marketing strategy from efforts to appeal to parents with price-oriented ads placed in conventional media to the use of humor appeals placed in online media that reach teenagers.<sup>23</sup>

insights  
online

To learn more about how a well-known company uses humor and social media to target teenagers, go to Insights Online in MindTap.

## Young Adults

Young adults often are referred to as members of the millennial generation, **Millennials**, or **Generation Y** (in contrast to the generation that preceded it—Generation X—born between 1965 and 1981). Although there is no single definition of when people were born into the millennial generation, we will consider Generation Y as the generation of people who were between 1982 and 1996. Thus, as of 2016, Gen Yers would include all people between the ages of 20 and 34, or more than 66 million Americans. The present discussion focuses just on the subset of young adults who are members of this millennial generation.

The questions most marketers want to know today are “What are Millennials interested in?” and “What do they buy?” Interestingly, a recent Pew Research Center study discovered that they *weren't* willing to buy versus other generations—for example, cars, cable TV, houses, and Costco were on the list.<sup>24</sup> As to items that they bought *more often* than other generations, this included the following: gas station food, same-day delivery (patience is not a virtue here), hot sauce (think Sriracha), snakes, athleisure (e.g., yoga), organic food, tattoos and piercings, energy drinks, donations at the cash register, and craft beer and spirits.<sup>25</sup>

Due to the size of the millennial category (rivaling the baby boomers), they are of special importance to marketers. Although they face challenges financially, they have grown up with technology far more than their older counterparts. Thus, it has been suggested that marketing communications to millennials include a strong online presence, including blogs and social media. A focus on the latest technology and making sure that promotions are viewable on mobile phones are important. Offering added items are suggested due to impulsivity, as well as a focus on full services, creativity, and cause-related marketing.<sup>26</sup>

## Middle-Aged and Mature Consumers

Although somewhat arbitrary, we can think of **middle age** as starting at age 35 and ending at 54, at which point maturity is reached. Actually, there is some disagreement over the dividing point between middle age and maturity. Sometimes a 65-and-over classification is used, because age 65 normally marks retirement. In this text, we will use the

**Millennials** The generational term for the birth of around 60 million Americans between 1982 and 1996. Also known as Generation Y.

**Generation Y** See “Millennials”.

**Middle age** Age range starting at age 35 and ending at age 54 at which point maturity is reached.

U.S. Census Bureau's designation, which classifies **mature people** as those who are 55 and older.

**Middle-aged** As of 2014, there were roughly 84 million Americans between the middle ages of 35 and 54 (see Table 5.4). These individuals represent two generations of people: some younger baby boomers, but mostly Gen Xers. The following discussion focuses on **Generation X** (or Gen X). Scholarly treatment of this age cohort identifies it as Americans born between 1961 and 1981.<sup>27</sup> However, to avoid overlap with the baby boom generation (1946 to 1964) and Gen Y (1982 to 1996), it is convenient to define this age cohort as people born between 1965 and 1981. Because Gen Xers were born immediately after the baby boom, which ended in 1964, this group sometimes is referred to as “baby busters.”

One well-known marketing research firm has classified Gen Xers into four groups based on their attitudinal profiles: Yup & Comers, Bystanders, Playboys, and Drifters. Yup & Comers have the highest levels of education and income and account for approximately 28 percent of Gen Xers. They tend to focus on intangible rewards rather than material wealth and are confident about themselves and their futures. Bystanders represent nearly 37 percent of Gen Xers and consist predominantly of female African Americans and Hispanics. Although their disposable income is relatively low, this subsegment of Gen Xers has a flair for fashion and loves to shop. Playboys is a predominantly white, male group accounting for almost 19 percent of the Gen X cohort. Playboys adhere to a “pleasure before duty” lifestyle and are self-absorbed, fun loving, and impulsive. Drifters constitute the smallest subset at 16 percent of Gen Xers. They are frustrated with their lives, are among the least educated, seek security and status, and choose brands that offer a sense of belonging and self-esteem.<sup>28</sup> Thus, Gen Xers are not a uniform group.

Although Gen Xers weren't born during the online era, they use technology quite extensively. They tend not to follow trends and are not easily convinced. (Thus, it is suggested to avoid hard sell and claims not backed by research and testimonials.) Although social media in marketing communications are important (e.g., Facebook), so is the role of family and more traditional communications such as e-mail.<sup>29</sup>

**Mature Consumers** Turning to mature consumers (also called seniors), in 2014 there were over 86 million U.S. citizens age 55 or older, representing over 27 percent of the total U.S. population. These can be broken down into “olders” (ages 55 to 64), “elders” (ages 65 to 74), and “the very old” (ages 75+) (see Table 5.4). Historically, many marketers have ignored mature consumers or have treated this group in unflattering ways by focusing on “repair kit

**Mature people** The U.S. Census Bureau's designation for people who are age 55 and older.

**Generation X (Gen X)** To avoid overlap with the baby boom generation and Gen Y, this text defines Generation X as people born between 1965 and 1981.

products” such as dentures, laxatives, and arthritis remedies.<sup>30</sup> Not only are mature consumers numerous, but also they are relatively wealthier and more willing to spend as the economy improves. Mature Americans control nearly 70 percent of the net worth of all U.S. households.

As mentioned previously, the **baby-boom** generation encompassed approximately 77 million Americans born immediately after World War II in 1946 and through the year 1964. The baby boomers offer tremendous potential for many marketers. What makes boomers such an attractive target group is that they are relatively affluent and thus represent a good general target for second homes, quality vehicles, investments (insurance, real estate, and securities), travel, self-help products, cosmetic surgery, grown-up “toys” like golfing equipment, automobiles with convertible tops (the average convertible buyer is 50 years old),<sup>31</sup> and motorcycles—Harley-Davidson's best customers are middle-aged men, and the typical buyer is an average age of 46.<sup>32</sup> Yet, as observed by one reporter, “... its dealers are putting out a mixed message. While many are trying to attract younger buyers [millennials] and women, much of their marketing still caters to grizzled men reliving their youth.”<sup>33</sup> However, given their relative affluence, many baby boomers, that are healthy and without college debt from children, do represent an attractive target for a variety of “luxury” goods. For example, appliance maker Whirlpool appeals to affluent boomers who want the very best appliance quality with a line of items named Whirlpool Gold. And luxury skin-care marketers have experienced revenue growth by introducing high-priced anti-aging products such as L'Oreal's Absolut.

Moreover, just because baby boomers are aging does not necessarily mean they are getting psychologically old or are significantly altering their consumption patterns from a younger age.<sup>34</sup> Rather, there are indications that baby boomers are retaining many of their more youthful consumption habits and, in a sense, are unwilling to



istock.com/Richard Foreman



change. For example, the rather dramatic increase in purchases of hair-color products by baby boomers reflects this tendency for boomers to prolong youth and to gravitate toward products that support their youth obsession. Manufacturers of health-care items, cosmetics, exercise machines, and food products have actively appealed to baby boomers' passion for remaining in youthful shape. Unfortunately, with their indulgent personalities, financial planning and retirement savings have not been a major priority with many boomers.

People age 65 and older are particularly well off, having the highest discretionary income (i.e., income unburdened by fixed expenses) and the most assets of any age group. The number of people in this 65-plus age category is quite large, totaling over 46 million in 2014, which represents 14.5 percent of the total population.

A variety of implications accompany marcom efforts directed at mature consumers. In advertising aimed at this group, it is advisable to portray them as active, vital, busy, forward looking, and concerned with looking attractive and being romantic. Advertisers now generally appeal to seniors in a flattering fashion such as using attractive models to represent clothing, cosmetics, and other products that had been the exclusive advertising domain of youthful models. For “elders” and older, more traditional forms of marketing communications may be more appropriate, as well as avoiding appeals to impulsivity.

It is important to reiterate that just because mature consumers share a single commonality (i.e., age 55 or older), they by no means represent a homogeneous market segment. The results of a national mail survey of over 1,000 people age 55 and older led to the classification of seniors into four groups: Healthy Hermits, 38 percent; Ailing Outgoers, 34 percent; Frail Recluses, 15 percent; and Healthy Indulgents, 13 percent.<sup>35</sup>

### 5-6b THE EVER-CHANGING AMERICAN HOUSEHOLD

A household represents an independent housing entity, either rental property (e.g., a single room or an apartment) or owned property (e.g., a mobile home, condominium, or house). As of 2015, there were approximately 124.6 million households in the United States, of which 81.7 million (66 percent) were family households (i.e., two or more related people occupying the household) and 42.9 million (34 percent) nonfamily households. The average household size across all 124.6 million American households was 2.54 people.<sup>36</sup>

Households are growing in number, shrinking in size, and changing in character. The traditional American family—that is, married couples with children younger than 18—represents 28 percent of all U.S. households, whereas in 1960 such families constituted nearly 50 percent. The number of new households has grown twice

as fast as the population, whereas household size has declined. In 1950, families constituted nearly 90 percent of all households, whereas in 2015 fewer than 67 percent were family units.<sup>37</sup>

The changing composition of the American household has tremendous implications for marketing communicators, perhaps especially advertisers. Advertising has to reflect the widening range of living situations that exist. This is particularly true in the case of households with a single occupant. Singles and unrelated couples or friends living together represent a large and an ever-growing group. Many advertisers make special appeals to the buying interests and needs of singles. For example, these food ads focus on needs such as ease and speed of preparation, maintenance simplicity, and small serving sizes. Reaching singles requires special media-selection efforts because singles tend not to be big prime-time television viewers, but are skewed instead toward the late fringe hours (after 11 PM), are disproportionately more likely than the rest of the population to view cable television, go online, and are disproportionately heavy magazine readers. Many magazines cater to the interests of singles, and TV programs are produced to represent their actual or idealized lifestyles—for example, long-running programs such as *The Office*, *Gossip Girl*, *How I Met Your Mother*, *Two and a Half Men*, *Lost*, *Friends*, and *Seinfeld* (many of these programs remain on TV in syndication, but may no longer be produced.)

### 5-6c ETHNIC POPULATION DEVELOPMENTS

America has always been a melting pot. It became even more so in recent decades. The largest ethnic groups in the United States are Hispanics and African Americans, and ethnic minorities as of 2014 represent almost 38 percent of the population in the United States. To initiate our discussion, based on the U.S. Census Bureau's last census, the American population estimated as of 2014 is distributed in the following fashion:<sup>38</sup>

White, not Hispanic	62.2%
Hispanic, of any race	17.4%
Black, not Hispanic	12.4%
Asian	5.2%
Others*	2.8%
Total	100%

\*Includes American Indians, native Hawaiians, Pacific Islanders, native Alaskans, and people of mixed race.

**Table 5.5** ▶ Ethnic Groups' Population Representation in the United States, 2000–2050 (in millions)

ETHNIC GROUP	2000	2010	2020	2030	2040	2050
African-American	35.82* (12.7%)	40.45 (13.1%)	45.37 (13.5%)	50.44 (13.9%)	55.88 (14.3%)	61.36 (14.6%)
Hispanic**	35.62 (12.6%)	47.76 (15.5%)	59.76 (17.8%)	73.06 (20.1%)	87.59 (22.3%)	102.56 (24.4%)
Asian	10.68 (3.8%)	14.24 (4.6%)	17.99 (5.4%)	22.58 (6.2%)	27.99 (7.1%)	33.43 (8.0%)
Total population (major ethnic groups)	82.12 (29.1%)	102.45 (33.2%)	123.12 (36.7%)	146.1 (40.2%)	171.5 (43.7%)	197.4 (47.0%)
Total U.S. population	282.13	308.94	335.81	363.58	391.95	419.85

\*To be read: there were 35.82 million African Americans in the United States as of 2000, which constituted approximately 12.7 percent of the total population.

\*\*Includes Hispanics of any race.

Source: U.S. Census Bureau, 2004, "U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin," <http://www.census.gov/ipc/www/usinterimproj>; see also Sandra L. Colby and Jennifer M. Ortman, "Projections of the Size and Composition of the U.S. Population: 2014 to 2060," U.S. Census Bureau (March 2015), <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p25-1143.pdf>.

Non-Hispanic whites' share of the U.S. population is projected to decline from 63.7 percent of the total population in 2010 to just 50 percent by 2050.<sup>39</sup> The implication is obvious: marketers and marketing communicators need to devise marcom strategies that meet ethnic groups' unique needs/wants because ethnicity plays an important role in directing consumer behavior.<sup>40</sup> Table 5.5 provides a picture of the major ethnic groups' population representation in the United States from 2000 through 2050. The following sections provide more details for the three major ethnic groups: African Americans, Hispanics (Latinos), and Asian Americans.

### African Americans

Non-Hispanic African Americans constitute approximately 40 million individuals as of 2014, or slightly more than 12 percent of the U.S. population.<sup>41</sup> African Americans are characterized more by their common heritage than by skin color—a heritage based on a beginning in slavery, a history of discrimination, limited housing opportunities, and, historically, only partial participation in many aspects of the majority culture.<sup>42</sup> Although this situation has changed for the better, there still remain distinct differences among cultures and access in the marketplace.

Yet, four reasons explain why African Americans are attractive consumers for many companies: (1) the average age of African Americans is considerably younger

than that for other segments; (2) African Americans are geographically concentrated, with approximately three-fourths of all blacks living in just 16 states (California, Texas, Illinois, Louisiana, Alabama, Georgia, Florida, South Carolina, North Carolina, Maryland, Michigan, Ohio, Pennsylvania, Virginia, New York, and New Jersey); (3) African Americans tend to purchase prestige and name-brand products in greater proportion than do other segments; and (4) the total spending power of African Americans is considerable, projected to be \$1.3 trillion by 2017.<sup>43</sup>

These impressive figures notwithstanding, many companies make no special efforts to communicate with African Americans. This is unwise because research indicates African Americans are responsive to advertisements placed in media oriented toward their culture, and to ads that make personalized appeals by using African American models and contexts with which they can identify, such as the advertisement in Figure 5.6. Major corporations are increasingly developing marcom programs for communicating with African American consumers. By one account, some of the American corporations that do the best job in communicating with African American consumers include Altria Group, Ford Motor, General Motors, Procter & Gamble, and Walmart.<sup>44</sup>

Although greater numbers of companies are realizing the importance of directing special marcom efforts



**Figure 5.6** ▶ African American Models Appeal to African American Consumers

to African Americans, it is important to emphasize that African American consumers do not constitute a single market any more than any other market. African Americans exhibit diverse purchasing behaviors according to their lifestyles, values, and demographics. Therefore, companies must use different advertising media, distribution channels, advertising themes, and pricing strategies as they market to the various subsegments of the African American population.

### Hispanic Americans (Latinos)

The U.S. Latino<sup>45</sup> population grew from only 4 million in 1950 to a population of nearly 55.4 million in 2014 and is America's largest minority.<sup>46</sup> From 2000 until 2010, U.S. Latino population grew by 43 percent compared to just 4.9 percent of non-Latinos.<sup>47</sup> Latinos in the United States will constitute about 29 percent of the total population by 2060 (see Table 5.5) and presently

constitute a population greater than that of Canada! The largest percentage of Latinos are Mexican Americans—about 63 percent—but large numbers of Puerto Rican Americans, Latin Americans from Central and South America, and Cuban Americans also reside in the United States.<sup>48</sup>

Hispanic Americans have historically been concentrated in relatively few states such as California, Texas, New York, Florida, Illinois, Arizona, and New Jersey. However, Latinos are becoming increasingly mobile and have begun to fan out from the few states in which they originally concentrated. Table 5.6 provides information for the top 10 Hispanic markets in the United States as of the last major U.S. Census. Table 5.6 shows that Latinos represent the majority or near-majority of the total population in several large U.S. cities. In the Los Angeles metro area, for example, there are over eight million Latinos representing about 63 percent of that metro area's population.

Marketing communicators in the past devoted insufficient attention to Hispanic Americans, but their attention has increased substantially since the Census Bureau announced a 43 percent increase in the number of Hispanic Americans between 2000 and 2010. Yet, companies advertise to Latinos much less than their market size would justify. Research has shown that the frequency of Hispanics' appearances in television advertising is

considerably less than their proportion of the population.<sup>49</sup> Many companies are increasingly shifting more of their budgets into media that reach Latino consumers, but it would appear that marketers in large part are under-spending in efforts targeted toward this large and growing segment of the U.S. population.<sup>50</sup> One exception recently was Kraft Foods (now Kraft Heinz), who had received a rating of just a “follower” by the Association of Hispanic Ad Agencies. So, in reaction, they tripled spending on Hispanic marketing, including a major effort on Kool-Aid. This campaign depicted the Kool-Aid Man mascot jumping into a pool shouting, “*Donde esta la diversion, esta Kool-Aid*” (“Where there's fun, there's Kool-Aid”).<sup>51</sup>

Marketing communicators need to be aware of several important points when attempting to reach Latino consumers. Because a large percentage of Hispanic-Americans use primarily Spanish media, it is important to target messages to some (but not all) Latinos using

**Table 5.6** ▶ Top 10 U.S. Hispanic Markets (estimates as of 2010)

RANK	METRO MARKET	HISPANIC POPULATION	HISPANIC % OF TOTAL LOCAL MARKET POPULATION
1	Los Angeles, CA	8,106,800	63.2
2	New York, NY	4,588,100	24.3
3	Houston, TX	2,063,900	34.7
4	Miami/Fort Lauderdale, FL	2,033,600	36.5
5	Chicago, IL	1,985,100	21.0
6	Dallas/Fort Worth, TX	1,846,900	29.0
7	San Francisco, CA	1,570,400	36.2
8	Phoenix/Prescott, AZ	1,455,200	34.7
9	San Antonio, TX	1,318,000	61.5
10	McAllen, TX	1,161,400	94.0

Source: "Hispanic Fact Pack, 2010 Edition," *Advertising Age's Annual Guide to Hispanic Marketing and Media* (New York: Crain Communications Inc., July 26, 2010), 35; "Table of U.S. Metropolitan Statistical Areas," Wikipedia, [http://en.wikipedia.org/wiki/Table\\_of\\_United\\_States\\_Metropolitan\\_Statistical\\_Areas](http://en.wikipedia.org/wiki/Table_of_United_States_Metropolitan_Statistical_Areas).

Spanish-speaking media. A key in designing effective advertising for Hispanics is to advertise in their dominant language.<sup>52</sup> Because approximately half of Hispanic Americans speak only or mostly Spanish at home, reaching these consumers requires the use of Spanish. However, for Hispanics who are English dominant, as are many younger Latinos, it obviously makes greater sense to use English in advertising copy that reflects their values and culture.

Also, as you are likely aware, Latinos do not represent a single, unified market. There are strong intra-ethnic and cultural differences among Cubans, Mexicans, Puerto Ricans, etc. that necessitate unique appeals be directed to each Latino group. Moreover, as with all general groupings, there are huge differences within each group in terms of English-speaking ability, length of residence in the United States (and thus degree of acculturation), level of income, and so on.

Some prominent companies—Procter & Gamble, Dish Network, McDonald's, L'Oreal, AT&T, Verizon, General Motors, Anheuser-Busch InBev, to name a few<sup>53</sup>—are now investing heavily in Hispanic-oriented advertising and event sponsorships that reach Latinos in their local communities and often in celebratory moods. Sponsoring Cinco de Mayo events, for example, is beginning to take on the same proportion as putting commercial support behind St. Patrick's Day celebrations.



To learn more about the marketing of Clamato and a new brand of beer that contains Clamato juice, Chelada, go to Insights Online in MindTap.

### Asian Americans

Asian Americans in the United States represent many nationalities: Asian Indians, Chinese, Filipino, Japanese, Korean, Vietnamese, and others. Asian Americans have been heralded as the newest "hot" ethnic market. The demographics support this optimistic outlook. In 2014, approximately 16.6 million Asians were living in the United States; that number will increase to over 33 million by 2050 (see Table 5.5). The largest Asian groups in the United States are of Chinese and Asian Indian descent, both with populations of about 2.5 million. According to census data, Asian-Americans on average are better educated, have higher incomes, and occupy more prestigious job positions than any other segment of American society.

It is important to emphasize that just as there is no single African American or Hispanic market, there certainly is no single Asian American market. Moreover, unlike other ethnic groups, such as Hispanics, who share a similar language, Asian Americans speak a variety of languages. Among Asian nationalities there are considerable

# Plain English isn't always enough.



With Spanish spoken in 90% of Hispanic homes\* in the U.S., it could be very risky to deliver your advertising message only in English. As the leading Spanish-language broadcaster, nobody reaches this country's largest minority of 37 million Hispanics like the networks of Univision.

Don't let an opportunity this big slip by:



© 2008 Univision Communications Inc. \*Nielsen Media Research, 2012 NHTI Univision Estimates, page 7x.

In summary, one has to be careful with the use of demographics in multicultural segmentation and targeting. For example, Facebook, Twitter, Instagram and other social media sites do not ask for race or ethnicity information on the profile. Moreover, Nielsen and CBS recently partnered to reduce a focus on age and gender in TV program information in favor of behavioral data.<sup>54</sup> Yet, unless you are looking at what *motivates* behavior, one may not fully understand the segment. For example, just taking behavior and grouping all Hispanics together is likely to ignore important intra-cultural variations.

## 5-7 Market Targeting

Once resulting segments are developed based on demographics, behavior, etc., then the question is whether or not these segments are attractive enough to be worth our attention. Five *criteria for segment effectiveness* (i.e., attractiveness) are suggested:<sup>55</sup>

1. **Measurable:** *the degree to which useful information exists on the segment.* For example, a company may not have measures of a very small segment's size, purchasing power, or other important characteristics. (This should not deter creative attempts to measure this however.)
2. **Substantial:** *the degree to which the segment is large enough and/or profitable to be worth attention.* There are notable exceptions to this: the Orphan Drug Act of 1983 facilitates the development and commercialization of prescription drugs by pharmaceutical firms to treat rare diseases.<sup>56</sup>
3. **Accessible:** *the degree to which a firm can focus their marketing efforts on the segment.* As most college students know, your time is limited and you represent a difficult market to reach. So, firms are especially glad to reach out to students with promotions on spring break, gift packs at dorms and rec centers, etc.
4. **Differentiable:** *the degree to which the segment is distinguishable and will respond differently to changes in marketing mix elements and programs.* If younger and older urban Asian American men within one mile of a restaurant respond exactly the same to a sushi lunch special, they may not represent different segments.
5. **Actionable:** *the degree to which the programs can be formulated and implemented.* Sometimes, resources may not be available for a special marcom effort for a given segment.

differences in product choices, brand preferences, and English-language skills.

Some firms have been successful in marketing to specific Asian consumers by customizing marketing programs to their values and lifestyles rather than merely translating Anglo programs. Mainstream marketers have available various media options for targeting Asian Americans: Asian-language radio stations are now burgeoning in areas where large concentrations of Asian consumers live, and direct marketing via postal mail is an outstanding medium for micromarketing to specific groups of Asian Americans. Online sites also are a valuable medium for reaching Asian American consumers in that they represent a disproportionately high group of online users compared to other Americans.

Several alternatives for actually selecting the segments have been deemed attractive or effective. These **target market strategies**<sup>57</sup> include: (1) *undifferentiated marketing*, in which overall marketing mix is applied to the mass market (e.g., Model T Ford with one color and price for all Americans), (2) *differentiated marketing*, in which a separate marketing mix is applied to each separate segment (e.g., General Motors' separate divisions), or (3) *concentrated marketing*, in which one overall marketing mix is applied to one separate segment (e.g., Tesla and high-end owners). Of course, other factors such as company resources, homogeneity of the market, and competition can affect one's choice of a given strategy.

**Target market strategies** Several alternatives for actually selecting segments that have been deemed attractive or effective; includes (1) *undifferentiated marketing*, in which overall marketing mix is applied to the mass market, (2) *differentiated marketing*, in which a separate marketing mix is applied to each separate segment, or (3) *concentrated marketing*, in which one overall marketing mix is applied to one separate segment.

**Brand positioning** The key feature, benefit, or image that a brand stands for in the target audience's mind.

**positioning** represents the key feature, benefit, or image that a brand stands for in the target audience's mind. Second, the brand's meaning in consumers' minds stands in *comparison* to what they know and think about competitive brands in the product or service category (i.e., "positioning against" the competition).

Strategically and tactically, positioning is a short statement—even a word—that represents the message you wish to imprint in customers' minds.<sup>58</sup> This statement tells how your brand differs from and is superior to competitive brands. It gives a reason why consumers should buy your brand. For example, the following consumer associations might be paired with brands: Volvo (safety), GE (innovation), Apple (high-tech design), State Farm (good neighbor), Disney (magic), McDonald's (convenience), and Starbucks (quality coffee). A good positioning statement should satisfy two requirements: (1) It should reflect a brand's *competitive advantage* (vis-à-vis competitive offerings in the same

product category) and (2) it should *motivate* consumers to *action*.

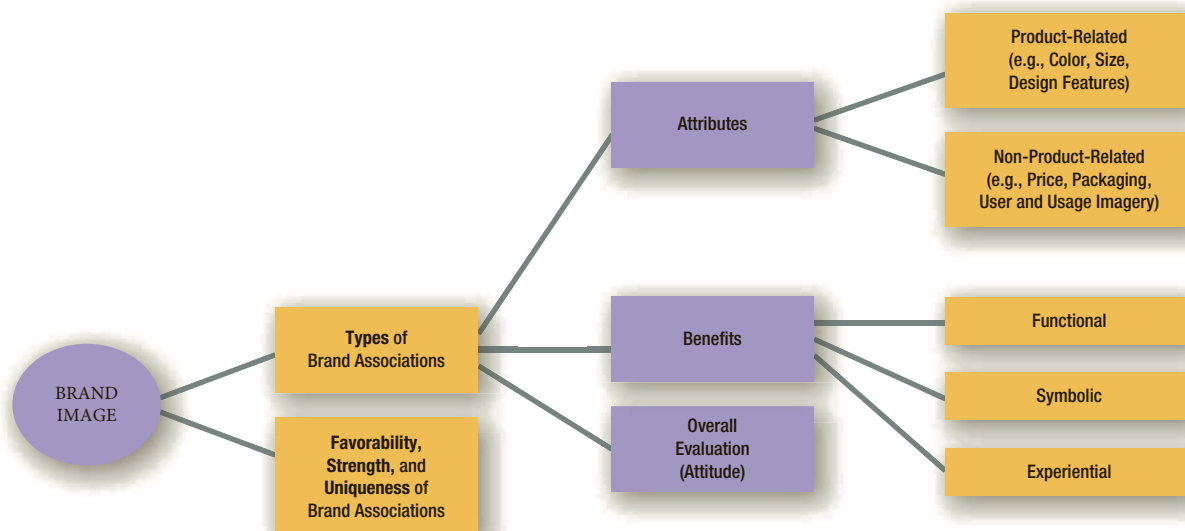
To make the idea of positioning even more concrete, a brand's image (see Figure 5.7) consists of types, favorability, strength, and uniqueness of brand associations. Our focus for now will be limited to the *types* of brand associations. In Figure 5.7, types of associations include brand

## 5-8 Market Positioning in Practice: The Fundamentals

Brand positioning is an essential preliminary activity to developing a successful marcom program. By having a clear positioning statement, the brand management team is committed to conveying a consistent message in all forms of marcom messages.

Conceptually, the term *positioning* suggests two interrelated ideas. First, as previously defined, **brand**

Figure 5.7 ▶ A Framework for Brand Positioning



Source: Adapted from Kevin Lane Keller, "Conceptualizing, Measuring, and Managing Customer-Based Brand Equity," *Journal of Marketing* 57 (January 1993): 7.

attributes, benefits, and an overall evaluation of, or attitude toward, the brand. Brand *attributes* include product-related and non-product-related features. Non-product-related attributes would include, for example, a brand's price, consumer perceptions of the type of people who own the brand (user imagery), and the occasions when the brand would be appropriately used (usage imagery). Brand *benefits* consist of ways by which a brand satisfies customers' needs and wants and can be classified as functional, symbolic, or experiential. Generally speaking, we can position a brand by focusing on product *attributes* or *benefits*.

### 5-8a BENEFIT POSITIONING

As noted briefly in Chapter 2, positioning with respect to brand benefits can be accomplished by appealing to any of three categories of basic consumer *needs*: functional, symbolic, or experiential.<sup>59</sup> Upon a quick review of the consumer-based brand equity framework (refer again to Figure 5.7), you will see that these three categories are shown as a specific type of association termed *benefits*. Note that benefits are the need-satisfying features provided by brands.

#### Positioning Based on Functional Needs

A brand positioned in terms of **functional needs** attempts to provide solutions to consumers' current consumption-related problems or potential problems by communicating that the brand possesses specific benefits capable of solving those problems. Appeals to functional needs are the most prevalent form of brand-benefit positioning. Consumer goods marketers also regularly appeal to consumers' needs for convenience, safety, good health, cleanliness, and so on, all of which are functional needs that can be satisfied by brand benefits. For example, Rockport aired a commercial showing two girls wearing their comfortable Rockport shoes walking dogs on the steep hills of San Francisco. Samsung featured a commercial ("The Dark") showing how everything looks better at night with their new professional-grade, photo sensors in the Galaxy S7 smartphone (<https://www.youtube.com/watch?v=e19D-3bjmx50>). As another example, the Crocs brand (see Figure 5.8) appeals to consumers' desire for lightweight, comfortable, and odor-resistant footwear.

#### Functional needs

Needs involving current consumption-related problems, potential problems, or conflicts.

#### Symbolic needs

Internal consumer needs such as the desire for self-enhancement, group membership, affiliation, altruism, and other abstract need states that involve aspects of consumption not solved by practical product benefits.



AP Images/FRANK AUGSTEIN

**Figure 5.8** ▶ Croc Advertisement Illustrating Appeal to Functional Needs

insights  
online

To learn more about the success of Crocs, go to Insights Online in MindTap.

#### Positioning Based on Symbolic Needs

Other brands are positioned in terms of their ability to satisfy nonfunctional, or symbolic, needs. Positioning in terms of symbolic needs attempts to associate brand ownership with a desired group, role, or self-image. Appeals to **symbolic needs** include those directed at consumers' desire for self-enhancement, group membership, affiliation, altruism, and other abstract need states that involve aspects of consumption not solved by practical product benefits. Marketers in categories such as personal beauty products, jewelry, alcoholic beverages, athletic apparel, and motor vehicles frequently appeal to symbolic needs.

## insights online

To learn more about the growing importance of appeals to consumers using claims that agricultural products are “fair traded,” go to Insights Online: Global Focus in MindTap.

### Positioning Based on Experiential Needs

Consumers’ **experiential needs** represent their desires for products that provide sensory pleasure, variety, and, in a few product circumstances, cognitive stimulation. Brands positioned toward experiential needs are promoted as being out of the ordinary and high in sensory value (looking elegant, feeling wonderful, tasting or smelling great, sounding divine, being exhilarating, and so on) or rich in the potential for cognitive stimulation (exciting, challenging, mentally entertaining, and so on). The Dove advertisement in Figure 5.9 represents this brand’s traditional positioning as an especially flavorful chocolate candy (Seduction by Chocolate). Consumers are promised the experience of tasting a special product (“A chocolate experience like no other”).

It is important to recognize that brands often offer a mixture of functional, symbolic, and experiential benefits. Yet, it has been argued that successful positioning requires a communication strategy that entices a *single type* of consumer need (functional, symbolic, or experiential) rather than attempting to be something for everyone.<sup>60</sup>

### 5-8b ATTRIBUTE POSITIONING

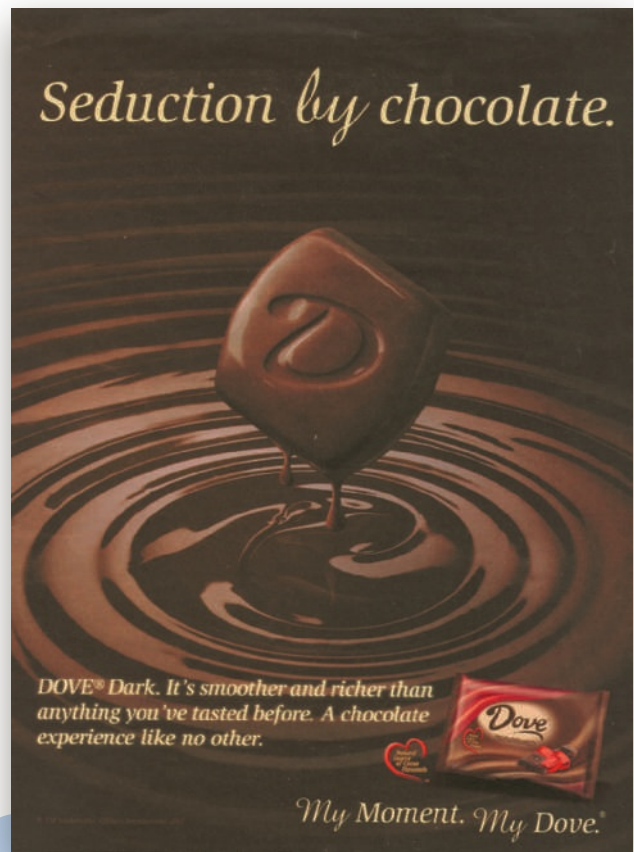
A brand can be positioned in terms of a particular attribute or feature, provided that the attribute represents a competitive advantage and can motivate customers to purchase that brand rather than a competitive offering. Product attributes, as shown in Figure 5.7, can be distinguished as either *product-related* or *non-product-related*.

#### Product-Related

Sleeker product design, superior materials, and more color options are just a few of the virtually endless attributes that can provide the foundation for positioning a brand. If your brand has a product advantage, flaunt it, especially if the advantage is something that consumers truly desire in the product category and will motivate them to action. For example, in an appeal to people who are concerned with product safety, the advertisement for the Toyota Highlander in Figure 5.10 touts their seating for up to eight and increased storage capacity, yet in a vehicle that is not “boring.” This is a distinct product-related positioning directed to parents and grandparents who are concerned about having enough room for children and grandchildren, yet also want them to have some fun as well.

#### Experiential needs

Needs representing desires for products that provide sensory pleasure, variety, and, in a few product circumstances, cognitive stimulation.



**Figure 5.9** ▶ Dove Advertisement Illustrating Appeal to Experiential Needs

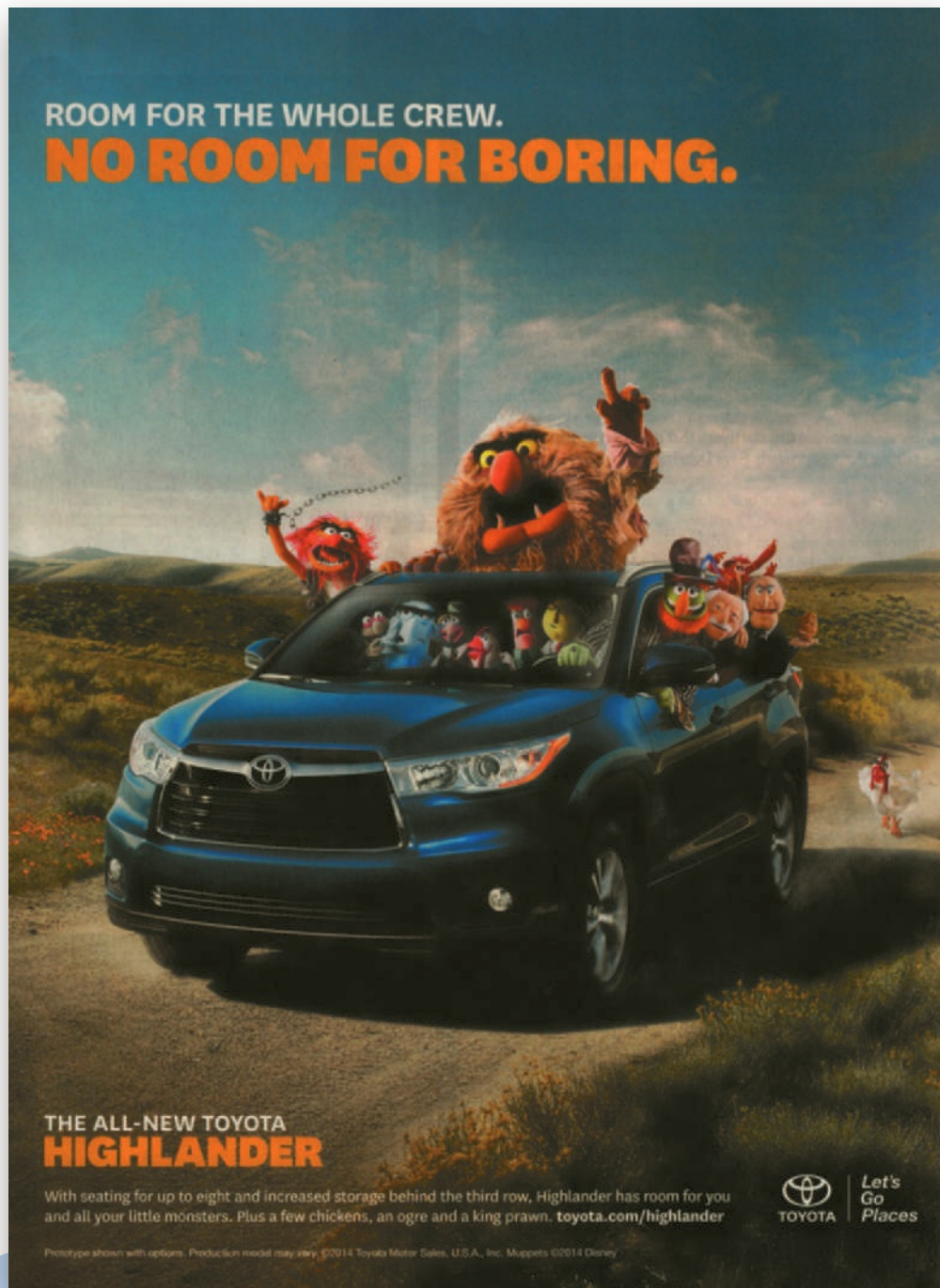
Source: DOVE® and A CHOCOLATE EXPERIENCE LIKE NO OTHER are registered trademarks of Mars, Incorporated. These trademarks are used with permission. Mars, Incorporated is not associated with Cengage Learning. The DOVE advertisement is printed with permission of Mars, Incorporated.

### Non-Product-Related: Usage and User Imagery

A brand positioned according to the image associated with how it is used, its *usage imagery*, depicts the brand in terms of specific, and presumably unique, usages that become associated with it. For example, advertisers sometimes position SUVs and passenger trucks in terms of their seemingly unique ability to go “off-road” and traverse rough terrain. Such advertisements create the impression that only the advertised brand is capable of forging streams, climbing hills, and navigating other tough-to-travel areas, even though most drivers will never take their vehicle off-road.

Brands also can be positioned in terms of the kind of people who use them. This *user imagery* thus becomes the brand’s hallmark; the brand and the people who are portrayed as using it become virtually synonymous. Positioning a brand via user imagery thus amounts





**Figure 5.10** ▶ Highlander Advertisement Illustrating Product-Related Attribute Positioning

to associating the brand with icon-like representations of the kind of people who are portrayed in advertisements as typical users of the brand. Consider the Ralph Lauren advertisement in Figure 5.11. The ad says little about the wide line of apparel items carried by this retailer. Instead, the ad's most prominent feature is the attractive model who reflects Ralph Lauren's positioning of a typical owner of its merchandise.

### 5-8c REPOSITIONING A BRAND

There are points in a brand's life cycle where brand managers need to alter what the brand stands for in order to enhance the brand's competitiveness. Consider the following illustration of a major repositioning in a consumer retail context. Most U.S. shoppers are quite familiar with Kohl's—founded in 1962, with over 1,200 stores nationwide—known for locating away from malls,



**Figure 5.11** ▶ Ralph Lauren Advertisement Illustrating Positioning Based on User Imagery

providing affordable pricing on private and name-brand collections, and offering larger aisles making stores easier to navigate. Unfortunately, growth had stalled recently as shoppers have preferred similar brands at deep discount at newer stores and buying more online. So, Kohl's is pilot testing their Off/Aisle discount stores in order to compete with off-price retailers, such as T.J. Maxx, Marshalls, and Nordstrom Rack. This repositioning suggests the importance of different segments and targeting, as the currently profitable Kohl's plans on increasing sales to \$21 billion by 2017.<sup>61</sup>

#### 5-8d **MARKETING MIX DEVELOPMENT**

As noted in Chapter 1, integrated marketing communications consists of the coordination of each element in the promotion mix (e.g., advertising, sales promotion, social media, etc.) with each other, *and with the other elements of a firm's marketing mix*, such that they speak with one voice with the customer. So, the final step in the segmentation process is to apply the marketing mix elements to each segment, based on its prior positioning. For example, the promotion of Kohl's new positioning strategy is no doubt coordinated with its price, product attributes, and location (place) availability options for retail customers in planning for its success.

Image courtesy of The Advertising Archives

# Summary

This chapter has emphasized the importance of the segmentation process and targeting marcom messages. Determining how a brand's marcom efforts should be directed toward specific groups of consumers—based on behavioral, psychographic, demographic, or geodemographic considerations—is the initial and most fundamental of all marcom decisions. All subsequent marcom decisions (positioning, setting objectives, and determining budgets) are inextricably intertwined with this initial segmentation and targeting decision.

Perhaps the most diagnostic way to target consumers is to identify their past purchase behavior in the product category for which a brand manager is making a targeting decision. Armed with behavioral information about how customers have made decisions in the past, it is possible to project with considerable accuracy how they will behave in the future. Also, knowledge of consumers' online search behavior enables the targeting of advertisements for brands that match the characteristics of consumers who visit those sites. Even so, privacy concerns can continue to be an issue with online behavioral targeting.

Marketing communicators also segment customers using knowledge about their activities, interests, and opinions (or, collectively, their lifestyles) to better understand what people want and how they are likely to respond to advertising, direct mail, and other forms of marketing communications. The term *psychographics* describes this form of segmentation. Customized studies are conducted to identify psychographic segments directly applicable to the marketer's product category and brand, but syndicated research systems such as SBI's VALS system also provide useful information for making important marcom decisions. The VALS system classifies people into one of eight groups based on a combination of their self-orientation and resources.

Another basis for targeting consumers is geodemographics. This form of targeting basically identifies clusters of consumers who reside in neighborhoods where residents share similar demographic characteristics and related lifestyles. Knowledge Factory's ClusterPlus and Nielsen Claritas' PRIZM NE are two well-known and respected clustering systems that identify meaningful groupings of geographical units such as ZIP code areas. The section on geodemographics covered the PRIZM NE and indicated that this clustering system delineates the population into 66 groups that are labeled with catchy names such as Bohemian Mix, Country Casuals, Suburban Pioneers, and City Roots. Geodemographic information is especially useful when making direct marketing decisions, selecting retail outlets, or spotting broadcast advertisements in select markets.

The next section of the chapter reviewed three major demographic developments: (1) the age structure of the U.S. population, (2) the changing American household, and (3) ethnic population developments. Some of the major demographic developments discussed include (1) the progressive aging of the U.S. population from an average age of 33 in 1990 to an expected average age of 38 by 2025, (2) the increase in the percentage of single American adults, and (3) the explosive growth of ethnic minorities, particularly Latinos.

This chapter concluded with the idea of brand positioning, described as representing the key feature, benefit, or image that a brand stands for in the target audience's collective mind. A positioning statement is the central idea that encapsulates a brand's meaning and distinctiveness vis-à-vis competitive brands. The chapter discussed three approaches to developing brand positions—appeals to functional, symbolic, and experiential needs of the target audiences.

## Discussion Questions

1. In what sense is behavioral segmentation information about customers more diagnostic of their future purchase behavior than is, say, demographic information? Do you agree with Netflix that behavioral data is more important than demographic data?
2. In your own words, explain how online behavioral targeting works.
3. In what sense is online behavioral targeting a potential invasion of privacy?
4. If you were to design a psychographic study for a new chain of lower-priced coffee stores that are planned to compete against Starbucks, what lifestyle characteristics (i.e., people's interests, values, and activities they participate in) might you consider as indicative of whether they might be interested in your new stores?
5. To which of the VALS segments do you belong? (Go to <http://www.strategicbusinessinsights.com/vals/presurvey.shtml>.)

6. Having read the section on the size of the world and U.S. populations, update the figures presented in the text by going to <http://www.census.gov/popclock>.
7. Demographers tell us that U.S. households are growing in number and shrinking in size. What specific implications do these changes hold for companies that manufacture and market products such as appliances, consumer electronics, and automobiles?
8. Most readers of this text fall in the millennial age categories. Just because you share this commonality with all other millennials, does this one piece of information about you and your cohorts represent a sufficient basis on which a marcom practitioner might aim its advertising efforts?
9. African American, Latino, and Asian American consumers do not signify three homogeneous markets; rather, they represent many markets composed of people who merely share a common ethnicity and/or language. Explain.
10. Explain the reasons for the relentless aging of the U.S. population, and discuss some implications this will have on marketing and marketing communications in the foreseeable future.
11. Assume you are brand manager of a food product that is consumed by all Americans—African Americans, Caucasians, Hispanics, Asians, and others. You are considering running an extended advertising campaign on prime-time television that uses Latino actors and appeals to Latino consumers. Aside from cost considerations, what reservations might you have about this type of campaign?
12. When we discussed the mature market, it was noted that advertising aimed at this group should portray them as vital, busy, forward looking, and attractive or romantic. Interview several mature consumers and coalesce their views on how they perceive advertising directed at them and their peers. Your interview results along with those from fellow students should lead to an interesting class discussion.
13. What are your views on targeting products to kids (i.e., children between the ages of 4 and 12)? Aside from your personal views, discuss the issue of targeting to children from two additional perspectives: first, that of a brand manager who is responsible for the profitability of a child-oriented product, and second, from the viewpoint of a regulatory agency or nonprofit group in charge of protecting children. Imagine what each of these parties might say about the practice of targeting products to children.
14. Based on your personal background and using the VALS system, how would you categorize most of the adults with whom you and your family associate?
15. Identify magazine advertisements that reflect appeals to at least three of the eight VALS groups. Describe in as much detail as possible the neighborhood in which you were raised. Come up with a label (similar to the PRIZM NE cluster names) that captures the essence of your neighborhood.
16. In Chapter 2, you read about “leveraging” (refer to Figure 2.5) as one of the ways by which brand associations are created. Relate that discussion to the concept of imbuing a brand with meaning by pulling existing meaning from the “culturally constituted world.”
17. How does your college or university position itself? If you were responsible for coming up with a new positioning, or repositioning, for your college or university, what would that be? Justify your choice.
18. How is your favorite brand of athletic footwear (Adidas, Nike, Brooks, etc.) positioned?

# The Communications Process and Consumer Behavior

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Appreciate elements of the communications process.
- 2 Understand the nature of meaning and semiotics in marketing communications, and how that meaning is a constructive process involving the use of signs and symbols.
- 3 Describe marketing communicators' usage of three forms of figurative language: simile, metaphor, and allegory.
- 4 Discuss the two perspectives that characterize how consumers process information: the consumer processing model (CPM) and the hedonic, experiential model (HEM).
- 5 Explain the eight stages of consumer information processing: exposure, attention, comprehension, agreement, retention, retrieval, decision making, and action.

## Marcom Insight

### Everyday Consumer Habits Helping the World

Disorders and diseases linked to dirty hands (e.g., diarrhea) kill children in the world every 15 seconds, and 50 percent of these deaths could be prevented by handwashing with soap. So an anthropologist, Dr. Val Curtis, director of the Hygiene Center at the London School of Hygiene and Tropical Medicine, contacted large multinational corporations (e.g., Procter & Gamble, Colgate-Palmolive, Unilever) to better understand how people develop good habits, like washing hands with soap.

Many of the companies surveyed by Dr. Curtis had invested millions of dollars into finding underlying cues in consumers' lives that they could use in introducing new products. For example, many of the everyday products we use—chewing gum, skin moisturizers, disinfectant wipes and lotions, air fresheners, antiperspirants, teeth whiteners, fabric softeners, and vitamins—are a result of manufactured habits. For instance, since so-called “bad smells” occur too infrequently, researchers at P&G looked for regular everyday cues to pair with their Febreze odor freshener. The key they found was the very act of cleaning a room—with windows open and fresh wind—a cue that was then used in Febreze commercials.



FRANCIS R. MALASIG/EPA/Newscom

Such tactics were important for Dr. Curtis and the Global Public-Private Partnership for Handwashing with Soap, and especially for a country like Ghana in West Africa. In Ghana, diarrhea accounts for 25 percent of all deaths in children under five and is among the top three causes of childhood morbidity. Approximately, nine million episodes of disease could be prevented each year by simply washing hands with soap.

Dr. Curtis discovered that although most people (75 percent) sampled in Ghana claimed they used soap after restroom use, only 4 percent had actually done so. Studies showed soap use increased when they felt their hands were dirty, triggered by a feeling of disgust. So, the solution was to show mothers and children in ads walking out of bathrooms with a glowing purple stain on their hands that contaminated everything they touched, tapping into the feeling of disgust. The ads turned out to be successful: There was

a 13 percent increase in soap use after using the restroom and a 41 percent increase in using soap before eating.

Currently, the success in Ghana in understanding consumer habits has been transformed into the Global Handwashing Day, promoting handwashing with soap for over 200 million people in greater than 100 countries around the world. (At the time of this writing, October 15 is designated as this day: [www.globalhandwashingday.org](http://www.globalhandwashingday.org)). The ultimate goal is to reduce worldwide deaths among children under the age of five by two-thirds.

Sources: Charles Duhigg, “Warning: Habits May Be Good for You,” *New York Times*, July 13, 2008; Global Handwashing Day, <http://www.globalhandwashingday.org> (accessed August 3, 2011); Public-Private Partnership to Promote Handwashing in Ghana, [http://www.globalhandwashingday.org/ppph\\_in\\_ghana.asp](http://www.globalhandwashingday.org/ppph_in_ghana.asp) (accessed August 3, 2011); Ghana’s Hand Washing Campaign, [http://www.globalhandwashingday.org/GHD\\_Video.asp](http://www.globalhandwashingday.org/GHD_Video.asp) (accessed August 3, 2011).

## 6-1 The Communications Process

The opening *Marcom Insight* touched on many aspects that are discussed in this chapter, including the communications process, the nature of meaning, meaning transfer (and different cultures), and the fundamentals of consumer behavior. We start the chapter with the communications process.

The word *communication* is derived from the Latin word *communis*, which means “common.” That is, **communication** can be thought of as the process of establishing a commonness, or oneness, of thought between a message sender, such as an advertiser, and a receiver, such as a consumer.<sup>1</sup> Thus, for communications to occur, there must be a commonness of thought between sender and receiver—not just messages sent from sender to receiver. This implies a *sharing relationship* between sender and receiver, say, a social media site and a consumer.

Consider a situation in which a salesperson is delivering a presentation to a purchasing agent who appears to be listening, but is actually checking her smartphone. Contrary to what an observer might perceive, communication is *not* occurring, because thought is not being shared. (As an aside, multitasking has greatly limited attention spans and reading comprehension in the last decade.<sup>2</sup>) Although sound waves are bouncing off the receiving eardrums, the purchasing agent is not actively hearing what the salesperson is saying. Both sender and receiver must be active participants in the same communication relationship for thought to be shared. Communication is something one does *with* another person, not *to* another person.

**Communication**  
The process whereby a commonness of thought is established and meaning is shared between individuals or between organizations and individuals.

**Message** A symbolic expression of what the communicator intends to accomplish.

### 6-1a ELEMENTS IN THE COMMUNICATION PROCESS

All communication activities involve the following elements: (1) a *source*, who has a (2) *communication objective*, that is transformed into a (3) *message*, that is delivered via a (4) *message channel*, to a (5) *target audience*, that experiences a (6) *communication outcome*. That outcome represents (7) *feedback* to the message source, although the entire process is subject to interference, interruptions, or in general, (8) *noise*. Figure 6.1 displays this process, and each element is now briefly described.

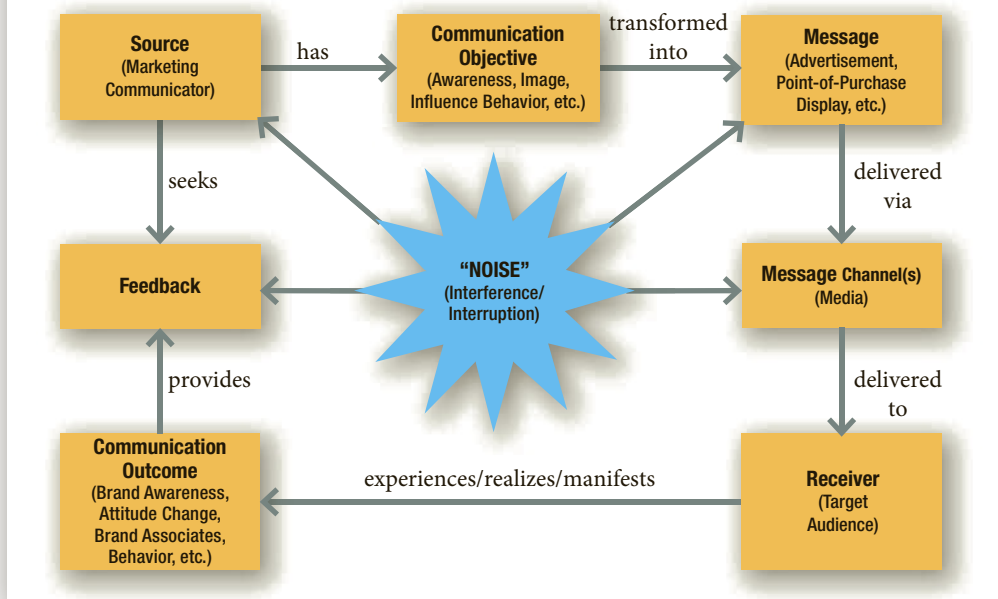


To learn more about the differences in cross-cultural communication, go to Insights Online in MindTap.

**Communication objective.** As discussed in Chapter 2, the objectives of marcom efforts might include creating brand awareness, implanting positive associations in the consumer’s memory as a basis for a positive brand image, and influencing behavior (action). Creating effective marketing communications requires that the communicator has a crystal clear idea of what should be accomplished.

**Message.** The **message** itself is a symbolic expression of what the communicator intends to accomplish. Advertisements, sales presentations, package designs, social media postings, and point-of-purchase signs are examples of forms of marcom messages.

**Figure 6.1** ▶ Elements in the Communication Process



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In marketing communications, the **source** is a communicator in some marcom capacity—an advertiser, salesperson, blogger, etc.—who has thoughts (ideas, sales points, etc.) to share with an individual customer/prospect or an entire target audience. The source *encodes* a message to accomplish a communication objective. **Encoding** is the process of translating thought into symbolic form. The source (e.g., ad copy writer, graphic artist) selects specific *signs* from a nearly infinite variety of words, sentence structures, symbols, and nonverbal elements to design a message that will communicate effectively with the target audience.

**Message channel.** The **message channel** is the path through which the message moves from source to receiver. Television, radio, newspapers, magazines, videos online, billboards, T-shirts, packages, point-of-purchase displays, signs painted on automobiles, and advertisements at movie theaters are just some of the more notable channels for delivering brand messages. Messages also are transmitted to customers directly via salespeople and indirectly via word-of-mouth communication from friends and family members.

**Receiver.** The **receiver** is the person or group of people (target audience) with whom the source attempts to share ideas. In marketing communications, receivers are the prospective and present customers of an organization's product or service. **Decoding** involves activities undertaken by receivers to interpret—or derive meaning from—marketing messages.

**Source** A communicator in some marcom capacity—an advertiser, salesperson, blogger, etc.—who has thoughts (ideas, sales points, etc.) to share with an individual customer/prospect or an entire target audience.

**Encoding** The process of translating thought into symbolic form.

**Message channel** The path through which the message moves from source to receiver.

**Receiver** The person or group of people (target audience) with whom the source attempts to share ideas.

**Decoding** Activities undertaken by receivers to interpret—or derive meaning from—marketing messages.

**Feedback** A way of monitoring how accurately the intended message is being received and whether it is accomplishing its intended objective(s).

**Noise** Extraneous and distracting stimuli that interfere with or interrupt reception of a message as it moves through a channel.

**Communication outcome.** The target audience experiences or realizes an outcome(s) in response to the message (or more likely, a stream of messages) received from a brand communicator. The outcome will hopefully match the communicator's general objective and result in increased levels of brand awareness, more positive attitudes, or greater purchasing of the brand.

**Feedback.** **Feedback** allows the source a way of monitoring how accurately the intended message is being received and whether it is accomplishing its intended objective(s). As shown in Figure 6.1, feedback allows the source to determine whether the original message hit the target accurately or whether it needs to be altered. Using research-based feedback from their markets (e.g., ad copy tests), management can reexamine and often correct ineffective or misdirected marcom messages.

**Noise.** A message moving through a channel is subject to the influence of extraneous and distracting stimuli. These stimuli can interfere with or interrupt reception of the message in its pure and original form. Such interference and distortion is called **noise**. Noise may occur at any stage in the communication process (see Figure 6.1). For example, at the point of message encoding, the sender may be unclear about what the message is intended to accomplish. A likely result is a poorly focused and perhaps even contradictory message rather than a message that is clear-cut and integrated. Noise also occurs in the message channel—a poor WiFi connection, a crowded

magazine page on which an advertisement is surrounded by competitive clutter, and a personal sales interaction that is interrupted repeatedly by texting and phone calls. Noise also can be present at the receiver/decoding stage of the process. An infant might cry during a television commercial and block out critical points in the sales message; music might be blaring during a retail store sales transaction; passengers in an automobile might talk and not listen to a radio commercial; or the receiver simply may not possess the knowledge base needed to understand fully the promotional message. Unless it is temporary or momentary, such noise can interrupt processing.<sup>3</sup> Yet, alternatively, certain positive sounds may draw one into a message, such as the sound of a steak sizzling on a grill or ice crackling when a drink is poured over it in a glass (<https://www.youtube.com/watch?v=-AmKP9VE2Ms>). (See the *Insight Online* in MindTap for a study and examples of “neural candy.”)

**Semiotics** The study of signs and the analysis of meaning-producing events.

**Sign** Something physical and perceivable that signifies something (the referent) to somebody (the interpreter) in some context.

tactile objects, and anything else that is perceivable by the senses and has the potential to communicate meaning to the receiver, who in semiotics terms is also referred to as an interpreter. For example, certain sounds (e.g., baby laughing) have been described as “neural candy,” leading to outcomes such as enhanced recall and positive affect.<sup>5</sup>

Formally, a **sign** is something physical and perceivable that signifies something (the *referent*) to somebody (the *interpreter*) in some *context*.<sup>6</sup> The dollar sign (\$), for example, is understood by many people throughout the world as signifying the currency of the United States (as well as the currencies of Australia, Canada, Hong Kong, New Zealand, and several other countries). The thumbs-up sign (Figure 6.2) signifies a positive reaction to or appraisal of an action or event. For example, movie critics sometimes signify that they like a new movie by displaying an upward thumb sign; or parents display the thumbs-up when their children perform well in artistic or athletic events. Interestingly, the upward thumb in the Middle East signifies an entirely different meaning than in the West; it represents a crass expression not unlike the middle-finger sign in the West. This difference in sign usage indicates that meaning is contained within the person and not the sign per se; in other words, meaning is both idiosyncratic and context dependent—meaning is *constructed*!

insights  
online

To learn more about a study and examples of “neural candy,” go to Insights Online in MindTap.

## 6-2 Marketing Communication and Meaning

Fundamental to the concept and practice of communication and positioning is the idea of *meaning*. This section discusses the nature of meaning using a perspective known as semiotics. **Semiotics**, broadly speaking, is the study of signs and the analysis of meaning-producing events.<sup>4</sup> The important point of emphasis is that the semiotics perspective sees meaning as a *constructive process*. That is, meaning is determined both by the message source’s choice of communication elements and, just as importantly, by the receiver’s unique social-cultural background and mind-set. Thus, meaning is not thrust upon consumers; rather, consumers are actively involved in constructing meaning from messages.

The fundamental concept in semiotics is the *sign*, the noun counterpart to the verb *signify*. (Singers sing; runners run; dancers dance; and signs signify!) Marketing communications in all its various forms uses signs in the creation of messages. When reading the word *sign*, you probably think of how this word is used on an everyday basis—such as road signs (stop, yield, danger, or directional signs), store signs, signs announcing a car or home for sale, and signs of less tangible concepts such as happiness (the happy face emoji). The general concept of a sign encompasses these everyday notions, but includes many other types of signs, including words, visualizations,



Photodisc/Getty Images

**Figure 6.2** ▶ The Thumbs-Up Sign



## 6-2a THE MEANING OF MEANING

Although we use signs to share meaning with others, the two terms (*signs* and *meanings*) are not synonymous.<sup>7</sup> Signs are simply stimuli that are used to evoke an intended meaning in another person. But words and nonverbal signs do not have meanings per se; instead, *people have meanings for signs*. Meanings are internal responses people hold for external stimuli. Many times people have different meanings for the same words, gestures, or symbols. For example, if one asks a retail clerk in the Southeast for a Coca-Cola (“Coke”), a likely response would be “What type of Coke do you want?” referring to *any* type of soft drink or soda—including Pepsi!

Consumers interpret a sign as intended when signs are common to both the sender’s and the receiver’s fields of experience. A field of experience, also called the *perceptual field*, is the sum total of a person’s experiences that are stored in memory. Like a Venn diagram, the larger the overlap, or commonality, in their perceptual fields, the greater the likelihood that signs will be interpreted by the receiver/interpreter in the manner intended by the sender. Effective communication is severely compromised when, for example, marketing communicators use words, visualizations, or other signs that customers do not understand. This is especially problematic when developing communication programs for consumers in other cultures.

Up to this point, we have referred to meaning in the abstract. Now a definition is in order. **Meaning** can be thought of as the *thoughts and feelings* that are evoked within a person when presented with a sign in a particular *context*.<sup>8</sup> It should be clear that meaning is internal to an individual, subjective, and highly context dependent. Again, meaning is not imposed upon us, but rather is constructed by the interpreter of signs, such as consumers who are barraged daily with hundreds of advertisements and other marcom messages.

## 6-2b THE DIMENSIONS OF MEANING

Although people learn meaning from individual signs, such signs (words) are rarely used independently of one another. Normally, they are placed in a certain series or order according to prescribed rules of grammar—which is known as *syntax*. Such syntax can elicit different meanings, and we now describe four dimensions of meaning based on different orderings and content: denotative, connotative, structural, and contextual meaning.

**Meaning** Thoughts and feelings that are evoked within a person when presented with a sign in a particular context.

**Socialization** The process through which people learn cultural values, form beliefs, and become familiar with the physical cues representing these values and beliefs.

*Denotative meaning* refers to exact or direct meaning, as expressed in sign–object relationships. This might be found in express ad claims, such as “Our car gets 100 miles per gallon.” Words high in denotative meaning are words that are most strongly object-tied. In contrast, *connotative meaning* refers to implied or interpretative meaning in sign–object relationships. An example might be the use of puffery in an implied ad claim, such as “Our car gets great gas mileage.” Words such as *great, good, dependable, quality, attractive*, etc. elicit different responses from different people.

*Structural meaning* provides understanding from simple sign-to-sign relationships. For example, if you saw a product claim, “Scope has T<sub>2</sub>5’,” most of us would probably not know what T<sub>2</sub>5’ means. We can try to infer meaning from the structure; however, we really need greater context to help with the interpretation of the sign. So, *contextual meaning* provides a description of signs to aid in their interpretation. For example, the following provides added contextual meaning: “Scope has T<sub>2</sub>5’. T<sub>2</sub>5’ is a blend of active agents that provides better oral protection and refreshment.” Offering the right contextual meaning to consumers who may be limited in their ability to interpret difficult marketing communications (e.g., owners’ manuals, prescription drug leaflets, and credit card terms) due to literacy and other knowledge deficiencies should be an important issue for any marketer.

## 6-2c MEANING TRANSFER: FROM CULTURE TO OBJECT TO CONSUMER

The culture and social systems in which marketing communications take place are loaded with meaning. Through the process of **socialization**, people learn cultural values, form beliefs, and become familiar with the physical cues representing these values and beliefs. The artifacts of culture are charged with meaning, which is transferred from generation to generation. For example, the Statue of Liberty, Lincoln Memorial, and Ellis Island are signs of freedom to Americans. To Germans, and many other people throughout the world, the now-crumbled Berlin wall signified oppression and hopelessness. Comparatively, yellow ribbons signify crises and hopes for hostage release and the safe return of military personnel. Pink ribbons signal support for breast cancer victims. Red ribbons have grown into an international symbol of solidarity on AIDS, and purple ones in support of Alzheimer’s patients and their fight against this disease. (For the many color ribbons and their associations with efforts against diseases and disability, see <http://www.disabled-world.com/disability/awareness/ribbons.php>.) The Black Liberation flag with its red, black, and green stripes—representing blood, achievement, and the fertility of Africa—symbolizes civil rights.



© HO/AP/Getty Images/Newscom

Marketing communicators, when in the process of positioning their brands, draw meaning from the *culturally constituted world* (i.e., the everyday world filled with artifacts such as the preceding examples) and transfer that meaning to their brands. Advertising is an especially important instrument of meaning transfer and positioning.<sup>9</sup>

When exposed to an advertisement (or any other form of marcom message), the consumer is not merely drawing information from the ad but is actively involved in assigning meaning to the advertised brand.<sup>10</sup> Stated alternatively, the consumer approaches advertisements as texts to be interpreted.<sup>11</sup> (Note that the term *text* refers to any form of spoken or written words and images, which clearly encompasses advertisements.)

As an example, consider an advertisement for the Honda Accord that was created some years ago when American consumers were more loyal to American-made than Japanese-made automobiles. Shortly after the Honda Motor Company began producing automobiles in the United States, its first print advertising campaign mentioned that four out of five Accords sold in America are manufactured in the United States. Beyond stating

this fact in the ad copy, the two-page advertisement presented large photos of five icons of American culture: a hamburger, cowboy boots, an oversized bicycle (not like the sleek Asian or European racing bikes), a baseball, and a jazz ensemble. By associating itself with these well-known symbols of American consumer culture, Honda pulled meaning from the “culturally constituted world” of its target audience consumers, most of whom would immediately recognize the five icons as uniquely American.

Consider also the two advertisements for V8 vegetable juice in Figure 6.3 that embed this brand in the context of health and fitness symbols—one ad showing bottles of V8 juice as earplugs on a stethoscope and the other displaying multiple bottles of V8 juice arranged into the shape of a zipper. The suggestion is that V8, which is made with 100 percent vegetable juice, is good for the heart and also the waist. (We will ignore sodium levels for now!) Thus, once again, we see an advertiser using well-known symbols to draw meaning from the “culturally constituted world” and attempt to transfer that meaning to the advertised brand.

**Figure 6.3** ▶ Illustration of Contextual Meaning—V8 Advertisements

**LISTEN TO YOUR HEART.** Just one 12oz. bottle of Low Sodium V8® 100% vegetable juice holds 3 servings of heart-healthy vegetables\*, brimming with antioxidants and potassium. All that with no cholesterol and 0g saturated fat. And in case you need another reason, we're certified by the American Heart Association. **COULD'VE HAD A**

©2007 CSC Brands, LP. \*3 servings of vegetables = 51 cups.

**MAINTAINING A HEALTHY WEIGHT.** V8® 100% vegetable juice helps satisfy your appetite with 70 calories per 12oz. bottle. That's because V8 has 3 vegetable servings\* and 3g of dietary fiber, a natural way to feel full on fewer calories. And with great taste, no preservatives and no added sugar, what's not to love? **COULD'VE HAD A**

©2007 CSC Brands, LP. \*3 servings of vegetables = 51 cups.

## 6-2d THE USE OF FIGURATIVE LANGUAGE IN MARKETING COMMUNICATIONS

Symbol usage is widespread in marketing communications. A symbolic relationship is formed when an object (such as a brand) becomes a **symbol** of something else (a referent) and when the object and referent have no prior intrinsic relationship, but rather are arbitrarily or metaphorically related.<sup>12</sup> Prudential Insurance advertises itself as “The Rock” and portrays the company in the context of the Rock of Gibraltar. The rock metaphor symbolizes strength and security, which are good traits for an insurance company. Merrill Lynch (now part of Bank of America) featured a bull in its advertising, undoubtedly because in financial circles the bull is a symbol of growth and prosperity. Nike has made famous the “swoosh” symbol to identify its brand and impart the notion of speed—a key performance attribute, especially when this brand was introduced in the heyday of the running craze.

When establishing symbolic relations, marketing communicators often utilize *figurative*, or nonliteral, language. Figurative language involves expressing one thing (such as a brand) in terms normally used for denoting another thing (such as an idea or object) with which it may be regarded as analogous.<sup>13</sup> Three forms of figurative language used by marketing communicators are simile, metaphor, and allegory.<sup>14</sup>

**Simile.** **Simile** uses a comparative term such as *like* or *as* to join items from different classes of experience. “Love is like a rose” exemplifies the use of simile.<sup>15</sup> For many years, viewers of the soap opera *Days of Our Lives* have listened to the program open with the intonation of the simile: “Like sands through an hourglass, so are the days of our lives.” A tourist advertisement for Jekyll Island, a popular resort on the coast of Georgia, illustrates one advertiser’s use of simile in proclaiming: “Jekyll Island, Georgia. Like the tide, it draws you back again and again.” Advertising slogans sometimes use simile, as illustrated in the advertisement in Figure 6.4 that likens using the Hydro 5 to feeling like it’s a blast of hydration.

**Metaphor.** Metaphor differs from simile in that the comparative term (*as*, *like*) is omitted (love is a rose; she has a heart of gold; he is a prince, etc.). **Metaphor** applies a word or a



Figure 6.4 ▶ Illustration of a Simile Usage

phrase to a concept or object that it does not literally denote in order to suggest a comparison and to make the abstract more concrete. With metaphor, the qualities of one object or idea are transferred to another object such as a brand. Metaphors are widely used in advertising because they arouse and enliven the consumer’s imagination, represent an effective yet economical (in terms of print space or broadcast time) way to create brand associations, and can enhance persuasion.<sup>16</sup> When used in advertising, metaphors create a picture in consumers’ minds and tap into meaning shared both by the advertiser and consumer.<sup>17</sup> Metaphors may not accomplish their desired objective, however, if the metaphor is complicated or too abstract.<sup>18</sup>

Metaphors abound in advertisements. Advertising metaphors occur in verbal form, through visual representations, or by combining verbal and visual presentation. For example, all of the following advertising slogans have been used or are now being used: Wheaties is the “breakfast of champions;” Budweiser is the “king of beers” (Figure 6.5); and Pioneer is the “art of

**Symbol** When the object and referent have no prior intrinsic relationship, but rather are arbitrarily or metaphorically related.

**Simile** A comparative term (such as, “like,” or “as”) to join items from different classes of experience.

**Metaphor** A form of figurative language that applies a word or a phrase to a concept or an object, such as a brand, that it does not literally denote in order to suggest a comparison and to make the abstract more concrete.

Image courtesy of The Advertising Archives

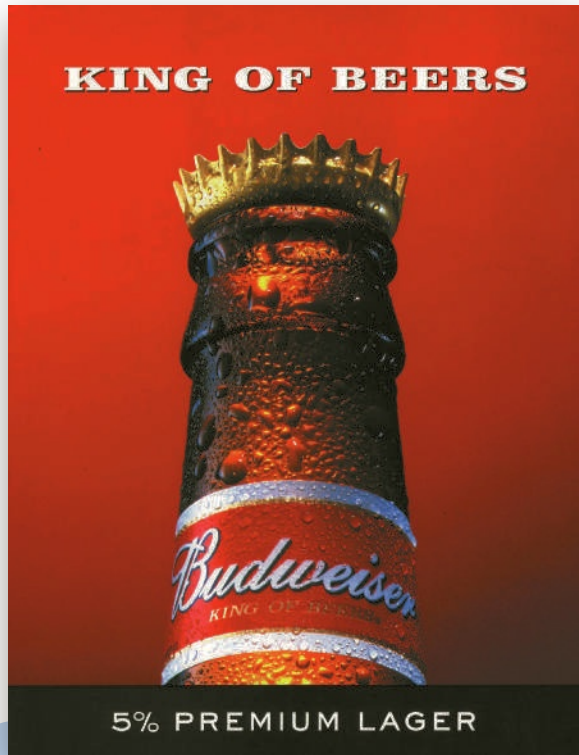


Image courtesy of The Advertising Archives

**Figure 6.5** ▶ The Use of Metaphor—Budweiser



Everett Collection Inc./Alamy Stock Photo

**Figure 6.6** ▶ The Use of Metaphor—Geico

entertainment.” In using metaphor, the advertiser hopes that by repeatedly associating its brand with a well-known and symbolically meaningful referent, the meaning contained in the referent will eventually transfer to the brand.

Consider the following illustrative uses of metaphor in advertisements. Figure 6.6 for Geico insurance associates a caveman (usually incapable of modern human understanding) with online insurance services: “So easy a caveman can do it.” An ad for Cheer laundry detergent uses a visual metaphor in comparing its ability to preserve clothes from fading with a Mason jar’s widely understood capacity for preserving food products from spoiling.

**Allegory.** **Allegory**, a word derived from a Greek term meaning *other-speak*, represents a form of *extended metaphor*. Allegorical presentation equates the objects in a particular text (such as the advertised brand in a television commercial) with meanings outside the text itself.<sup>19</sup> In other words, “allegory conveys meaning in a story-underneath-a-story, where something other than what is literally represented is also occurring.”<sup>20</sup> In addition to the use of metaphor, another determining characteristic of allegorical presentation is *personification*.<sup>21</sup>

Through personification, the abstract qualities in a brand (its attributes or benefits) assume positive human characteristics. Current examples of allegorical characters in advertising include:

1. Mr. Mayhem (“The Mayhem Guy,” Figure 6.7), created for Allstate Insurance,

**Allegory** A word derived from a Greek term meaning *other-speak*; represents a form of extended metaphor.

personifies in a somewhat humorous way what could lead to accidents (“mayhem”) and how certain “cut-rate” policies can leave you unprotected (see “Lost Phone”: <http://www.ispot.tv/ad/7iac/allstate-mayhem-lost-phone>).

2. The Pillsbury dough boy, who signifies the joy of making (and eating) cookies and fond remembrances.
3. The Geico gecko (Figure 6.7), who exemplifies a smart-thinking spokesperson touting how much money you could be saving with Geico.
4. The Qantas koala bear personifies the CEO-type treatment one can expect to receive when flying Qantas business class for this Australian-based airline. The advertisement’s body copy mentions several attractive features of flying business class, but the “story beneath the story” is that the business-class passenger will be pampered in a fashion found for CEOs of major corporations.

Allegory often is used in promoting products that are difficult to advertise without upsetting, offending, or boring some audience members. Advertisers have found that using personification (e.g., human-like animals or person-like product characters) makes advertising of these potentially offensive or mundane products more palatable to audiences. For example, the



**Figure 6.7** ▶ Illustration of Personification—the Geico Gecko and the Pillsbury Doughboy

“successful,” albeit much-criticized and now retired, advertising campaign for Camel cigarettes employed the camel personification known as Old Joe or Smooth Joe. Joe was the embodiment of hip. In the many executions of this campaign, Joe was always portrayed as a cool, adventurous, swinging-single-type character. The subtle implication was that smoking Camels was itself the cool thing to do. Although there are distinct ethical issues associated with this campaign, there is no questioning its effectiveness. Two years after Old Joe’s introduction, Camel shipments rose 11.3 percent and market share increased from 3.9 to 4.3 percent.<sup>22</sup> This may seem a pittance, but every share point in the cigarette industry amounts to sales in the hundreds of millions of dollars. The critics of smoking, especially concerning youth, were outraged by RJR’s advertising of Camel cigarettes; indeed, Joe Camel in its allegorical splendor became the rallying point around which criticism of tobacco advertising was based and restrictions were eventually

imposed,<sup>23</sup> culminating in U.S. Food & Drug Administration oversight of the entire industry in 2009.<sup>24</sup>

Allegory certainly is not restricted to taboo products. Consider the advertising campaigns for M&Ms, online at <http://www.ispot.tv/brands/AoI/m-and-ms>. In the campaigns over the years, the M&Ms are made to look human (called “anthropomorphizing”) and each color takes on a different personality. Interestingly, some studies have shown that anthropomorphizing can undermine self-control when temptations are presented.<sup>25</sup> Two M&M examples of anthropomorphizing are the cool and confident Red M&M (Figure 6.8) and the happy-go-lucky Yellow M&M (Figure 6.9). After “Red” was ousted for nine years (due to confusion that it contained red dye no. 2—which it did not), he returned with a vengeance starring in a series of commercials voiced by comedian Jon Lovitz. “Red” has been rebranded as “cocky, confident, and can’t seem to get enough of the spotlight.”<sup>26</sup> Some have observed, however, that “social media stars” (e.g., Kevin Jonas challenging Burger King’s fiery chicken fries on a Snapchat video) have overtaken traditional brand mascots (e.g., Ronald McDonald, Energizer Bunny, Pillsbury Doughboy, Tony the Tiger) due to their ability to have a closer relationship with consumers in producing viral content for brands.<sup>27</sup>

### 6-3 Behavioral Foundations of Marketing Communications

Marketing communicators direct their efforts toward influencing consumers’ brand-related *beliefs*, *attitudes*, *emotional reactions*, and *choices*. Ultimately, the objective is to encourage consumers to choose “our” brand rather than a competitive offering. To accomplish this goal, marketing communicators design advertising messages, promotions, packages, brand names, sales presentations, and other forms of brand-related messages—all of which are designed to drive home the brand’s meaning, or its positioning. This section focuses on the consumer’s perspective by examining how individuals receive and are influenced by marcom messages.

The discussion is based on two different perspectives about how consumers process marcom information and



Source: Mars, Incorporated

Figure 6.8 ▶ Illustration of Allegory—Red M&M

ultimately use this information to choose from among the alternatives available in the marketplace. We will label these the *consumer processing model (CPM)* and the *hedonic, experiential model (HEM)*. From a consumer-processing perspective (CPM), information processing and choice are seen as rational, cognitive, systematic, and reasoned.<sup>28</sup> In the hedonic, experiential perspective (HEM), in contrast, emotions in pursuit of fun, fantasies, and feelings (i.e., “3Fs”) drive consumer processing of marcom messages

and behavior.<sup>29</sup> Interestingly, each perspective is certainly not tied to a given type of product purchase (e.g., for a new car). For example, one free-spirited consumer (say, “Jack”) may have purchased a metallic blue, Mazda Miata sports car on a whim after work (HEM perspective), whereas another (“Doug”) may have spent considerable time in visiting dealers, online services (www.edmunds.com), his insurance agent, and talking with current owners before arriving at the very same car decision (CPM perspective).

A very important point needs to be emphasized before further discussing each framework: consumer behavior is much too complex and diverse to be captured perfectly by two extreme models. So, you should think of these as bipolar perspectives that anchor a continuum of possible consumer behaviors—ranging, metaphorically speaking, from the “icy-blue cold” CPM perspective to the “red-hot” HEM perspective (Figure 6.10). At the CPM end of the continuum is consumer behavior that is based on *pure reason*—cold, logical, and rational. At the HEM end is consumer behavior based on *pure passion*—hot, spontaneous and perhaps even irrational. Between these extremes rests the bulk of consumer behavior, neither based totally on pure reason nor on pure passion.



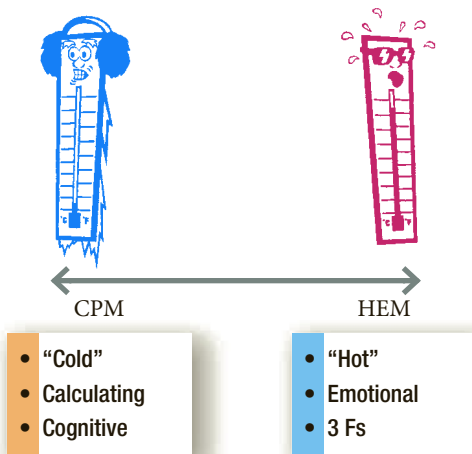
Sorbis/Shutterstock.com

Figure 6.9 ▶ Illustration of Allegory—Yellow M&M

### 6-3a THE CONSUMER PROCESSING MODEL (CPM)

The following sections discuss consumer information processing in terms of a set of interrelated stages based on William McGuire’s Stages of Information Processing.<sup>30</sup> Although the following stages are primarily a part of the CPM, we will deviate on occasion to discuss HEM departures from the traditional CPM perspective.

**Figure 6.10** ▶ Comparison of the CPM and HEM Models



© Cengage Learning

Stage 1: Being *exposed* to information

Stage 2: *Paying attention*

Stage 3: *Comprehending* attended information

Stage 4: *Agreeing* with comprehended information

Stage 5: *Retaining* accepted information in memory

Stage 6: *Retrieving* information from memory

Stage 7: *Deciding* from alternatives

Stage 8: *Acting* on the basis of the decision

### Stage 1: Being Exposed to Information

The marketing communicator's fundamental task is to deliver messages to consumers, who, it is expected, will process the messages, understand the brand positioning, and, if the positioning is favorable with the consumer's preferences, undertake the course of action advocated by the marketer. By definition, **exposure** simply means that consumers come in contact with the marketer's message (i.e., they have the *opportunity* to see a magazine ad, hear a radio commercial, notice a YouTube commercial, text message, and so on). Although exposure is an essential preliminary step to subsequent stages of information processing, the mere fact of exposing consumers to the marketing communicator's message does not ensure the message will have any impact. Gaining exposure is a *necessary* but *insufficient* condition for actual attention and communication success. Ultimate success generally depends on message quality and frequency, yet sometimes, a simple repeated exposure to a message may increase the likelihood that the receiver will judge that message to be true. This is termed

**Exposure** This signifies that consumers come in contact with the marketer's message.

**Attention** When the consumer focuses cognitive resources on and thinks about a message to which one has been exposed.

the *truth effect* and is more consistent with the HEM perspective.<sup>31</sup>

In practical terms, a higher level of exposure to a brand's message is a function of two key managerial decisions: (1) providing a sufficient marcom budget and (2) selecting appropriate media and vehicles with which to present a brand message.

### Stage 2: Paying Attention

Laypeople use the expression "paying attention" in reference to whether someone is really listening to and thinking about what a speaker (such as a teacher) is saying, or whether his or her mind is wandering off into its own world of thought. For psychologists, the term *attention* means fundamentally the same thing. In advertising, "attention" has been touted as a key term for the future (even beyond "engagement") and has been referred to as someone actually spending time with an ad or taking the time to respond to the ad.<sup>32</sup> **Attention**, in its formal use, means to focus cognitive resources on and think about a message to which one has been exposed. Actually, consumers pay attention to just a small fraction of marcom messages. This is because the demands placed on our attention are great (we are virtually bombarded with advertisements and other commercial messages), but information-processing *capacity is limited*, leading to constraints on one's *opportunity to process* messages.<sup>33</sup> Effective utilization of limited processing capacity requires that consumers selectively allocate mental energy (processing capacity) only to messages that are *relevant and of interest to current goals*.

For example, once their initial curiosity is satisfied, most people who are *not* in the market for a new automobile, especially an all-electric brand such as the Tesla, would pay zero attention to an ad listing detailed comments about the Tesla, because the product has little relevance to them (i.e., *non-attention*). In contrast, in a first type of attention, people who are anxious to purchase an all-electric automobile would likely devote *willful or conscious attention* (i.e., *voluntary attention*) to an advertisement for, say, a Tesla because it would hold a high level of involvement or relevance to their interests. Notice that "conscious attention" is emphasized in the previous sentence. This is to distinguish this deliberate, controlled form of attention from an *automatic* form of relatively superficial attention (i.e., *involuntary attention*) that occurs when, for example, an individual reacts to a loud noise even when the source of the noise holds little, if any, personal relevance.<sup>34</sup> A third type is *non-voluntary attention*, or spontaneous attention, in which the Tesla ad might offer *potential* interest—but not prior or willful interest, as found in voluntary attention.

How can attention selectivity be avoided? The short answer is that marketing communicators

**MODEL S** **REDEFINE GREEN.**

Nimur magnisqui rem in quod et que senptae possident di conem- qu laecaboreped quibus qui ris etiam, conse esse volut excep- natur? Illoque espenitque tempqi odi officia volores idgesi minter- pore, ipicrii quante vid que velit eum intibus, vili ipicrii in utemim ayrihil statibus? Magnis voloresperum nonest iam quidans exemat. Ecde conime gnihil modique in- ulitests volobuoda venessimpet quidem inticrii utem sas. Nem quos quies audandundi doluptat. Cus in re voluptat. Pore aut vel id quia et ut sito. Pictum abiora- ree con nihil volupta lemouiae

volores et, sans sita ad ulior ar- bus aite et deat et ea quat elidit tempqi ipicrii coniam il ipas aut magnit adis expensae rest nos essunt. Possit, eumende repedit, cono eventus aut accum res dem, optasperi pedt ulitabo. Evende scilicet doluptat? Oritatum redispesuae re doles- tiam saepedi dias repelesiam qui asimpesitio quiescit dolerec tem earthie totat aut ut faupiet que peritat lamque doles volore emi odi unibus peliqui conseqodit faciae quales inquilus dolupta notature eos memit pedt ut aut et volupta reperibus qui nefestio

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218 167, 114

65 32

Source: Tesla

can most effectively gain the consumer's attention by creating messages that truly appeal to their needs for product-relevant information. The likelihood that consumers will pay attention to an advertisement or other form of marcom message also is increased by creating messages that are novel, spectacular, aesthetically appealing, eye catching, and so forth. In conclusion, attention is no easy task, as it is well known that *clutter* reduces message effectiveness.<sup>35</sup>

Research has shown that consumers generally prefer *moderate congruity* in processing information because they enjoy resolving it. Yet, this really depends on one's attention or arousal level. For example, under low arousal or attention, extreme incongruity is preferred (e.g., loud music, wild balloon colors in a store launching iWatches). Yet, under high arousal or attention, there isn't a preference for any incongruity.<sup>36</sup>

### Stage 3: Comprehension of What Is Attended

To **comprehend** is to understand and create meaning out of stimuli and symbols. Communication is effective when the meaning, or positioning,

**Comprehend** To understand and create meaning out of stimuli and symbols.

**Perceptual encoding** The process of interpreting stimuli, which includes two stages: feature analysis and active synthesis.

**Feature analysis** The initial stage of perceptual encoding whereby a receiver examines the basic features of a stimulus (such as size, shape, color, and angles) and from this makes a preliminary classification.

**Active synthesis** The second stage of perceptual encoding; it goes beyond merely examining physical features. The context or situation in which information is received plays a major role in determining what is perceived and interpreted.

a marketing communicator intends to convey matches what consumers actually extract from a message. The term *comprehension* often is used interchangeably with *perception*; both terms refer to *interpretation*. Because people respond to their perceptions of the world and not to the world as it actually is, the topic of comprehension, or perception, is one of the most important subjects in marketing communications.<sup>37</sup>

The perceptual process of interpreting stimuli is called **perceptual encoding**. Two main stages are involved. **Feature analysis** is the initial stage whereby a receiver examines the basic features of a stimulus (such as size, shape, color, and angles) and from this makes a preliminary classification. For example, we are able to distinguish a motorcycle from a bicycle by examining features such as size, presence of an engine, and the number of controls. The second stage of perceptual encoding, **active synthesis**, goes beyond merely examining physical features. The *context*, or situation in which information is received, plays a major role in determining what is perceived and interpreted, or in other words, what meaning is acquired. Interpretation results from combining,



or synthesizing, stimulus features with expectations of what should be present in the context in which a stimulus is perceived. For example, a synthetic ski jacket placed in the window of a discount clothing store (the context) is likely to be perceived as a cheap imitation; however, the same coat, when attractively merchandised in an expensive boutique (a different context) might now be considered a high-quality, stylish garment.

The important point is that consumers' comprehension of marketing stimuli is determined by stimulus features and by characteristics of the consumers themselves. Expectations, needs, personality traits, past experiences, and attitudes toward the stimulus object all play important roles in determining consumer perceptions. Due to the subjective nature of the factors that influence our perceptions, comprehension is often idiosyncratic, or peculiar

to each individual. In Figure 6.11, a humorous depiction of a New Yorker's somewhat biased view of other regions, states, and cities in the United States provides an example of selective perception.

An individual's *mood* also can influence one's perception of stimulus objects. Research has found that when people are in a good mood they are more likely to retrieve positive rather than negative material from their memories; are more likely to perceive the positive side of things; and, in turn, are more likely to respond positively to a variety of stimuli.<sup>38</sup> Advertisers are well aware of this, at least intuitively, when they use techniques such as humor and nostalgia to put message receivers in a good mood.

Finally, consumers with creative mind-sets tend to be persuaded by ad claims (abstract or concrete) that are



Figure 6.11 ► Humorous Illustration of Selective Perception

incompatible with their “mental construal” (i.e., abstract or concrete thinkers).<sup>39</sup> As the authors note, however, future research is needed to see if these ad claim construal effects work for more low-involved consumers.

**Miscomprehension** People sometimes *misinterpret* or *miscomprehend* messages so as to make them more consistent with their existing beliefs or expectations. This typically is done unconsciously; nonetheless, distorted perception and message miscomprehension are common. Miscomprehension of marcom messages occurs primarily for three reasons: (1) messages are themselves sometimes misleading or unclear, (2) consumers are biased by their own preconceptions and thus “see” what they choose to see, and (3) processing of advertisements often takes place under time pressures and noisy circumstances.

In a study of miscomprehension of three forms of televised communication, programming content, commercials, and public service announcements (PSAs), and using a true/false question format with almost 3,000 consumers, the average miscomprehension rate was nearly 30 percent.<sup>40</sup> In ad copy tests involving misleading advertising, the use of control questions on items *not* appearing in the ads revealed a miscomprehension rate of about 10 to 15 percent.<sup>41</sup> Despite some differences in the communications and measures, the moral is clear: marketing communicators cannot simply assume that consumers interpret messages in the manner intended. Rather, message testing is absolutely imperative before investing in print space, broadcast time, or other media outlets. Also, it is important that marcom messages be repeated so as to ensure that most viewers and readers eventually understand the marketer’s intended meaning.

#### Stage 4: Agreement with What Is Comprehended

A fourth information-processing stage involves the matter of whether the consumer *agrees with* (i.e., accepts) a message argument that he or she has comprehended. It is important from a marcom perspective that consumers not only comprehend a message but also agree with the message (as opposed to countering it or rejecting it outright). Comprehension alone does not ensure that the message will change consumers’ attitudes or influence their behavior. Understanding that an advertisement is attempting to position a brand in a certain way is not tantamount to accepting that message. For example, we may clearly understand when a retailer advertises itself as providing outstanding service, but we would not agree with that positioning if we personally have experienced something less than this level of service from that retailer.

Although more information on agreement and persuasion (i.e., attitude change) is presented in Chapter 7, one’s motivation, ability, and opportunity to process the

message are critical factors in understanding agreement.<sup>42</sup> For example, under high levels of motivation, ability, and opportunity to process the message, message receivers tend to scrutinize message arguments leading to enduring positive or negative attitude change. Yet, if one is deficient in motivation, ability, or opportunity to process elements, peripheral cues to the message (e.g., attractive sources, pleasant music, nice scenery) may lead to more temporary positive or negative attitude change.

In the case when message arguments are scrutinized, agreement can depend on whether the message is *credible* (i.e., believable, trustworthy) and whether it contains information and appeals that are *compatible with the values* that are important to the consumer. For example, a consumer who is more interested in the symbolic implications of consuming a particular product than in acquiring functional value is likely to be persuaded more by a message that associates the advertised brand with a desirable group than one that talks about mundane product features. Using endorsers who are perceived as trustworthy is another means of enhancing message credibility. Structuring believable messages rather than making unrealistic claims can also boost credibility.

#### Stages 5 and 6: Retention, and Search and Retrieval of Stored Information

These two information-processing stages, *retention* and *search and retrieval*, are discussed together because both involve *memory* factors.<sup>43</sup>

From a marcom perspective, memory involves the related issues of what consumers remember (recognize and recall) about marketing stimuli and how they access and retrieve information when in the process of choosing among product alternatives. The subject of memory is inseparable from the process of learning, so the following paragraphs first discuss the basics of memory, then examine learning fundamentals, and finally emphasize the practical application of memory and learning principles to marketing communications.

**Elements of Memory** In general, three competing models show how memory operates: (1) multiple store, (2) levels of processing, and (3) spreading activation.<sup>44</sup> In the *multiple store approach*, memory consists of long-term memory (*LTM*); short-term, or working, memory (*STM*); and a set of sensory stores (*SS*). Information is received by one or more sensory receptors (sight, smell, touch, and so on) and passed to an appropriate *SS*, where it is rapidly lost (within fractions of a second) unless attention is allocated to the stimulus. Attended information is then transferred to *STM*, which serves as the center for current processing activity by integrating information from the sense organs and from *LTM*. *Limited processing capacity* is the most outstanding characteristic of *STM*; individuals can process only a finite amount of information at any one

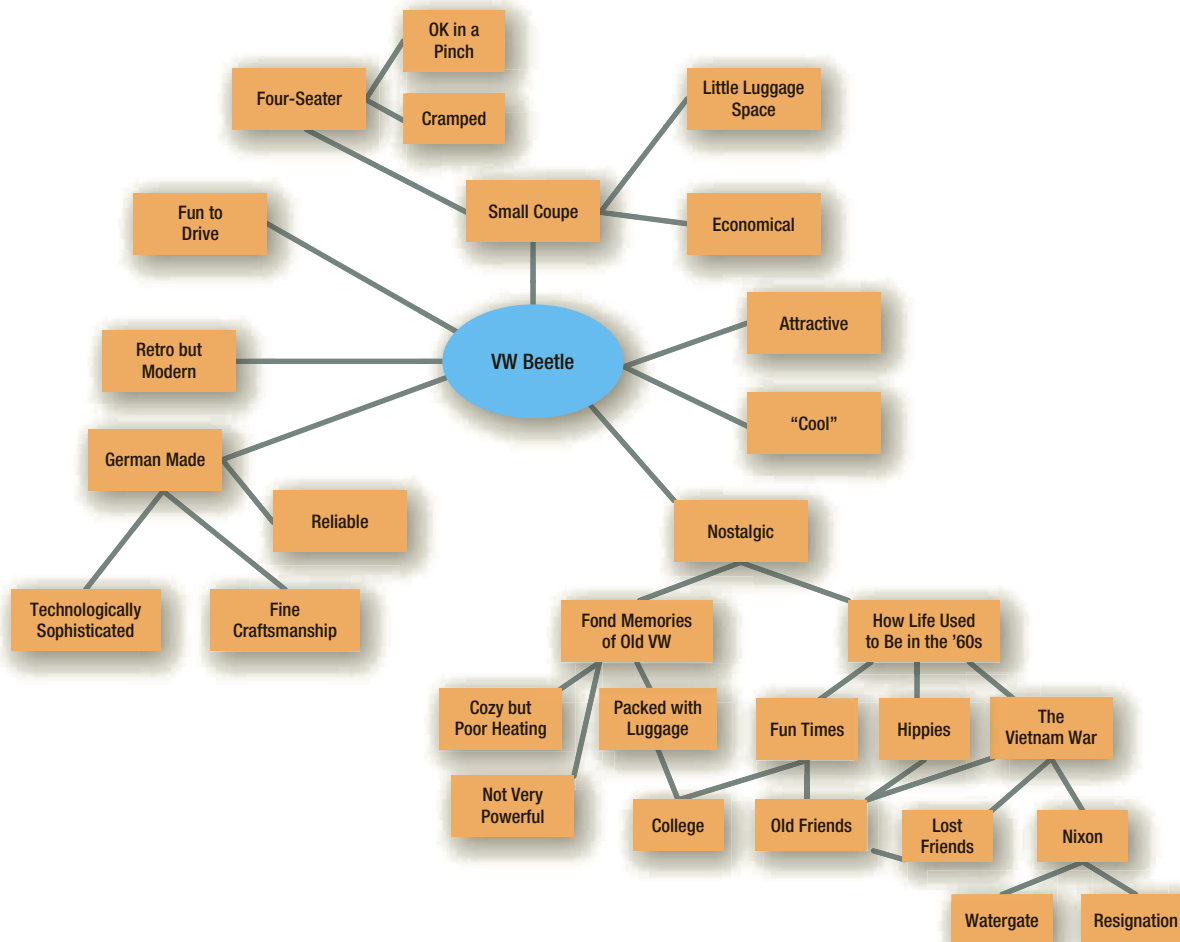
time. An excessive amount of information will result in reduced recognition and recall. Furthermore, information in STM that is not thought about or rehearsed will be lost from STM in about 30 seconds or less.<sup>45</sup> (This may happen when you get a cell number from a friend, but then are distracted before you have an opportunity to enter it in your phone.)

Information is transferred from STM to LTM, which cognitive psychologists consider to be a virtual storehouse of unlimited information. (For example, it is likely that you remember the name of your first or primary grade teacher.) Information in LTM is organized into coherent and associated cognitive units, which are variously called *schemata*, *memory organization packets*, or *knowledge structures*. All three terms reflect the idea that LTM consists of associative links among related information, knowledge, and beliefs. A diagram of the concept of a knowledge structure is illustrated in Figure 6.12. This

representation captures one baby-boomer's memory structure for the Volkswagen Beetle, a car she first owned during her college years in the late 1960s and repurchased recently to celebrate her 61st birthday.

In the *levels of processing approach* to memory, individuals have limited processing capacity that can be allocated to processing marcom messages.<sup>46</sup> Specifically, this capacity can be allocated to yield various levels of processing from simple sensory analysis (e.g., the brand logo is big and red) to more complex semantic and cognitive elaborations (e.g., relating the brand to other experiences in memory). Arguably, the lower-level, sensory analysis would require less allocation of capacity than higher and deeper levels (e.g., semantic understanding). It is then argued that the level of processing attained determines the future retention of information. Thus, with levels of processing, the focus is on increasing capacity allocated, rather than on separate memory stores.

**Figure 6.12** ▶ Consumer's Knowledge Structure for the Volkswagen Beetle



*Spreading activation theory* proposes that links between concepts (e.g., nutrients, diet–disease relationships) in memory are a function of the strength or importance of each link between such concepts.<sup>47</sup> When a concept is primed (e.g., by a “no cholesterol” claim), activation is spread to an expanding set of links in the network (e.g., inferences that the advertised brand is “low in saturated fat” or “will not lead to heart disease”). However, this activation process is weakened the further it travels outward in the network. The spreading activation approach is based on only one memory store, rather than multiple stores.

In the CPM perspective, marketing communicators continually attempt to alter consumers’ long-term memories, or knowledge structures, by facilitating consumer *learning* of information that is compatible with the marketer’s interest. Under the HEM approach, learning can be *low involving* in nature. As depicted in Figure 6.13, a person’s drive (hunger) can lead to a simple recognition of a cue (pizza aroma) to a response (wandering into a pizza shop and eating). If the response is positive (satisfaction from the pizza), then it is likely to serve as a reinforcement and one would return to the cue and behavior when the drive (hunger) reoccurs. This type of HEM learning is similar to classical conditioning with the pairing of cues (brands) in triggering the desired behavior.

**Types of CPM Learning** Two primary types of CPM learning are relevant to marcom efforts.<sup>48</sup> One form is *strengthening of linkages* between the marketer’s brand and some feature or benefit of that brand. Metaphorically, the marketing communicator wishes to build mental “ropes” (rather than flimsy strings) between a brand and its positive features and benefits. The objective is, in other words, to position the brand’s essence securely in the consumer’s memory. In general, linkages are strengthened by *repeating* claims, being *creative* in conveying a product’s features, and presenting claims in a *concrete* fashion. For example, the ad for Philadelphia Extra Light cream cheese (Figure 6.14) compares this brand to a feather and also

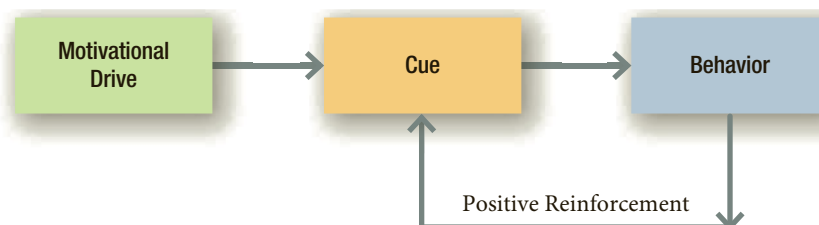
connects it with an image of an opening of the heavens as concrete metaphorical representations that the brand is as “light” in fat content (only 3 percent of one’s daily value (DV) for fat; 6% DV for saturated fat) as a feather and that it is “heavenly” good. The marketers of Philadelphia Extra Light cream cheese have attempted to build the strong linkage in consumers’ minds that although this is a healthy brand, it nonetheless tastes good.

Marketing communicators might facilitate a second form of learning by *establishing entirely new linkages*. Returning to our discussion of brand equity back in Chapter 2, the present notion of establishing new linkages is equivalent to the previously discussed idea of enhancing brand equity by building strong, favorable, and perhaps unique associations between the brand and its features and benefits. Hence, the terms *linkage* and *association* are interchangeable in this context. Both involve a relation between a brand and its *features and benefits that are stored in a consumer’s memory*.

**Search and Retrieval of Information** Information that is learned and stored in memory only impacts consumer choice behavior when it is searched and retrieved. Retrieval is facilitated when a new piece of information is linked, or associated, with another concept that is itself well known and easily accessed. This is precisely what the brand management and ad agency team for Philadelphia Extra Light cream cheese has attempted to accomplish by using a feather as a metaphorical representation that the brand is light in fat content. It is much easier for people to retrieve the concrete idea of a feather as emblematic of lightness than it is to salvage from memory the abstract semantic concept that Philadelphia Extra Light cream cheese is low fat.

**The Use of Concretizing and Imagery** Concretizing and imagery are used extensively in marketing communications to facilitate both consumer learning and retrieval of brand information. **Concretizing**

**Figure 6.13** ▶ Low Involvement Learning



Source: *Basic Marketing*, 8e, by E. J. McCarthy and W. D. Perreault, © 1984 Richard D. Irwin, Inc.



**Figure 6.14** ▶ Illustration of an Effort to Strengthen a Linkage between a Brand and Its Benefits

is the process of providing more concrete (versus abstract) information for consumers to process, as it is easier for them to remember and retrieve tangible rather than abstract information. This is generally the case when visualization is retrospective (i.e., focused on the past) as found with recall. Yet, abstract information can be helpful when visualization is anticipatory (i.e., focused on the future).<sup>49</sup> In general, though, concrete claims about a brand are more perceptible, palpable, real, evident, and vivid. Here are a few illustrations:

**Concretizing** Process of providing more concrete (versus abstract) information for consumers to process, as it is easier for them to remember and retrieve tangible rather than abstract information.

1. The makers of Anacin tablets needed a concrete way to present that brand as “strong pain relief for splitting headaches.” The idea of splitting headaches was concretized by showing a hard-boiled egg splitting with accompanying sound effects.
2. Tinactin, a treatment for athlete’s foot, concretized its relief properties by showing a person’s pair of feet literally appearing to be on fire, which is then extinguished by applying Tinactin.



Image courtesy of The Advertising Archives

**Figure 6.15** ▶ Illustration of Visual Imagery

- To convey the notion that Purina Hi Pro dog food will recharge an active dog and keep it running, a magazine ad portrayed the brand in the form of a battery—doing a better job of conveying the notion of recharging visually than found with the more abstract claim in the ad’s body copy.

Underlying some of the above illustrations is the notion of imagery. **Imagery** is the representation of sensory experiences in short-term, or working, memory—including visual, auditory, and other sensory experiences.<sup>50</sup> When presented with the following words: *smartphone*, *snowboard*, *beach*, and *standard deviation*, the first three are likely to have evoked distinct images

**Imagery** The representation of sensory experiences in short-term, or working, memory—including visual, auditory, and other sensory experiences.

**Dual-coding theory** Pictures and visuals (versus words) are better remembered because pictures are able to elicit mental images.

in your mind. However, unless you just covered standard deviation in class, it is less likely that this will elicit an image in your mind. What can marketers do to elicit imagery? Three strategies are possible: (1) use visual or pictorial stimuli (Figure 6.15), (2) present concrete verbal stimuli, and (3) provide imagery instructions.<sup>51</sup> (This latter tactic is not used extensively in marcom, although it occurs in radio ads.)

According to **dual-coding theory**, pictures are represented in memory in verbal as well as visual form, whereas words are less likely to have visual representations.<sup>52</sup> In other words, pictures and visuals (versus words) are better remembered because pictures are especially able to elicit mental images. Research has shown that information

about product attributes is better recalled when the information is accompanied with pictures than when presented only as prose.<sup>53</sup> The value of pictures is especially important when verbal information is itself low in imagery.<sup>54</sup>

Consumer researchers have found that people remember significantly greater numbers of company names when the names are paired with meaningful pictorials. For example, the name “Jack’s Camera Shop” is better remembered when the store name is presented along with a jack playing card shown holding a movie camera to its eye.<sup>55</sup> Many marketing communicators use similar pictorials, as can be proven by perusing the yellow pages of any city telephone directory and by searching online. Recently, studies have shown that the use of other non-visual, sense information (aural “candy” cues—such as babies’ laughing,<sup>56</sup> or product scents<sup>57</sup>) can improve recall. Yet, in general, if one knows too much, as with extremely knowledgeable consumers, this actually can result in false recall memory.<sup>58</sup>

### Stage 7: Deciding among Alternatives

The six preceding stages have examined how consumers receive, encode, and store information that is pertinent to making consumption choices. Stored in consumers’ memories are numerous information packets for different consumption alternatives. This information is in the form of bits and pieces of *knowledge* (e.g., Coca-Cola is a brand of soft drinks), specific *beliefs* (e.g., Coca-Cola is sweet tasting), and attitudes (e.g., I like Coca-Cola).

The issue for present discussion is this: When contemplating a purchase from a particular product category, how does a consumer decide which brand to choose? The simple answer is that she or he simply selects the “best” brand. However, it is not always clear what the best brand is, especially when considering that the consumer likely has stored in long-term memory a wide variety of information (facts, beliefs, attitudes, etc.) about each brand in his or her consideration set. Some of the information is positive, and some negative; occasionally the information is contradictory; oftentimes the information is incomplete.

The following discussion provides some insight into how consumers react in this situation. It will become clear that consumers often resort to simplifying strategies, or *heuristics*, to arrive at decisions that are at least satisfactory if not perfect. We now examine one of the most important decisions we will ever make, namely, which college or university to attend.

For some of you, there really was no choice—you went to a school you had always planned on attending, or perhaps your parents insisted on a particular institution. Others, especially those of you who work full- or part-time or have family

responsibilities, may have selected a school purely as a matter of convenience or affordability; in other words, you really did not seriously consider other institutions. But, some of you may have actively evaluated several or many colleges and universities before making a final choice. The process was probably done in the following manner: you received information from a variety of schools and formed preliminary impressions of these institutions; you established criteria for evaluating schools (academic reputation, distance from home, cost, curricula, availability of financial assistance, quality of athletic programs, etc.); you formed weights regarding the relative importance of these various criteria; and you eventually integrated this information to arrive at the all-important choice of which college to attend. Now, let’s use this example to understand better the different types of heuristics and the terminology that follows.

The simplest of all decision heuristics is what is called **affect referral**.<sup>59</sup> With this strategy, the individual simply calls from memory his or her attitude, or affect, toward relevant alternatives and picks that alternative for which the affect is most positive. In the college decision, for example, you may have always liked most the school that you chose to attend (e.g., due to summer camps, sporting events, family influence)—therefore, your affect for it was much stronger than was that for other institutions. In general, this type of choice strategy would be expected for frequently purchased items where risk is minimal.

Consider, by comparison, the use of a **compensatory heuristic**. In this situation, for a given alternative (college), the strength of one attribute (e.g., education) offsets (or compensates for) the weakness of another attribute (e.g., social life). Thus *trade-offs* among attitudes are being made. Returning to the college choice decision, other illustrative trade-offs might concern tuition cost versus the quality of education, the size of school versus the quality of athletic programs, or the desirability of the school versus its proximity or distance from home. In general, when applying principles of compensation, the chosen alternative probably is not the best in terms of all criteria; rather, its superiority on some criteria offsets (or compensates for) its lesser performance on other criteria.<sup>60</sup> In short, the consumer typically cannot have it all unless she or he is willing to pay super-premium prices to obtain *crème de la crème* brands.

In contrast to compensatory choice behavior, consumers use a variety of so-called **noncompensatory heuristics**. With a noncompensatory heuristic, one attribute does *not* compensate for another one. Rather, a series of simple decision rules are used. For example, under a **conjunctive model**, the consumer establishes minimum

#### Affect referral

The simplest of all decision heuristics; the individual calls from memory his or her attitude, or affect, toward relevant alternatives and picks that alternative for which the affect is most positive.

#### Compensatory heuristic

In this situation, for a given alternative (e.g., college), the strength of one attribute (e.g., education) offsets (or compensates for) the weakness of another attribute (e.g., social life).

#### Noncompensatory heuristics

In contrast to compensatory choice behavior, one attribute does *not* compensate for another one.

#### Conjunctive model

The consumer establishes minimum cutoffs (e.g., a “7” out of “10”) on *all* attributes considered.

cutoffs (e.g., a “7” out of “10”) on *all* attributes considered. For instance, using the college choice example, for a given college to be considered, it has to meet or exceed the minimum cutoffs (e.g., a “7” out of “10”) on academic quality *and* cost *and* social life. Under the **disjunctive model**, for an alternative to be considered, it only has to meet or exceed the minimum cutoffs *on just one* of the attributes (e.g., academic quality *or* cost *or* social life.) So, as you might surmise, the disjunctive model is not as discriminating as a conjunctive model. The last noncompensatory heuristic example is the lexicographic model. Under the **lexicographic model**, attributes (e.g., academic quality, cost, social life) are first ranked. Then the alternative (college) that is the best on the highest ranked attribute (e.g., academic quality) is selected. In case of a tie, the alternatives (colleges) would be evaluated on the next highest-ranked attribute (e.g., cost). Of course, a combination of heuristics, or *phased strategies*, might be used as well.

### Stage 8: Acting on the Basis of the Decision

It might seem that consumer choice behavior operates in a simple, lockstep fashion. This, however, is not necessarily the case. *People do not always behave in a manner consistent with their preferences.*<sup>61</sup> A major reason is the presence of events, or *situational factors*, that disrupt, inhibit, or otherwise prevent a person from following through on his or her intentions. Situational factors are especially prevalent in the case of low-involvement consumer behavior. Stock-outs, price-offs, in-store promotions, shopping at a different store, and the role of friends are just some of the factors that lead to the purchase of brands that are not necessarily the most preferred and that would not be the predicted choice based on some heuristic, such as affect referral. For example, research has shown that simply observing others’ emotional conflict in making a decision can “rub off” on others, especially for those who tend to have greater empathy for others.<sup>62</sup>

What all this means for marketing communicators is that all aspects of marketing (as discussed in Chapter 1) must be coordinated and integrated in order to get consumers to act favorably toward the marketer’s offering. Also, perhaps one uses an elaborate compensatory model in trading off attributes in a college choice (e.g., academic quality, cost, social life), and one arrives at a choice, only to have another situational issue (e.g., boyfriend, girlfriend) become the deciding factor.

A final note is that once someone has acted and made a choice, the process isn’t necessarily over. Experiences with one’s action or purchase can lead to satisfaction, yet sometimes to **cognitive dissonance**—a post-purchase anxiety that maybe one has made the wrong choice. Such

#### Disjunctive model

A consumer attitude model that states for a product to be considered, it only has to meet or exceed the minimum cutoffs on just one attribute.

#### Lexicographic model

A noncompensatory heuristic where attributes are first ranked, then the alternative that is the best on the highest ranked attribute is selected.

#### Cognitive dissonance

A post-purchase anxiety that maybe one has made the wrong choice.

dissonance is more likely to occur as the magnitude of the decision increases, when the decision is hard to revoke, with higher personal involvement and risk, etc. Cognitive dissonance can lead to renewed search and exposure to marketing communications. Also, repeated consumption of a certain product, brand, or experience can lead eventually to reduced enjoyment (“satiation”) and dissonance for consumers.<sup>63</sup>

### A CPM Wrap-Up

A somewhat detailed account of consumer information processing has just been presented. As noted in the introduction, the CPM perspective provides an appropriate description of consumer behavior when that behavior is deliberate, thoughtful, or in short, highly cognitive. No doubt, some important consumer behavior is of this nature. Then again, much behavior also is motivated by emotional, hedonic, and

experiential considerations. Therefore, we need to consider the HEM perspective and the implications this model holds for marketing communicators and brand positioning.

## 6-3b THE HEDONIC, EXPERIENTIAL MODEL (HEM)

It again is important to emphasize that the *rational* consumer processing model (CPM) and the hedonic, experiential model (HEM) are *not* mutually exclusive. Indeed, there is impressive evidence that individuals use both of these rational and experiential processes operating interactively with one another, with their relative influence based on the situation and the amount of emotional involvement. For example, research shows the greater the emotional involvement, the greater the influence of experiential processes.<sup>64</sup> Therefore, the HEM model probably better explains how consumers process information when they are carefree and happy and confronted with positive outcomes.<sup>65</sup>

Whereas the CPM perspective views consumers as pursuing such objectives as “obtaining the best buy,” “getting the most for their money,” and “maximizing utility,” the HEM viewpoint recognizes that people often consume products for fun, fantasies, or feelings, or in the pursuit of amusement or sensory stimulation.<sup>66</sup> Product consumption from the hedonic perspective results from the *anticipation* of having fun, fulfilling fantasies, or having pleasurable feelings. Comparatively, choice behavior from the CPM perspective is based on the thoughtful evaluation that the chosen alternative will be more functional and provide better results than the alternatives.

The differences between the HEM and CPM perspectives hold meaningful implications for marcom practice.

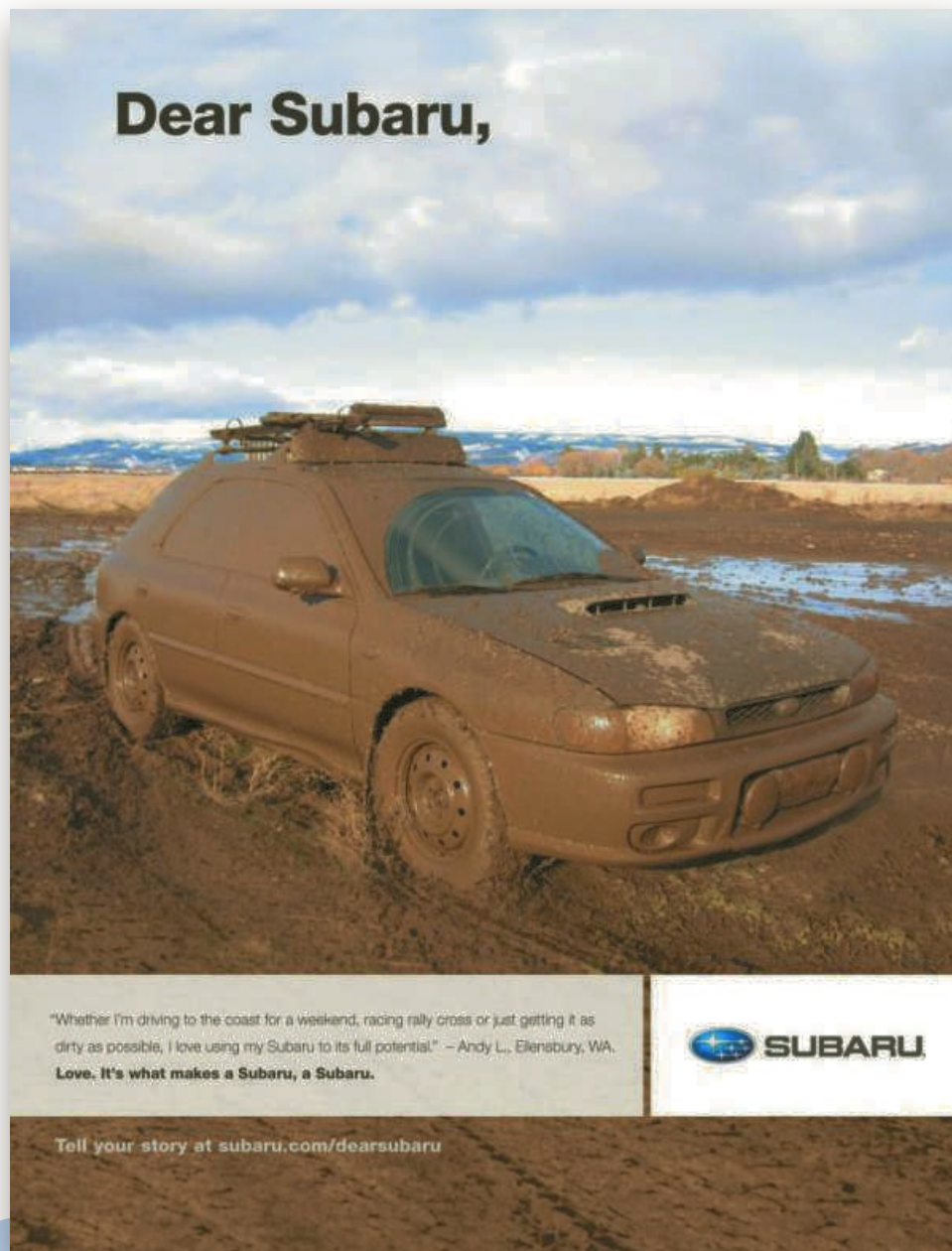


Whereas verbal stimuli and rational arguments designed to position a brand and to affect consumers' product knowledge and beliefs are most appropriate in CPM-oriented marcom efforts, the HEM approach emphasizes nonverbal content or emotionally provocative words and is intended to generate images, fantasies, and positive emotions and feelings. For example, the Subaru Outback, a four-wheel drive vehicle, featured a print ad testimonial ("Muddy Car," Figure 6.16) from a consumer beginning with the words "Dear Subaru," and then displaying a very prominent visual of his car completely encased in mud! He went on to explain in small text that

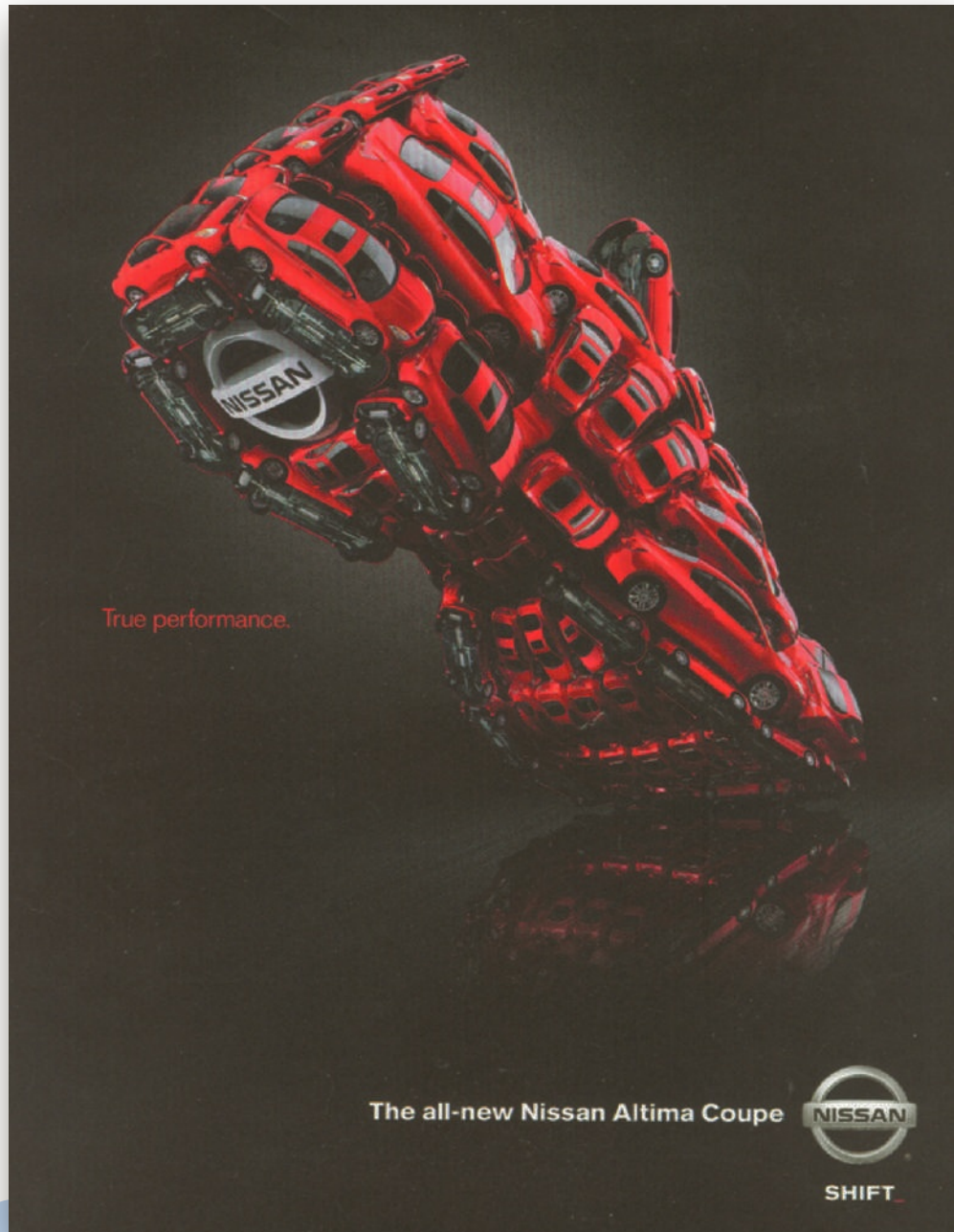
during race car rallies on the coast he got the most out of his Subaru.

The advertisement for the Nissan Altima Coupe (Figure 6.17) also is an example of the HEM approach to advertising. This advertisement provides little information about product attributes and functional benefits other than to say "True performance." Rather, the ad in its striking simplicity appeals directly to the emotions of fun and exhilaration by shaping mini-versions of the Nissan Altima Coupe into the form of a running shoe.

The prior discussion and examples have emphasized advertising, but it should be apparent that the differences



**Figure 6.16** ▶ Illustration of an HEM-Oriented Advertisement



**Figure 6.17** ▶ Another Illustration of an HEM-Oriented Advertisement

between the CPM and HEM perspectives apply as well to other forms of marketing communications. A salesperson, for example, may emphasize product features and tangible benefits in attempting to make a sale (CPM approach), or he or she may attempt to convey the fun, fantasies, and pleasures that prospective customers can enjoy with product ownership. Successful salespeople know how to adapt their presentations to different customers—it is hoped, of course, that they are doing it honestly and maintaining standards of morality.

Finally, no single positioning strategy, whether aimed at CPM or HEM processing, is effective in all instances. What works best depends on the specific nature of the product category, the competitive situation, and the character and needs of the target audience. Returning to the fundamentals of positioning in Chapter 5, brands can be positioned to appeal to *functional* needs, which is congenial with the CPM perspective, or to *symbolic* or *experiential* needs, which is more harmonious with the HEM approach.

# Summary

Communication is the process of establishing a commonness or oneness of thought between sender and receiver. The process consists of the following elements: a source that encodes a message to achieve a communication objective; a channel that transmits the message; a receiver who decodes the message and experiences a communication outcome; noise, which interferes with or disrupts effective communication at any of the previous stages; and a feedback mechanism that affords the source a way of monitoring how accurately the intended message is being received and whether it is accomplishing its objective.

Signs are used to share meaning, but signs and meaning are not synonymous. Meaning represents people's internal responses toward signs. Meaning is acquired through a process whereby stimuli (signs in the form of words, symbols, etc.) become associated with physical objects and evoke within individuals responses that are similar to those evoked by the physical objects themselves. Marketing communicators use a variety of techniques to make their brands stand for something, to embellish their value, or in short, to give them meaning. This can be accomplished by relating the brand to a symbolic referent that has no prior intrinsic relation to the brand (forging a symbol relation). Simile, metaphor, and allegory are

forms of figurative language that perform symbolic roles in marketing communications.

This chapter also describes the fundamentals of consumer choice behavior. Two relatively distinct perspectives on choice behavior are presented: the consumer processing model (CPM) and the hedonic, experiential model (HEM). The CPM approach views the consumer as an analytical, systematic, and logical decision maker. According to this perspective, consumers are motivated to achieve desired goals. The CPM process involves being exposed to, attending to, encoding, retaining, retrieving, and integrating information so that a person can achieve a suitable choice among consumption alternatives. The HEM perspective views consumer choice behavior as resulting from the pursuit of fun, fantasy, and feelings. Thus, some consumer behavior is based predominantly on emotional considerations rather than on objective, functional, and economic factors.

The distinction between the CPM and HEM views of consumer choice is an important one for marketing communicators. The techniques and creative strategies for affecting consumer choice behavior clearly are a function of the prevailing consumer orientation. Specific implications and appropriate strategies are emphasized throughout the chapter.

## Discussion Questions

1. Discuss the nature and importance of feedback. In what ways do marketing communicators receive feedback from present and prospective customers?
2. A reality of communication is that the same sign often means different things to different people. The red ribbon, for example, means different things to different groups. Provide a good example from your own personal experience in which the same sign might have differential meaning for diverse people. What are the general implications for marketing communications?
3. Some magazine advertisements show a picture of a product, mention the brand name, but have virtually no verbal content except, perhaps, a single statement about the brand. Locate an example of this type, and explain what meaning you think the advertiser is attempting to convey. Ask two friends to offer their interpretations of the same ad, and then compare their responses to determine the differences in meaning that these ads have for you and your friends. Draw a general conclusion from this exercise.
4. How can a marketing communicator (such as an advertiser or salesperson) reduce noise when communicating a product message to a customer?
5. The famous Geico gecko commercial humanized a gecko by using personification. The gecko was given a cockney British accent and explained how cheap Geico insurance would be. Explain how this ad illustrates allegorical presentation in advertising. Do the same for the Allstate "Mayhem Guy."
6. Provide two examples of the use of metaphor in magazine advertisements.
7. When discussing exposure as the initial stage of information processing, it was claimed that gaining exposure is a necessary but insufficient condition for success. Explain.

8. Explain why attention is highly selective and what implication selectivity holds for brand managers and their advertising agencies.
9. Most marketing communications environments are cluttered. Explain what this means and provide several examples. Do not restrict your examples just to advertisements.
10. Explain each of the following related concepts: perceptual encoding, feature analysis, and active synthesis. Using a packaged good of your choice (i.e., a product found in a supermarket, drugstore, or mass-merchandise outlet), explain how package designers for your brand have used concepts of feature analysis in designing the package.
11. In what sense would attending a Friday night college basketball game represent a hedonic- or experiential-based behavior?
12. Figure 6.12 presents one consumer's knowledge structure for the VW Beetle. Construct your knowledge structure for this vehicle. Then, illustrate your knowledge structure for the one automobile that you most covet owning.
13. Find a commercial that is an application of allegory using personification. What is your interpretation of the commercial? Is there a story told underneath the superficial commercial story?
14. Online advertisements draw attention away from consumers' primary goals for going online, namely, entertainment and informational pursuits. Expose yourself to some current online ads, and then identify and describe at least three specific techniques that online advertisers use to ensure attention. What are the strengths and limitations of each technique?

# The Role of Persuasion in Integrated Marketing Communications

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Understand the nature and role of attitudes in marketing communications, different hierarchy of effects models, and under what conditions attitudes should predict behavior.
- 2 Appreciate the role of persuasion in marketing communications.
- 3 Explain the tools of influence from the marketing communicator's perspective.
- 4 Discuss the five important factors of persuasion: message strength, peripheral cues, receiver involvement, receiver initial position, and communication modality.
- 5 Understand the elaboration likelihood model (ELM) and its implications for marketing communications.
- 6 Describe practical marketing communications efforts that can enhance consumers' motivation, ability, and opportunity to process messages.
- 7 Explain the theory of reasoned action (TORA) and basic attitude, preference, and behavior change strategies.

## Marcom Insight

### Can We Be Persuaded to Overcome Bad Habits? The Cell-Free Club

Persuasion can be challenging. By definition, it is an effort by people (e.g., marketing communicators) to change one's attitude or behavior. It can be especially difficult when it involves overcoming bad habits, such as excessive cell phone use, smoking, drug and alcohol addictions, eating disorders, gambling, and 24/7 social media use (Facebook, Twitter, Snapchat) etc.

For instance, always being connected can have its disadvantages, as many can attest. An article by humor writer Joel Stein documents the many ways in which bad things can happen with excessive cell phone use. Many interviewed for the story comment that they cannot remember close friends' phone numbers or appointments anymore without checking their cell. Also, it seems as if *everyone* owns one, as a frequent world traveler (a deputy editor with *Conde Nast*) notes: "In India, even the yak herders and rickshaw drivers have cell phones." In the United States, the average person now checks his or her phone



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80 times a day! So, have you ever gone without your cell phone for an extended period of time? If so, how did it feel?

With excessive cell phone use, others have noticed a decline in meaningful conversations and communications, especially with those who are not in your inner circle. Several managers note a lack of attention and focus in important meetings, when colleagues miss opportunities to contribute because they are glancing at an app, e-mail or leaving the room to make a call. Interestingly, Jonathan Reid, Dean of the College of Arts & Sciences at the University of LaVerne, noticed recently in Israel (and elsewhere) that many of the phones are used as status symbols. Reid recounted that “I was sitting at a very nice restaurant and two men were sitting there with beautiful women and they were on their phones. Do they have something better on the other line?”

So, how does one use persuasion to reduce cell-phone addiction? Based on habit research in psychology, consciously avoiding exposure to environmental cues for the unwanted habit (e.g., reducing easy access to the phone) or substituting positive habits consistently (e.g., spending more time talking face-to-face) can help. Another possibility is showing the behavior of credible and (somewhat) well-known celebrity sources that are (as Stein puts it) part of a very exclusive club—the “cell-free club.” It is hoped that addicts will emulate the behavior of this club that has received public notoriety and includes Warren Buffett, Mikhail Prokhorov (Russian billionaire who owns the Brooklyn Nets), and Travis Smiley (host of a weekly PBS talk show and a national radio show). At his cell-free company (The Smiley Group), Mr. Smiley has noticed a return to more productive conversations and work.

Other techniques such as *anti-branding* have been used on occasion to aid persuasion from bad habits. For example, the National Youth Anti-Drug Media Campaign had employed such anti-branding techniques successfully, through “Parents. The Anti-Drug” ([www.theantidrug.com](http://www.theantidrug.com)) and “Above the Influence” ([www.abovetheinfluence.com](http://www.abovetheinfluence.com)). Other anti-branding efforts have been used in national (<https://www.thetruth.com>, [.hhs.gov\) and state anti-tobacco campaigns \(e.g., FACT; Fight Against Corporate Tobacco, \[www.fightwithfact.com\]\(http://www.fightwithfact.com\)\), rallying teens against corporate tobacco efforts.](https://therealcost.betobaccofree</a></p>
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Additional efforts to fight or reduce bad habits and addictions include evaluating where one fits in the “stages of change” toward quitting—precontemplation, contemplation, preparation, action, or maintenance—and in turn, designing the right programs and communications to fit the appropriate stage. Finally, understanding a communication’s response efficacy (e.g., Will this advocated solution solve my problem?) and self-efficacy (e.g., Will this solution work for me? Can I do this myself?) are important aspects in the success of persuasive attempts to change behavior. Calls to action and other self-help communications (e.g., 1-800-QUIT-NOW placed on cigarette packages) can aid persuasive attempts via self-efficacy.

In this chapter, we examine major factors accounting for persuasion in marketing communications: receiver initial position, peripheral cues (e.g., source effects), message strength, communication modality, and receiver involvement. Many of these important factors are key issues in the success of the examples and campaigns noted above.

Sources: Joel Stein, “The Cell-Free Club: America’s Most Exclusive Club,” *Bloomberg Businessweek*, August 5, 2010, 78–79, <https://www.bloomberg.com/news/articles/2010-08-05/americas-most-exclusive-club>; Vanessa Harmatz, “The Importance of Branding in the National Anti-Drug Media Campaign,” *Social Marketing Quarterly* 10 (Summer 2004): 59–61; James O. Prochaska, John C. Norcross, and Carlo C. DiClemente, *Changing for Good* (New York: Harper Collins, 1994); R. W. Rogers, “A Protection Motivation Theory of Fear Appeals and Attitude Change,” *Journal of Psychology* 91 (1983): 93–114; R. W. Rogers, “Cognitive and Physiological Processes in Fear Appeals and Attitude Change: A Revised Theory of Protection Motivation,” in *Social Psychophysiology*, eds. J. Cacioppo and R. Petty (New York: Guilford Press, 1993); Lisa Eadicicco, “Americans Check Their Phones 8 Billion Times a Day,” *Time*, December 15, 2015, <http://time.com/4147614/smart-phone-usage-us-2>; Wendy Wood and Dennis Runger, “Psychology of Habit,” *Annual Review of Psychology* 67 (2016): 289–314. Troy Frisby, “The Amount of Times We Check Our Phones Per day Is Insane,” *Aol.com*, April 22, 2016, <http://www.aol.com/article/2016/04/22/the-amount-of-times-we-check-our-phones-per-day-is-insane/21348887/>.

## 7-1 The Nature and Role of Attitudes

### 7-1a WHAT IS AN ATTITUDE?

Attitudes are hypothetical constructs; they cannot be seen, touched, heard, or smelled. Because attitudes cannot be observed, a variety of perspectives have developed over the years in attempting to describe and measure them.<sup>1</sup> The term **attitude** will be used here to mean a general and somewhat enduring positive or negative feeling toward, or evaluative judgment of, some person, object, or issue.<sup>2</sup> Alternatively, they can be thought

**Attitude** A general and somewhat enduring positive or negative feeling toward, or evaluative judgment of, some person, object, or issue.

of as evaluative judgments that integrate and summarize cognitive and affective reactions.<sup>3</sup> Of course, for our purposes, brands are the attitude object of primary interest.

Beyond this basic definition are three other notable features, namely, that attitudes (1) are learned, (2) are relatively enduring, and (3) influence behavior.<sup>4</sup> There also is a difference between attitude formation and attitude change, in which the attitude already has been formed in the latter case. Consider the following examples of people’s attitudes that express feelings and evaluations with varying degrees of intensity: “I like Snapchat”; “I really like what Doctors

Without Borders is doing”; “I don’t like Donald Trump”; “I really like Taylor Swift and Katy Perry”; or “I really like my Nike running shoes.” All of these attitudes are learned and likely will be retained until there is some strong reason to change them. Moreover, it can be expected that the holders of these attitudes would behave consistently with their evaluations—posting pictures on Snapchat, supporting Doctors Without Borders with a donation, questioning Donald Trump’s candidacy, attending a concert for Taylor Swift or Katy Perry, or buying some new Nike running shoes and clothes, and so on.

The preceding description focuses on feelings and evaluations, or what is commonly referred to as the affective component (“I like [fill in the blank]”); this is generally what is referred to when people use the word *attitude*. However, attitude theorists recognize two additional components, cognitive and conative.<sup>5</sup> The cognitive component refers to a person’s beliefs (i.e., knowledge and thoughts) about an object or issue (“our basketball team is ranked first in their conference,” “texting while driving is dangerous,” or “BMW automobiles are well-engineered”). The conative component represents one’s behavioral tendency, or predisposition to act, toward an object. In consumer-behavior terms, the conative component represents a consumer’s intention to purchase a specific item. Generally speaking, attitudes predispose people to respond to an object, such as a brand, in a consistently favorable or unfavorable way.<sup>6</sup> Thus, for example, people who like the idea of reducing addictive cell phone use (as described in the opening *Marcom Insight*) are more likely to engage in programs or activities to reduce this behavior than others who do not embrace this idea.

### Hierarchies of Effects

The *high involvement hierarchy* (also known as the “standard learning hierarchy”) shows a clear progression under high involvement from initial cognition to affect to conation.<sup>7</sup> An individual becomes aware of an object, such as a new brand, then acquires information and forms beliefs about the brand’s ability to satisfy consumption needs (cognitive component). Beliefs are integrated, and feelings toward and evaluations of the product are developed (affective component). On the basis of these feelings and evaluations, an intention is formed to purchase or not to purchase the new product (conative component).

Other alternative “hierarchies of effect” have been postulated, including the *low involvement hierarchy* from minimal cognition to conation (and actual behavior) and then to affect.<sup>8</sup> For example, a student may have heard of San Pellegrino Limonata (i.e., a sparkling lemon water in a distinctive package) from a friend, notice it near a check-out counter, buy and consume it, and then form a feeling about it later. Although the high-involvement hierarchy and low-involvement hierarchy have received substantial support, other hierarchies have been suggested, such

as *dissonance-attribution* (conation → affect → cognition) and *integrative models* (e.g., the Integrated Information Response Model in Chapter 8), that depend on moderators such as involvement.<sup>9</sup>

### 7-1b USING ATTITUDES TO PREDICT BEHAVIOR

Marketing researchers regularly measure consumer attitudes with expectations of being able to accurately predict how consumers will behave. The issue is not whether attitudes predict behavior, but rather, *when* attitudes will accurately predict behavior.<sup>10</sup> Quite often, researchers will complain that for some reason the attitudes measured in their study did not impact behavior. However, in fact, it may have been a matter of not taking into account two important determinants in predicting behavior from attitudes. These two major determinants are (1) measurement specificity and (2) having direct (versus indirect) experience with the object of the attitude measurement.

#### Measurement Specificity

A fundamental problem in attitudinal research has been invalid data resulting from the measurement of attitudes and behavior at *different levels of specificity*. Four components of any overt behavior should be considered in order to obtain specific and accurate measures of attitudes. “TACT” consists of (1) the *target* of the behavior, (2) the specific *action*, (3) the *context* in which the behavior occurs, and (4) the *time* when it occurs.<sup>11</sup> For example, if one asks, “What is your attitude toward obtaining (action) an MBA degree (target)?” It is likely that the type of responses will vary considerably, as well as the resulting correlations of these attitudes with actually obtaining such a degree. However, with added specificity of context and time (e.g., “What is your attitude toward obtaining [action] an MBA degree [target] at Marquette University [context] after graduation [time]?”), it is likely that the strength of attitude-behavior relationships will improve.

#### The Role of Direct Experience

A series of experiments in psychology (e.g., using puzzle game experiences) clearly demonstrated that attitudes based on direct experience (e.g., with the game prior to playing) predicted (playing) behavior better than attitudes based on indirect experience (with just verbal descriptions of puzzles).<sup>12</sup> In another experiment using direct versus indirect experience with a cheese-filled pretzel, and then a task to read ads about the pretzels, the results indicated significantly higher levels of attitude-behavior consistency for the direct-experience subjects than for the indirect-experience ones.<sup>13</sup> Thus, it is very important in attitude and behavior studies to make sure that respondents are screened for direct experience with the target object (e.g., brand or product).

## 7-2 Persuasion in Marketing Communications

The foregoing discussion of attitudes provides us with useful concepts as we turn now to the strategic issue of how marketing communicators influence customers' attitudes and behaviors through persuasive efforts. Salespeople attempt to convince customers to purchase one product rather than another. Advertisers appeal to consumers' intellect (CPM approach discussed in Chapter 6) or to their fantasies and feelings (HEM approach). Brand managers often use online coupons, samples, rebates, and other types of promotions to induce consumers to try their products and to purchase them now rather than later.

Persuasion is the essence of marketing communications. Marketing communicators—along with people in other persuasion-oriented roles (e.g., parents, teachers, theologians, politicians)—attempt to guide people toward the acceptance of—or change to—some belief, attitude, or behavior by using reasoning and emotional appeals.

### 7-2a THE ETHICS OF PERSUASION

At times, marketing communicators' persuasion efforts may be undeniably unethical. Shrewd operators have at times misled the unsuspecting and credulous into buying products or services that are never delivered. Elderly consumers, for example, are occasionally hustled into making advance payments for household repairs (e.g., roof repairs) that are never performed. Historically, unscrupulous realtors sold useless swamp land in Florida to unsuspecting retirees who thought they were acquiring prized real estate. Currently, telemarketers and e-mail solicitors sometimes get our attention under the pretense that they are conducting marketing research or representing a charitable cause and then try to sell us something. So, yes, sometimes persuasion by some marketing communicators is unethical. However, it is the *practice* of persuasion that can be noble or deplorable. Nothing is wrong with persuasion per se; it is the practitioners of persuasion who sometimes are at fault. To adapt an old adage: Don't throw the persuasion baby out with the bathwater; just make sure the water is clean.

## 7-3 Tools of Influence: The Persuader's Perspective

Persuaders in all capacities of life use various persuasion tools, which have evolved to influence people. They are widely understood by many persuaders, if only tacitly. Persuadees, such as consumers, learn these tactics—again, if only tacitly—and form knowledge, or schemas, about persuaders' persuasive intent. A well-known persuasion researcher coined the catchy phrase *schemer schema* to

capture the idea that people form rather strong and stable intuitive theories about marketers' efforts to influence their actions.<sup>14</sup>

Social psychologist Robert Cialdini has spent much of his professional career studying the persuasive tactics used by car dealers, insurance salespeople, fundraisers, waiters, and other persuasion practitioners. His studies, involving both fieldwork (as car salesperson, fund-raiser, etc.) and laboratory research, have identified six tools of influence that cut across persuasion practices. (Note: these are what he *observed*; not all may be viewed as passing an ethics test.) Tools that he observed are (1) reciprocation, (2) commitment and consistency, (3) social proof, (4) liking, (5) authority, and (6) scarcity.<sup>15</sup>

Before discussing these influence tools, it is important to note that these tactics work because much of our behavior occurs in a rather automatic, non-controlled, and somewhat mindless fashion. Due to limitations on our information processing capacities (as discussed in Chapter 6) and time pressures, we often make judgments and choices without giving a great deal of thought to the matter (i.e., engaging in scripted behavior in response to a trigger). Cialdini called this “click-whirr” behavior. That is, something triggers a response (click), and then an autonomic, scripted behavior follows (whirr).

### 7-3a RECIPROCATION

As part of the socialization process in all cultures, people acquire a norm of reciprocity. As children, we learn to return a favor with a favor, to respond to a nicety with another nicety. Knowing this, marketing communicators sometimes give gifts or samples with hopes that customers will reciprocate by purchasing products. We see this with in-store sampling of food items in supermarkets. Anyone who has ever attended a Tupperware party (or other product party of this sort) knows that the hostess often distributes free gifts at the beginning with designs that attendees will reciprocate with big purchases. College students are encouraged to apply for another credit card after being baited by an offer for a free T-shirt emblazoned with their university's logo.

This happens not only with individual consumers, but also in B2B marketing interactions. For example, pharmaceutical companies hold dinner meetings with physicians. A sales rep invites a small group of physicians to dinner at an expensive restaurant; exposes them to a product presentation before dinner; wines and dines them; then, afterward, presents them with, say, a \$100 “honorarium” for having given their time and attention. Research shows that 80 percent of dinner meetings produce increased sales of the presented brand. Click-whirr: “Something nice was done for me; I should return the favor.”<sup>16</sup>



You would be correct if you are thinking that reciprocation tactics do not always work. Sometimes we “see through” the tactic and realize that the nicety is not really a sincere offering but rather a come-on to get us to respond in kind. In addition, many purchasing agents, federal employees, etc., are subject to rules of ethics regarding limits on accepting gifts from suppliers and customers. Certainly, the effectiveness of a tactic is contingent on the circumstances: whether and when a tactic is effective depends on the persuasion context and the characteristics of the persuader and persuadee. As a student of marketing communications, it is strongly recommended that you incorporate this “it depends” thinking into your understanding of marketing practices.

With regard to reciprocation, this tactic is most effective when the persuadee perceives the gift giver as honest and sincere. Party plans like the Tupperware parties typify this situation in that the persuader (the host or hostess) is often friendly with the persuadees who attend.

### 7-3b COMMITMENT AND CONSISTENCY

After people make a choice (a commitment), there often is a strong tendency to remain faithful to that choice. Consistency is a valued human characteristic. We admire people who are consistent in their opinions and actions. We sometimes feel ashamed of ourselves when we say one thing and do something different. Hence, the marketing communicator might attempt to “click-whirr” the consumer by getting him or her to commit to something (commitment is the click, or trigger) and then hope that the consumer will continue to act in a manner consistent with this commitment.

Consider the tactic often used by automobile salespeople. They might obtain the consumer’s commitment to a price or specific model and then say they have to get their sales manager’s approval. At this point, the consumer has psychologically committed to buying the car. The salesperson, after supposedly taking the offer to the sales manager, returns and declares that the manager would not accept the price. Nevertheless, the consumer, now committed to owning the car, will often increase the offer. In the trade, this is referred to as lowballing the consumer, a tactic that is widespread because it is effective (albeit not entirely ethical).

When would you expect commitment and consistency to be most effective in marketing communications? (Think first before reading on.) Again, the apparent sincerity of the persuader would play a role. The tactic is unlikely to work when it is obviously deceitful and self-serving. From the persuadee’s perspective, it would be expected that consumers are most likely to remain consistent when they are highly involved in their choices. In other words, it is hard not to be consistent when a great amount of thought and psychological energy have gone into a choice.

### 7-3c SOCIAL PROOF

What do I do? How should I behave? The principle of social proof is activated in circumstances where appropriate behavior is somewhat unclear. Not knowing exactly what to do, we take the lead from the behavior of others; their behavior provides social proof of how we should behave. For example, suppose someone asks you for a charitable donation. The appropriate amount to give is unclear, so you might ask the fund-raiser what amount others are giving and then contribute a similar amount. (Or, the fund-raiser may tell you—in an unethical fashion—who has given and an average amount on a list!) As discussed in Chapter 3, new-product developers sometimes encourage widespread adoption by giving new products to opinion leaders and trendsetters, who, it is expected, will provide social proof for others to adopt the same behavior. In general, we are most likely to accept the actions of others as correct “when we are unsure of ourselves, when the situation is unclear or ambiguous, when uncertainty reigns.”<sup>17</sup>

### 7-3d LIKING

This influence tactic deals with the fact that we are most likely to adopt an attitude or undertake an action when a likable person promotes that action. There are various manifestations of likability. Two of the more prominent in marketing communications are physical attractiveness and similarity. Research, described in detail in a Chapter 11 dealing with specific message characteristics, has shown that people respond more favorably to others whom they perceive as like themselves and physically attractive. This explains why models in advertising, individuals on magazine covers, and celebrity endorsers are typically attractive people to whom consumers can relate and like. The advertisement presented as Figure 7.1 shows a celebrity (Green Bay Packers’ Aaron Rodgers) who had been used in the 20-year “Milk Mustache” advertising campaign undertaken by the National Fluid Milk Processing Promotion Board. These celebrities (including the animated Kermit and the late Curly Howard of the Three Stooges) appealed to various demographic categories and different consumer groups.

### 7-3e AUTHORITY

Most people are raised to respect authority figures, such as parents, teachers, coaches, etc., and to exhibit a sense of duty toward them. It therefore comes as no surprise that marketing communicators sometimes appeal to authority. Because marketers cannot invoke the same types of sanctions as real authority figures (e.g., parents withholding allowances), appeals to authority in the marketplace typically use surrogates of real authority figures. For example, advertisers sometimes use medical authorities to promote their products’ virtues. Broadcasters often air infomercials that devote 30-minute programs to weight loss, skin care, exercise equipment, hair-restoration



**Figure 7.1** ▶ The Role of Liking—a Milk Mustache Ad

products, and other items of this sort. Frequently, these products are endorsed by medical doctors, entertainers, and athletes, upon whose authority the consumer is promised the product will perform its function. The Federal Trade Commission's Endorsement and Testimonial Guides discuss misleading situations in which consumer experiences are presented as "typical" (and maybe not) and the need for disclosure of material connections (e.g.,

**Psychological reactance** A theory that suggests that people react against any efforts to reduce their freedom of choice.

unavailable for months.

### 7-4 The Influence Process: The Persuadee's Perspective

The persuasive efforts by two advertisers will serve to illustrate the following discussion. In the advertisement for Rinaldi "ToBe Healthy"

payment, free goods) to endorsers that is not expected by consumers.<sup>18</sup>

#### 7-3f SCARCITY

This influence tactic is based on the principle that things become more desirable when they are in great demand but short supply. Salespeople and advertisers use this tactic when encouraging people to buy immediately with appeals such as "Only a few are left," "We won't have any more in stock by the end of the day," and "They're really selling fast."

The theory of **psychological reactance** helps explain why scarcity works.<sup>19</sup> This theory suggests that people react against any efforts to reduce their freedom of choice. Removed or threatened freedoms and choices are perceived as even more desirable than previously. Of course, appeals to scarcity are not always effective. But, if the persuader is credible and legitimate, then an appeal may be effective.

Perhaps nowhere in the world is scarcity more used as an influence tactic than in Singapore. In the Hokkien dialect of Chinese, the word *kiasu* means "fear of losing out." Singaporeans, according to a lecturer in the philosophy department at the National University, will take whatever they can secure, even if they are not sure they really want it.<sup>20</sup> The majority of Singaporeans apparently share a herd mentality—no one wants to be different, and most conform to what others do. Marketers, needless to say, have exploited this cultural characteristic of Singapore to sell all types of products. For example, a Singaporean automobile dealership, announced that it was moving its location and offered for sale 250 limited-edition BMW 316i models, priced at \$78,125 for a manual transmission and \$83,125 for automatic. All 250 models were sold within four days, and the dealer was forced to order another 100, which were quickly sold even though delivery was

Source: California Milk Processing Board

**We're Putting  
A New Spin  
On Eating Healthy**

Francesco Rinaldi **ToBe™ Healthy** Pasta Sauce  
Fortified With DHA Omega 3.

64mg Of  
DHA Omega 3  
Per Serving

Gluten Free

Cholesterol Free

Contains Only  
290-330mg  
Sodium  
Per Serving

Good Source  
Of Vitamin A

Made by Italians

Fortified with DHA Omega 3

FRANCESCO  
RINALDI

**TOBE**  
Healthy

TOMATO & BASIL  
PASTA SAUCE

NET WT. 16 OZ (1 LB) 454g

life'sDHA  
LEAD THE WAY TO A HEALTHY LIFE

www.lifesdha.com

Tomato & Basil • Garden Vegetable • Garlic & Onion • Spicy Marinara

FrancescoRinaldi.com/ToBeHealthy

American Heart Association  
Products displaying the heart check mark meet American Heart Association food criteria for saturated fat and cholesterol for healthy people over age 2.  
heartcheckmark.org

© L'Oréal Foods and Francesco Rinaldi

**Figure 7.2** ▶ Argument-Based Persuasion

Pasta Sauce (see Figure 7.2), several reasons and arguments are presented to convince consumers that this Rinaldi brand represents a healthy choice in the selection of a pasta sauce. The American Heart Association seal, brand name “ToBe Healthy,” and several positive, nutrient content claims (e.g., “64 mg DHA omega-3,” “gluten free,” “cholesterol free,” “only 290–330 mg sodium,” “a good source of vitamin A”) all help make the clear the impression that the brand is healthy and nutritious. On the other hand, the Rosetta Stone advertisement (Figure 7.3) says virtually nothing (at least in words) about their language programs. This ad’s minimalist text

simply states “More than words. Possibilities.” The prominent and attractive couple sharing a set of headphones cleverly connects the Rosetta Stone language programs with being able to meet someone attractive who speaks a different language.

insights  
online

To learn more about the use of meaningful imagery to communicate across different languages, go to Insights Online in MindTap.



More than words.  
**Possibilities.**

Language is the key.  
Open up to what's out there.  
Give voice to what's possible.

**START LEARNING A LANGUAGE TODAY.**  
RosettaStone.com • (800) 355-9777

**RosettaStone** 

©2011 Rosetta Stone Ltd. All rights reserved.

Source: Rosetta Stone Inc.

**Figure 7.3** ▶ Emotion-Based Persuasion

These contrasting persuasive efforts highlight the fact that there are many different ways in which to use persuasion. The following section identifies five factors that are fundamental in the persuasion process.<sup>21</sup> Three factors (message arguments, peripheral cues, and communication modality) deal with persuasion vehicles under the marketing communicator's control. The other two (receiver involvement and initial position) apply to persuadee characteristics.

#### 7-4a MESSAGE ARGUMENTS

The strength or quality of message arguments is often the major determinant of whether and to what extent persuasion occurs. Consumers are much more likely to be persuaded by convincing and believable messages than by weak arguments, especially under a message of high involvement. It may seem strange, then, that much advertising fails to present substantive information or compelling arguments. One reason is that the majority of advertising, particularly

television commercials, is for product categories (like soft drinks) in which inter-brand differences are modest or virtually nonexistent. Another reason for advertising that promotes images rather than presents facts is that emotion, as discussed in Chapter 6, plays a key role in storytelling and driving consumer choice. Ad copy testing of message argument strength is important.

#### 7-4b PERIPHERAL CUES

A second major determinant of persuasion is the presence of cues that are peripheral to the primary message arguments. These **peripheral cues** include such elements as background music, attractive sources, scenery, and graphics. For example, one may not be interested in a language program per se, but the attractive sources in the Rosetta Stone ad may draw one's attention to the ad. As explained in a later section, under certain conditions these peripheral cues may play a more important role than message arguments in determining the outcome of a persuasive effort.

#### 7-4c COMMUNICATION MODALITY

A third important moderator of persuasion is the mode of communication, whether television, radio, social media, or magazines, etc. Experiments have shown that a likable communicator is more persuasive when presenting a message via broadcast media, whereas an unlikable source is more persuasive when the communication is written.<sup>22</sup> The reason for this phenomenon is that people pay closer attention to the quality of message arguments when processing written rather than broadcast messages.

#### 7-4d RECEIVER INVOLVEMENT

The personal relevance that a communication (e.g., an advertisement) has for a receiver is a critical determinant of the extent and form of persuasion.<sup>23</sup> Highly-involved consumers (i.e., those for whom an advertisement is most relevant) are motivated to process message arguments when exposed to marketing communications, whereas uninvolved consumers are likely to exert minimal attention to message arguments and perhaps to process only peripheral cues. The upshot is that involved and uninvolved consumers have to be persuaded in different ways (which is detailed fully in a following section that presents an integrated model of persuasion).

#### 7-4e RECEIVER'S INITIAL POSITION

Scholars agree that persuasion results not from external communication per se, but from the self-generated thoughts (e.g., cognitive responses) that people produce in response to persuasive efforts. Persuasion, in other words, is self-persuasion, or stated poetically, "thinking makes it so."<sup>24</sup> These self-generated thoughts include both cognitive and emotional responses.

These responses are directed at message arguments and executional elements or may involve emotional reactions and images related to using the advertised brand (e.g., "Coca-Cola. Live Positively." or "Marquette University. Be the Difference." to emphasize volunteerism and public causes).<sup>25</sup>

There are two primary forms of cognitive responses: support arguments and counterarguments.<sup>26</sup> These responses are subvocal rather than vocalized; they are the thoughts elicited spontaneously in response to advertisements and other persuasive efforts. **Support arguments** occur when a receiver agrees with a message argument. For example, a consumer with beginning heart disease reading the Rinaldi advertisement may respond favorably to several copy points made about nutrients that may serve to help reduce further damage to his or her heart. **Counterarguments** arise when the receiver challenges a message claim. Another person with hypertension reading the same Rinaldi ad may express concern that at almost 14 percent of their daily value of sodium (330 mg of 2,400 mg), this Rinaldi brand may have more sodium per serving than they are willing to consume. This "counterarguer," in other words, does not agree with the message arguments even though he or she fully comprehends the advertiser's claims. (Recall from Chapter 6 the concept of *agreement*—stage 4 in the CPM process—and understand that counterarguing represents a form of subvocal disagreement.)

Whether a persuasive communication accomplishes its objectives depends on the balance of cognitive and emotional responses. If counterarguments outnumber supportive arguments, it is unlikely that many consumers will be convinced to undertake the course of action advocated. On the other hand, marketing communications can successfully persuade consumers if more supportive than negative arguments are registered or if emotional responses are predominantly positive. Other types of cognitive and emotional responses include *source bolstering* (positive source) and *source derogation* (negative source) thoughts.

##### Peripheral cues

The presence of cues that are peripheral to the primary message arguments, including such elements as background music, attractive sources, scenery, and graphics.

##### Support argument

When a receiver agrees with a message argument. See also **Counterargument**.

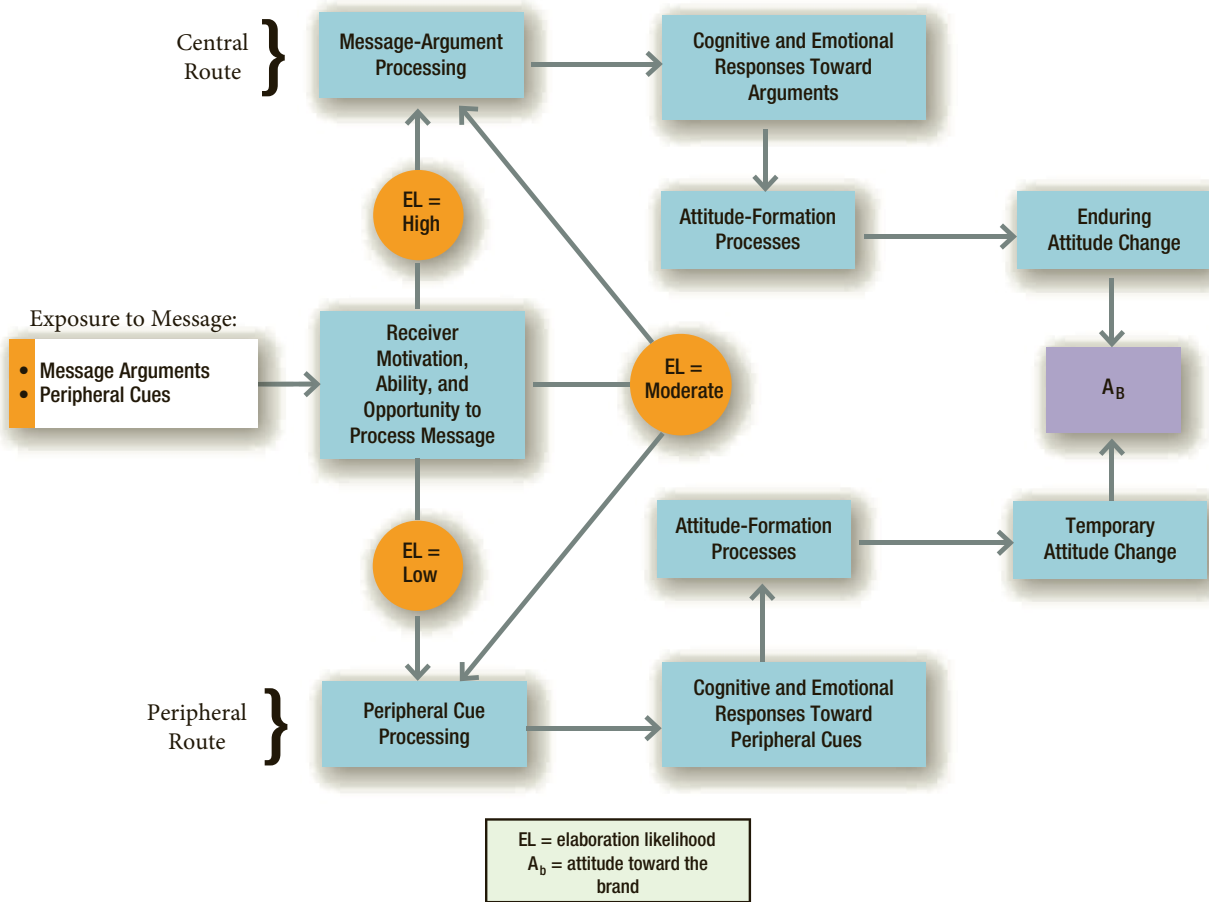
##### Counterargument

When the receiver challenges a message claim. See also **Support argument**.

## 7-5 An Integrated Model of Persuasion

The several factors overviewed now are combined into a coordinated theory of persuasion. Figure 7.4 presents a model of alternative mechanisms, or "routes," by which persuasion occurs. This explanation is based on psychologists Petty and Cacioppo's *elaboration likelihood model (ELM)*, work by psychologist Chaiken, marketing scholars Batra and Ray, and marketing scholars MacInnis and Jaworski's integrative framework.<sup>27</sup> Although there have been many different variations of dual-route or multi-route models such as the ELM (including single-route versions<sup>28</sup>), the

Figure 7.4 ▶ An Integrated Model of Persuasion



dual-route models remain as the most influential explanations for persuasion today.<sup>29</sup>

It should be clear by this point in the chapter that there is no single mechanism by which persuasion occurs. Instead, there are a variety of possibilities in understanding the concept of elaboration. **Elaboration** refers to the mental activity in response to a message such as an advertisement. People elaborate on a message when they think about what the message is saying, evaluate the arguments in the message, engage in mental imagery when viewing pictures, and perhaps react emotionally to some of the claims. In other words, elaboration involves an application of cognitive resources in response to a marcom message. To merely look at an online commercial with a blank stare, for example, does not involve elaboration. However, elaboration is engaged when one views, say, a different commercial—one that is personally relevant—and

**Elaboration** Mental activity in response to a message such as an advertisement.

**Motivation to process** When a message relates to a person's present consumption-related goals and needs and is thus relevant to that individual.

**Ability to process** Whether a person is familiar with message claims and has the necessary skills (e.g., literacy, knowledge) to help comprehend them.

**Opportunity to process** The matter of whether it is physically possible for a person to process a message.

thinks about the people in the commercial and their similarity to one's own family or friends and how the advertised product may indeed fit into one's consumption lifestyle.

Whether and to what extent a person engages in elaboration depends on that person's motivation, ability, and opportunity to process a marketing message's selling claims. **Motivation** is high when a message relates to a person's present goals and needs and is thus relevant to that individual. Generally speaking, consumers are more motivated to process messages the more involved they are in the subject matter of a message. **Ability** concerns whether a person is familiar with message claims and has the necessary skills (e.g., literacy, knowledge) to help comprehend them. Consumers on occasion are motivated, yet are unable to process certain message claims (e.g., with prescription drug claims<sup>30</sup>). **Opportunity** involves the matter of whether it is physically

possible for a person to process a message; opportunity is restricted when, among other reasons, a message is presented too quickly, the sound is too low, or an individual is distracted.

Together, these three factors (*motivation, ability, and opportunity*, or MAO for short) determine each individual's elaboration likelihood for a particular message. *Elaboration likelihood (EL)* represents the chance that a message receiver will elaborate on a message by thinking about and reacting to it and comparing it with his or her preexisting thoughts and beliefs regarding the product category, the advertised brand, and perhaps competitive brands. When all three MAO elements are high, elaboration on the message is likely high. We can envision an *elaboration likelihood continuum* ranging from a low likelihood at one end to a high likelihood at the other.

The elaboration likelihood is low when the MAO factors are low or even when only one of the MAO elements is deficient. This would be the case when a consumer has the ability and opportunity to process an ad, but he or she is not interested in the advertised product (hence low motivation). In many marketplace situations, consumers' ELs for messages are at a moderate level rather than being low or high. Note in Figure 7.4 that three EL levels (EL = High, Moderate, or Low) are shown in circles extending from the box labeled Receiver Motivation, Ability, and Opportunity to Process Message.

In general, the strength of one's elaboration likelihood will determine the type of process by which attitudes toward the advertised brand will be formed or changed. The model in Figure 7.4 shows two mechanisms—or “routes”—by which persuasion occurs: at the top, a central route, and at the bottom, a peripheral route. Also, there exists an implicit dual route that results from a moderate elaboration likelihood level and combines features of both the central and peripheral routes.

### 7-5a THE CENTRAL ROUTE

Upon exposure to a message consisting of message arguments and peripheral cues (see Figure 7.4), the receiver's level of motivation, ability, and opportunity will determine the elaboration likelihood level. When EL is high, the receiver will focus predominantly on message arguments rather than peripheral cues (see Figure 7.4). This situation defines the activation of the so-called **central route**.

When the central route is activated, the receiver will listen to, watch, or read about a brand's attributes and benefits, but will not necessarily accept them at face value. Rather, because the consumer is motivated to acquire information about the product category, she or he will

**Central route** When a receiver's motivation, ability, and opportunity to process the message arguments are high (and therefore one's elaboration likelihood is high), the receiver will focus predominantly on message arguments rather than peripheral cues leading to enduring attitude change.

**Peripheral route** When a receiver's motivation, ability, or opportunity to process the message arguments are low (and therefore one's elaboration likelihood is low), the receiver will not focus predominantly on the message arguments. Rather, the focus may be on a peripheral cue (background music, attractive sources, scenery) leading to temporary attitude change.

react to the arguments with subvocal cognitive and emotional responses (see Figure 7.4). The consumer may accept some of the arguments, but counterargue with others. She or he may also emit emotional reactions to the arguments: “That's not true!” or “You have to be kidding me!”

The nature of the cognitive and emotional processing—whether predominantly favorable (supportive arguments and positive emotional responses) or predominantly unfavorable (counterarguments and negative emotional reactions)—will determine whether the persuasive communication influences attitudes and also the direction of that influence.

In *emotion-based persuasion*, when a consumer is highly involved in a message such as a TV commercial, there is a tendency to relate aspects of the message to his or her personal situation (e.g., a campaign directed at persuading young adults not to drink and drive). The consumer may vicariously place himself or herself into the commercial, relate to the product and people in the commercial, and empathically experience positive emotions (e.g., a sense of pride, relief, confidence) or negative emotions (e.g., anguish, reactance, fear). Under these circumstances, attitudes toward the advertised brand ( $A_b$  in Figure 7.4) stand a good chance of being changed in the direction of the experienced emotion—positive emotional reactions leading to positive brand attitudes and negative reactions leading to negative attitudes. Also, because the consumer's elaboration likelihood is high, any attitude change under the central route will be relatively enduring. Finally, attitudes changed via emotional (affective) associations tend to happen more rapidly and effortlessly as compared to those under message-based (cognitive) persuasion as now discussed.<sup>31</sup>

The second central-route attitude-formation process, *message-based persuasion*, results from processing message arguments. When consumers are sufficiently motivated, able, and have the opportunity to process a message's specific arguments, their cognitive responses are likely to lead to changes in beliefs about the advertised brand or changes in evaluations of the importance of brand attributes and benefits. The end result is an enduring change in attitudes toward the brand. An example of message-based persuasion is found in General Electric's Advantium oven campaign in the *Insight Online* in MindTap.

insights  
online

To learn more about an example of message-based persuasion in General Electric's Advantium oven campaign, go to Insights Online in MindTap.

### 7-5b THE PERIPHERAL ROUTE

When the MAO factors—motivation, ability, and opportunity (see Figure 7.4)—are at low levels, a different route of persuasion is involved. (Note: only one of the MAO elements needs to be deficient for this route to be possible.) For example, when a consumer is not motivated to attend and comprehend message arguments, their elaboration likelihood on message content is low. Yet, she or he may nonetheless attend to the message's peripheral features. The **peripheral route** is shown at the bottom of Figure 7.4, where attention focuses on processing peripheral cues rather than message arguments.

Peripheral cues involve elements of a message that are *unrelated* (and hence peripheral) to the primary selling points in the message. For example, such peripheral cues might include background music, scenery, or attractive models in a commercial. In the case of a presentation by a salesperson, peripheral cues could include that individual's physical appearance, how he or she is dressed, his or her accent, and so on.

Having focused on a peripheral cue (and not the message arguments), a consumer may experience thoughts or emotions in response to the cue (“The music is exhilarating,” “What a beautiful dress,” or “The scenery is gorgeous.”). These cognitive and emotional responses toward the peripheral cues might produce a temporary attitude change toward the advertisement itself and/or the advertised brand.<sup>32</sup> Classical conditioning provides one account of how attitudes toward a brand ( $A_b$ ) are formed via the peripheral route.

### Classical Conditioning of Attitudes

Perhaps you are familiar with the experiments in which the famous Russian scientist, Ivan Pavlov, trained dogs to salivate on hearing a bell ring. Pavlov accomplished this canine response by establishing a systematic relationship between the bell and a desirable object (to dogs) such as meat powder, which by itself was able to make dogs salivate. Trial after trial, dogs would hear a bell ring and then would be presented with meat powder. In this situation, meat powder was an unconditioned stimulus (US), and salivation was an unconditioned response (UR). By repeatedly pairing the bell (a conditioned stimulus, or CS) with the meat powder, the bell by itself eventually caused the dog to salivate. The dog, in other words, had been trained to emit a conditioned response (CR) upon hearing the bell ring. The dog had learned that the bell regularly preceded meat powder, and thus the ringing bell caused the dog to predict that something desirable—the meat powder—was forthcoming.

Something similar to this happens when consumers process peripheral cues. For example, brand advertisements that include adorable babies, attractive people, and majestic scenery can elicit positive emotional reactions. Think of these peripheral cues as analogous to meat powder (US), the emotional reactions as similar to the

dog's salivation (UR), and the advertised brand as similar to the bell in Pavlov's experiments (CS). The emotion contained in the cue may become associated with the brand, thereby influencing consumers to like the brand more than they did prior to viewing the commercial. Through their repeated association, the CS (advertised brand) comes to elicit a CR (purchase of product), similar to the UR (positive emotional reaction) evoked by the US itself (peripheral cue).<sup>33</sup>

### Temporary Versus Enduring Attitude Change

According to the ELM, people experience only temporary attitude change when persuaded via the peripheral route in comparison to the relatively enduring change experienced under the central route. Thus, in circumstances in which receivers think about and process message arguments (i.e., when the elaboration likelihood is high and the central route is invoked), attitudes that are formed will be relatively enduring compared to attitudes formed via the peripheral route. Moreover, these central route attitudes will be comparatively stronger, more accessible, and more resistant to change.<sup>34</sup>

Comparatively, when the elaboration likelihood is low (e.g., because the message is not relevant), peripheral route attitude change may still occur due to peripheral cues, but will be only temporary unless consumers are exposed continuously to the peripheral cue. There is some evidence, however, that the use of peripheral cues in advertising can influence attitudes and even shape choice behavior so long as the advertised brand is not dominated by a competitive brand that is superior with respect to all pertinent choice criteria.<sup>35</sup>

### 7-5c DUAL ROUTES

The central and peripheral paths represent endpoints on a continuum of persuasion strategies and are not intended to imply that persuasion is an either-or proposition. In other words, in many cases there is a combination of central and peripheral processes operating simultaneously.<sup>36</sup> This is shown in Figure 7.4 when the MAO factors produce a moderate elaboration likelihood level. In this instance, which no doubt captures many situations in marketing communications, consumers use peripheral cues to determine how much thinking to do about the message.

## 7-6 Enhancing Consumers' Motivation, Ability, and Opportunity to Process Advertisements

There is no single way to influence people to form favorable attitudes toward brands or to act in ways marketing communicators desire. Rather, the appropriate influence strategy depends both on *consumer characteristics* (their motivation, opportunity, and ability to process marcom



messages) and on *brand strengths*. If consumers are interested in learning about a product (with the necessary MAO elements) and a company's brand has clear advantages over competitive brands, then the appropriate persuasion tactic is obvious: *design a message telling people explicitly why your brand is superior*. The result should be equally clear: consumers likely will be swayed by your arguments, which will lead to a relatively enduring attitude change and a strong chance they will select your brand over competitive offerings.<sup>37</sup>

The reality, however, is that brands in most product categories are similar, so consumers generally are not anxious to devote mental effort toward processing messages that provide little new information. Thus, the marketing communicator has to find ways to enthruse consumers sufficiently such that they will listen to or read the communicator's message. Hence, strategies to enhance or appeal to the MAO factors (motivation, ability, and opportunity) inherent in consumers will likely increase

communication effectiveness. Figure 7.5 provides a framework for the following discussion of how marketing communicators can enhance the MAO factors.<sup>38</sup> (Note, however, that one's MAO to process the message does not exist within the message, but rather is *within the individual* and how one in turn reacts to the message.) Each of six strategies in Figure 7.5 now will be discussed and illustrated with examples.

### 7-6a MOTIVATION TO ATTEND TO MESSAGES

Figure 7.5 shows that one of the communicator's objectives is to increase the consumer's motivation to attend to the message and to process brand information. This section discusses just the attention component; the following section will consider the processing element.

As you will recall from Chapter 6, two major forms of attention are voluntary and involuntary attention.<sup>39</sup>

**Figure 7.5** ▶ Enhancing Consumers' Motivation, Opportunity, and Ability to Process Brand Information

#### I. Enhance Consumers' MOTIVATION to . . .

##### A. Attend to the message by . . .

- Appealing to hedonic needs (appetite appeals, sex appeals if appropriate)
- Using novel stimuli (unusual pictures, different ad formats, large number of scenes)
- Using intense or prominent cues (action, loud music, colorful ads, celebrities, large pictures)
- Using motion (complex pictures, edits and cuts)

##### B. Process brand information by . . .

- Increasing relevance of brand to self (asking rhetorical questions, using fear appeals, using dramatic presentations)
- Increasing curiosity about the brand (opening with suspense or surprise, using humor, presenting little information in the message)

#### II. Enhance Consumers' OPPORTUNITY to . . .

##### A. Encode information by . . .

- Repeating brand information
- Repeating key scenes
- Repeating the ad on multiple occasions

##### B. Reduce processing time by . . .

- Creating Gestalt processing (using pictures and imagery)

#### III. Enhance Consumers' ABILITY to . . .

##### A. Access knowledge structures by . . .

- Providing a context (employing verbal framing)

##### B. Create knowledge structures by . . .

- Facilitating exemplar-based learning (using concretizations, demonstrations, and analogies)

Source: Adapted from Deborah J. MacInnis, Christine Moorman, and Bernard J. Jaworski, "Enhancing and Measuring Consumers' Motivation, Opportunity, and Ability to Process Brand Information from Ads," *Journal of Marketing* 55 (October 1991): 36.

**Voluntary attention** is willful or prior attention to a message due to its perceived relevance pertinent to our needs (e.g., intent to purchase an advertised product). Conversely, **involuntary attention** occurs automatically or involuntarily due to an intruding stimulus (e.g., due to the use of attention-gaining techniques) rather than by the consumer's inherent interest in the topic. Novel stimuli, intense or prominent cues, complex pictures, and, in the case of broadcast ads, edits and cuts of the sort seen with YouTube-like videos are some of the techniques used to attract attention that otherwise would not be given.

### Appeals to Informational and Hedonic Needs

Under high elaboration likelihood (EL), consumers can be attracted to those stimuli that serve their *informational needs* by supplying relevant facts and figures. As an illustration, consider the advertisement in Figure 7.6 for GE's Ecomagination Watt Station for electric cars. The ad informatively points out that this product is "what the new car has been waiting for" and links the electric charging station with the 100 percent electric Nissan Leaf. (This advertisement

#### Voluntary attention

Willful or prior attention to a message due to its perceived relevance pertinent to customers' needs (e.g., intent to purchase an advertised product). See also **Involuntary attention**.

#### Involuntary attention

Occurs automatically or involuntarily due to an intruding stimulus (e.g., due to the use of attention-gaining techniques) rather than by the consumer's inherent interest in the topic. See also **Voluntary attention**.

#### Novel messages

Messages that are unusual, distinctive, unpredictable, and somewhat unexpected; such stimuli tend to produce greater attention than those that are familiar and routine.

uses a technique described in Chapter 2 as *co-branding*.)

Especially in the case of low elaboration likelihood (EL), *hedonic needs* can be satisfied when consumers attend to messages that make them feel good and serve their pleasure needs (e.g., by using children, pets, fun scenes with friends, romantic appeals). Similarly, advertisements for appetizing food products are especially likely to be noticed when people are hungry. Many restaurants and fast-food marketers advertise on the radio during the after-work rush hour when this may happen. Needless to say, the best time to reach consumers with a message is just at the time they are experiencing a need for the product category in which the brand resides.

### Use of Novel Stimuli

There are innumerable ways marketing communicators use novelty to attract involuntary attention. In general, **novel messages** are *unusual, distinctive, unpredictable, and somewhat unexpected*. Such stimuli tend to produce greater attention than those that are familiar and routine. This can be explained by the behavioral concept of *human adaptation*. People adapt to



Source: Nissan Motor Company, Ltd.

**Figure 7.6** ▶ An Appeal to Informational Needs



Image courtesy of The Advertising Archives

**Figure 7.7** ▶ Using Novelty to Attract Attention

the conditions around them: as a stimulus becomes more familiar, people become desensitized to it. Psychologists refer to this as *habituation*. For example, if you drive past a digital billboard daily, you likely notice it less on each occasion. If the billboard were removed, you probably would notice it was no longer there. In other words, *we notice by exception*.

Examples of novelty abound. For example, Figure 7.7 is an advertisement for Heinz ketchup that employs an eye-catching graphic showing the Heinz bottle as a layer of tomato slices capped off with a stem attached. The copy at the ad's bottom brings clarity to the bottle graphic when claiming that “No one grows Ketchup like Heinz.”

### Use of Intense or Prominent Cues

**Intense and prominent cues** (those that are louder, more colorful, bigger, brighter, etc. than their background) increase the probability of attracting attention. This is because it is difficult for consumers to avoid such stimuli, leading to *involuntary attention*.

Advertisements, too, utilize intensity and prominence to attract attention. For example, the Adidas ad in Figure 7.8 with Spain's David Villa makes an effective use of light rays to help demonstrate the speed of Adidas' soccer (*futbol*) shoes. Valspar Paint in Figure 7.9 uses a two-toned color on a chameleon to point out the ease of changing one's color if one is not satisfied with the paint choice.

**Intense and prominent cues** Cues that are louder, more colorful, bigger, brighter, and so on, thereby increasing the probability of attracting attention.



Image courtesy of The Advertising Archives

**Figure 7.8** ▶ Using Intensity to Attract Attention

### Using Motion

Advertisers sometimes employ motion to both attract and direct consumer attention to the brand name and to pertinent ad copy. Falling objects (e.g., a flipping coin), people appearing to be running, and automobiles in motion are some of the techniques used in print ads to attract attention. The advertisement for Excedrin Migraine pills (see Figure 7.10) portrays a sense of movement and also conveys that Excedrin users will start receiving relief in just 30 minutes—an active butterfly (post-usage) released from a state of cocoon-like dormancy (pre-usage).

### 7-6b MOTIVATION TO PROCESS MESSAGES

*Enhanced processing motivation* means that the ad receiver has increased interest in reading or listening to the ad message to determine what it has to say that might be of relevance. Increased processing motivation has been shown to strengthen the impact of brand attitudes on purchase intentions.<sup>40</sup> To accomplish enhanced motivation, marketing communicators can do two things: (1) enhance the *relevance* of the brand to the consumer and (2) enhance *curiosity* about the brand. Methods for enhancing brand relevance include using *fear appeals* (discussed later in the text), employing *dramatic presentations* to increase the significance of the brand to



**Figure 7.9** ▶ Using Color to Attract Attention

consumers' self-interests, and raising *rhetorical questions* (e.g., with figurative language) that activate consumer interest in the advertised brand.<sup>41</sup>

Using *humor*, presenting *little information* in the message (and thereby encouraging the consumer to think about the brand) or opening a message with *suspense* or *surprise* can enhance curiosity about a brand. The ad for Viva paper towels (see Figure 7.11) uses an element of *suspense* (a spaghetti and meatball plate precariously perched on the edge of a cabinet) to attract the reader's attention.

### 7-6c OPPORTUNITY TO ENCODE INFORMATION

Marketing messages have no chance of effectiveness unless consumers comprehend information about the brand and incorporate it with product information in their existing memory structure. Thus, the communicator's goal is to get consumers to *encode* information and to make it as simple and quick as possible for them to do so. The secret

to facilitating encoding is *repetition*, especially under low involvement—a common occurrence. In this sense, the marketing communicator should repeat brand information, repeat key scenes, and repeat the advertisement on multiple occasions.<sup>42</sup> Through repetition, consumers have an increased opportunity to encode the important information the communicator wishes to convey. This is why we see advertisements repeated night after night on TV, sometimes to excess. But, advertisers know that repetition is required to get their point across, especially when consumers are not as involved in the message.

### 7-6d OPPORTUNITY TO REDUCE PROCESSING TIME

Opportunity to process is further enhanced if the communicator takes extra measures to *reduce the time* required of the consumer to read, listen to, and ultimately discern the meaning of a marcom message. The use of pictures and imagery create a form of total-message processing (or *gestalt*) whereby the consumer can readily encode the totality of the message rather than having to process information bit by bit or to think much about what the advertiser is claiming. Consider the advertisement in Figure 7.12 for NyQuil Cold & Flu medicine. The

image of a comfortable bed placed in a teaspoon conveys the gestalt impression that a teaspoon of NyQuil promotes a “great night's sleep.”

### 7-6e ABILITY TO ACCESS KNOWLEDGE STRUCTURES

A brand-based *knowledge structure* represents the associative links in the consumer's long-term memory between the brand and thoughts, feelings, and beliefs about that brand. In general, people are most able to process new information that relates to something they already know or understand. In general, the marketing communicator's task is to enable consumers either to *access* existing knowledge structures or to *create* new knowledge structures.

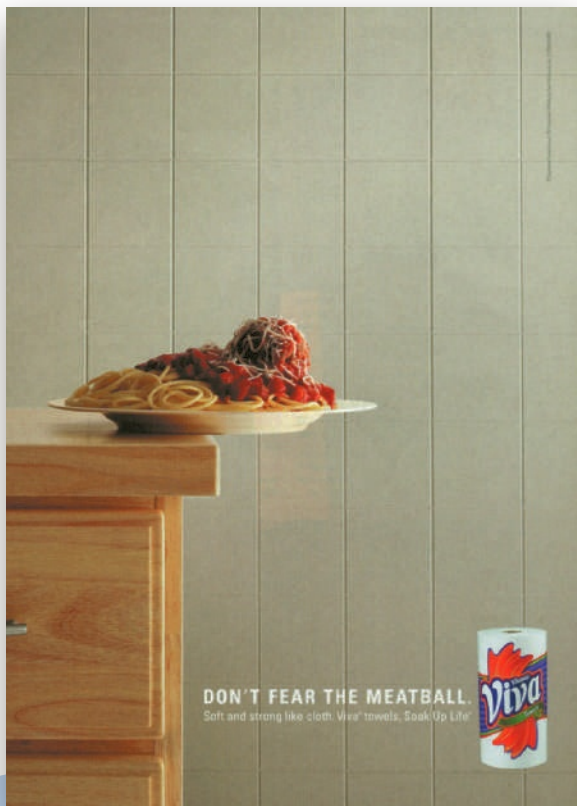
To help with access, marketing communicators need to provide a context for the text or pictures. *Verbal framing* is one way of providing a context. This means that pictures in an ad are placed in the context of, or framed with, appropriate words or phrases to aid understanding.



**Figure 7.10** ▶ Using Motion to Attract Attention



**Figure 7.12** ▶ Using a Gestalt to Reduce Processing Time



**Figure 7.11** ▶ Using Suspense to Enhance Processing Motivation

In an advertisement for DuPont's Teflon brand of scratch-resistant coatings, attention is drawn to the incongruous image of a skillet filled with copper wiring, tacks, and shards of glass. Most consumers believe that nonstick skillets can be easily damaged when scratched with sharp objects. The limited copy simply points out that DuPont Teflon coatings are scratch-resistant and encourages readers to visit their website (<http://teflon.com>) for further information.

### 7-6f ABILITY TO CREATE KNOWLEDGE STRUCTURES

Sometimes marketing communicators need to *create* knowledge structures for information they want consumers to have about their brands. This is accomplished by facilitating *exemplar-based learning*. An *exemplar* is an example or model of a particular concept or idea. By using concretizations, demonstrations, or analogies, the marketing communicator can facilitate learning by appealing to exemplars. Consider, for example, a birthday celebration, in which presents, birthday cake, ice cream, pie, or other treats commonly are shared to celebrate. McDonald's wished to use such examples recently with a celebration of 60 years in existence. So to accomplish this, the advertisement for McDonald's 60-year birthday (see Figure 7.13) uses a visual analogy of a Big Mac being sliced like a pie with the words "Celebrating 60 delicious years."



**Figure 7.13** ▶ Using Analogy to Create a Knowledge Structure

### Concretizations

Concretizing, which was discussed in Chapter 6, is used extensively in advertising to facilitate both consumer learning and retrieval of brand information. Concretizing is based on the straightforward idea that it is easier for people to remember and retrieve *tangible* rather than abstract information. Claims about a brand are more concrete (versus abstract) when they are made perceptible, palpable, real, evident, and vivid. Concretizing is accomplished by using concrete words and examples. For example, the advertisement for Hellmann's (see Figure 7.14) shows a jar of Hellmann's Extra Light mayonnaise that has become so thin its label is falling down, thereby concretizing the tacit claim that this brand is a good choice for managing weight.

### 7-6g SECTION SUMMARY

The foregoing discussion has emphasized that advertisers, along with other marketing communicators, benefit from enhancing consumers' motivation, ability, and opportunity to process marketing messages. A variety of communication devices enables advertisers to achieve their goals in the hopes of influencing consumers' brand-related attitudes, purchase intentions, and ultimately, their behavior. We conclude the chapter with a well-known theory of persuasion and several strategies to change attitudes, preferences, and behavior.

### 7-7 The Theory of Reasoned Action (TORA)

The message-based persuasion process described previously has been fully developed in the well-known *theory of reasoned action (TORA)*. This theory proposes that all forms of planned and reasoned behavior (versus unplanned, spontaneous, impulsive behavior) have two primary determinants: attitudes and normative influences.<sup>43</sup> Many of you may have learned about this theory in a psychology or consumer behavior course, so rather than explain the entire theory, the present discussion will describe just the attitudinal component.<sup>44</sup>

Attitude formation according to TORA can best be described in terms of the following equation.

$$A_{Bj} = \sum_{i=1}^n b_{ij} \cdot e_i \quad (7.1)$$

where:

$A_{Bj}$  = attitude toward a particular brand (brand  $j$ )

$b_{ij}$  = the *belief*, or expectation, that owning brand  $j$  will lead to outcome  $i$

$e_i$  = the positive or negative *evaluation* of the  $i$ th outcome

A consumer's attitude toward a brand (or, more technically, toward the act of owning and consuming the brand) is determined by his or her *cognitive structure* (i.e., the beliefs regarding the outcomes, or consequences, of owning the brand multiplied by the evaluations of



Image courtesy of The Advertising Archives

**Figure 7.14** ▶ Using Concretization to Aid Learning

those outcomes). **Outcomes** (expressed in Equation 7.1 as  $i = 1$  through  $n$ , where  $n$  is typically fewer than 7) involve those aspects of product ownership (e.g., a running shoe) that the consumer either desires to obtain (e.g., getting in shape, improving one's race time) or to avoid (e.g., knee or foot injuries, abnormal shoe wear). Consumers approach benefits and avoid detriments.

**Beliefs** (the  $b_{ij}$  term in Equation 7.1) are the consumer's subjective probability assessments, or expectations, regarding the likelihood that performing a certain act (e.g., buying brand  $j$ , a Nike Air Max running shoe) will lead to a certain outcome. In theory, the consumer who is in the market for a product has a separate belief associated with each potential outcome for each shoe brand he or she is considering buying, and it is for this reason that the belief term in Equation 7.1 is subscripted both with an  $i$  (referring to a particular outcome) and  $j$  (referring to a specific brand).

Because all outcomes are not equally important or determinant of consumer choice, we need to introduce a term that recognizes this influence differential. This term is the evaluation component,  $e_p$ , in Equation 7.1. **Evaluations** represent the value, or importance, that consumers attach to consumption outcomes (e.g.,

getting into shape, improving race times, avoiding foot injury). It is important to note that outcome evaluations apply to the product category in general and are not brand specific. It is for this reason that we need only a single subscript,  $i$ , to designate evaluations and not also a  $j$  as in the case of beliefs.

In summary, Equation 7.1 and the attitude formation process under TORA results from the integration (see the summation symbol in the equation) of beliefs regarding individual outcomes of brand ownership multiplied by their evaluation. This integration is referred to as the brand's "*cognitive structure*." Attitudes toward a brand are more positive when a brand is perceived favorably with respect to valued outcomes and less positive when a brand is perceived unfavorably on these outcomes.

There have been arguments to improve the predictive power of the TORA by adding the idea of perceived behavioral control.<sup>45</sup> In this *theory of planned behavior* (TOPB), one's *perceived behavioral control* (i.e., the difficulty of performing the behavior) is measured as a function of *control beliefs* (i.e., one's perceived ease of performing the behavior) and one's *perceived power* (i.e., how much control one perceives he or she has over performing the behavior).

### 7-7a ATTITUDE CHANGE STRATEGIES

With Equation 7.1 in mind, we can identify three strategies that marketing communicators employ in attempting to change consumer attitudes: (1) changing beliefs, (2) altering outcome evaluations, or (3) introducing a new outcome into the evaluation process.<sup>46</sup>

The first attitude-change strategy attempts to bolster attitudes by *influencing brand-related beliefs*, which thus explains the term "*belief change*" to characterize this strategy. This strategy "*operates*" on the  $b_{ij}$  term from Equation 7.1. Consider the following marcom efforts to influence consumers' beliefs:

1. Many American consumers consider the BMW to be an automobile that is excessively expensive to maintain. Accordingly, a campaign was introduced to advertise BMW as "the car that tunes itself."<sup>47</sup>
2. When you think of safety, what automobile comes to mind? If you're like most people, the car that occurred to you probably is a Volvo. Knowing this fact, marketers at Swedish-made Saab undertook a major ad campaign to put Saab in a safety class with Volvo. In an effort to enhance consumers' belief regarding Saab's safety, print ads included copy lines such as "Safety marries performance. They elope"; "If Saab makes the safest cars in Sweden, and Sweden makes the safest cars in the world . . ."<sup>48</sup>

**Outcomes** Aspects of product ownership that the consumer either desires to obtain or to avoid.

**Beliefs** Consumer's subjective probability assessments, or expectations, regarding the likelihood that performing a certain act will lead to a certain outcome.

**Evaluations** The value, or importance, that consumers attach to consumption outcomes.

A second attitude-change strategy is to *influence existing evaluations* (the  $e_i$  term in Equation 7.1). This evaluation-change strategy involves getting consumers to reassess a particular outcome associated with brand ownership and to alter their evaluations of the outcome's value. For example, Tylenol advertised the fact that, unlike some competitive brands of pain reliever, it contains no caffeine. Thus, it placed more weight/value on a negative product outcome on which their brand performed especially well.

A third strategy used by marketing communicators to change attitudes is what we might call an *add-an-outcome strategy*. The objective is to get consumers to judge brands in a product category in terms of a new product benefit on which “our” brand fares especially well. For example, Tropicana reformulated its Pure Premium orange juice with a patented calcium source called FruitCal—a highly soluble form of calcium.<sup>49</sup> The advertising campaign that trumpeted this product reformulation attempted to modify the way consumers evaluate orange juice by focusing on a purchase consideration—calcium—that most consumers had never before considered when making a brand selection from the orange juice category.

A number of other food product companies touted the same source-of-calcium benefit as did Tropicana, so eventually this product feature lost some of its differentiating luster. To regain a health-claim advantage over other food products, Tropicana several years later began an advertising campaign claiming that orange juice is a natural source of potassium, a mineral that can reduce the risk of high blood pressure and strokes.<sup>50</sup> Therefore, reducing the risk of high blood pressure and strokes represents a potent new outcome that consumers typically do not think of when considering a product such as orange juice. Nutrition claims such as these have enabled Tropicana to build its premium orange juice in the number 3-selling grocery brand in the United States, behind only Coca-Cola and Pepsi.

## 7-8 Changing Preferences and Behavioral Modification Strategies

A **preference** is a behavioral tendency that exhibits itself in how a person acts toward an object.<sup>51</sup> Preferences can be both cognitively- and affectively-based.<sup>52</sup> Marketing communicators' efforts at changing preferences by appealing to cognitions may meet with failure if the preferences have an affective basis. Furthermore, even when a preference is primarily cognitive-based, affect may become independent of the cognitive elements that were originally its basis and predominate such elements.<sup>53</sup> Thus, the only way to influence some strongly-held preferences may be by using methods that have direct emotional impact (e.g., graphic visual warnings shown to smokers with entrenched beliefs).

In addition to emotional conditions, marketers use a variety of other methods to change consumer preferences (and behavior) that do not require changing cognitions. These *behavioral modification methods* include various forms of classical and operant conditioning, modeling, and ecological modification.<sup>54</sup> For example, **shaping** is one application by which marketers attempt to shape certain behaviors through a process of changing preceding conditions and behaviors. Coupons, samples, loss leaders, special deals, and free-trial periods are all examples to help shape future consumer behavior.

**Vicarious learning**, or **modeling**, is an attempt to change preferences and behavior “by having an individual observe the actions of others . . . and the consequences of those behaviors.”<sup>55</sup> In a Ryder commercial using the tagline, “Either Rent Ryder or It’s Wrong,” a fully air-conditioned and spotless Ryder rental truck passes a broken-down and un-air-conditioned U-Haul truck in the desert, demonstrating the use of vicarious learning.

**Preference** A behavioral tendency that exhibits itself in how a person acts toward an object.

**Shaping** One application by which marketers attempt to shape certain behaviors through a process of changing preceding conditions and behaviors.

**Vicarious learning (modeling)** An attempt to change preferences and behavior by having an individual observe the actions of others and the consequences of those behaviors.



# Summary

Marketing communications in its various forms (advertising, social media, personal selling, direct marketing, and so on) involves efforts to persuade consumers by influencing their attitudes and ultimately their behavior. This chapter describes the role and nature of attitudes and different hierarchies by which they are formed and changed. From the marketing communicators' perspective, attitude formation and change represent the process of persuasion. The role of measurement specificity and direct experience is discussed in trying to predict behavior from attitude measures. Persuasion efforts on the part of the persuader are next described and illustrated, including six influence tactics: reciprocity, commitment and consistency, social proof, liking, authority, and scarcity.

The nature of persuasion is discussed with particular emphasis on an integrated framework called the elaboration likelihood model (ELM). Two alternative persuasion mechanisms are described: a central route, which explains enduring persuasion under conditions when the receiver is motivated, is able, and has the opportunity (MAO) to

process the message; and a peripheral route, in which one of the MAO elements may be deficient, yet a peripheral cue may account for short-term persuasion. In this context, three attitude-formation processes are described: emotion-based persuasion, message-based persuasion, and classical conditioning. The first two are mechanisms for attitude change under the central route, whereas classical conditioning is a peripheral-route process.

A treatment then is given to practical efforts to enhance consumers' motivation, opportunity, and ability to process marketing messages. This section includes descriptions and illustrations of marcom efforts to heighten consumers' motivation to attend and process messages, measures to augment consumers' opportunity to encode information and reduce process time, and techniques used to increase consumers' ability to access knowledge structures and create new structures.

A final topic covered is the theory of reasoned action (TORA) found in persuasion research and basic attitude, preference, and behavior change strategies.

## Discussion Questions

1. Explain the cognitive, affective, and conative attitude components. Provide examples of each using your attitude toward the idea of personally pursuing a career in selling and sales management. Contrast the high involvement (standard learning) hierarchy with that of the low involvement one.
2. Distinguish between message arguments and peripheral cues as fundamental determinants of persuasion. Provide several examples of each from actual television commercials or online advertisements.
3. Receiver involvement is the fundamental determinant of whether people may be persuaded through the central or peripheral route. Explain.
4. There are three general strategies for changing attitudes. Explain each, using, for illustration, consumers' attitudes toward a fast-food chain of your choice (McDonald's, Burger King, KFC, Taco Bell, etc.).
5. Assume that your target audience is composed of people who can afford to purchase an all-electric automobile such as the Tesla, Chevy Bolt, or Nissan Leaf, yet who have negative attitudes toward electric vehicles. Using material from the chapter, how would you attempt to change their attitudes if you were the advertising agency responsible for this campaign? Be specific.
6. Have you personally experienced unethical persuasive efforts from marketing communicators? Under what circumstances would you most expect to find unethical marketing communications, and when would such communications most likely be effective in marketing? Draw upon the integrated model of persuasion (e.g., ELM, see Figure 7.4) in forming your answer.
7. In the discussion of the influence tactic of reciprocity, you were introduced to the concept of contingency, or "it-depends," thinking. What "it-depends" factors best explain when the scarcity tactic would and would not be effective?
8. Assume that you are on the fundraising committee for a nonprofit institution. Explain how in this situation you could use each of the six influence tactics discussed in the text. Be specific.
9. Describe the similarity between the concept of elaboration and active synthesis, which was explained in the prior chapter.
10. Locate two online advertisements that illustrate exemplar-based learning and provide detailed explanations as to how specifically your chosen advertisements facilitate exemplar-based learning.
11. Pretend you are in charge of advertising for an online retailer. You know that consumers have positive

- evaluations for the convenience of online shopping, but many are distrustful of unknown retailers and of giving out credit card numbers online. Using material from this chapter, explain how you would attempt to change consumers' attitudes about the risks of online shopping. Visit several actual online retailers, and describe instances where the retailers have addressed consumers' risk perceptions.
12. Visit the online sites of approximately five brands that appeal to you. Based on the framework in Figure 7.5, identify at least one example of each of the following efforts to enhance consumers' MAO factors: Locate an effort to increase consumers' motivation to process brand information. Find an advertisement that uses an exemplar to assist consumers in either accessing or creating a new knowledge structure. Identify an online advertisement that attempts to enhance consumers' opportunity to encode information.
  13. The opening *Marcom Insight* posed this question: Can we be persuaded to overcome bad habits? What is your viewpoint on this matter? Please back up your position with appropriate content from the chapter.
  14. Identify two magazine advertisements of your choice, presumably involving brands/products that hold some interest for you. With each advertisement, indicate what you consider to be its message arguments and peripheral cues. Then, explain why you regard these as message arguments/peripheral cues.
  15. Construct an illustration to demonstrate your understanding of Equation 7.1. Identify three brands in a product category that is personally relevant. Then, specify four "outcomes" (i.e., benefits and detriments) pertinent to that category. Next, assign a numerical value from 1 to 5 to each outcome, where 1 equals "virtually no importance" and 5 equals "extreme importance." Then, assign a value from 1 to 5 to represent your beliefs regarding how well each of the three brands satisfies each of the four outcomes. In assigning your beliefs, treat 1 as indicating that the brand performs very poorly on this outcome, 5 as indicating the brand performs extremely well, and 2 through 4 reflecting increasingly positive performance.
  16. Assume that all outcomes ( $i = 1 \dots n$  outcomes) are equally important to consumers in a particular product category. If this were so, how would you adjust the attitude model in Equation 7.1 to capture the attitude-formation process?

# Objective Setting and Budgeting

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

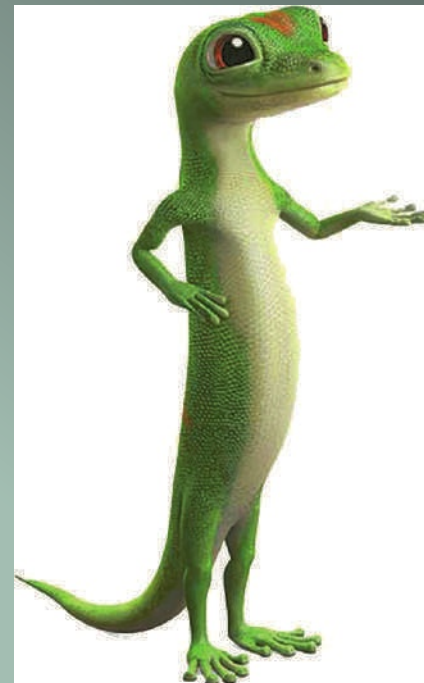
- 1 Understand the process of marcom objective setting and the requirements for good objectives.
- 2 Appreciate the hierarchy-of-marcom-effects model and its relevance for setting marcom objectives.
- 3 Discuss the integrated information response model and how it helps determine the integration of advertising and direct product experience under different levels of involvement.
- 4 Understand the role of sales versus communication as a marcom objective and the logic of vaguely right versus precisely wrong thinking.
- 5 Know the relation between a brand's share of market (SOM) and its share of voice (SOV) and the implications for setting an advertising budget.
- 6 Describe the various rules of thumb, or heuristics, that guide practical budgeting.

## Marcom Insight

### The Gecko, Flo, Mayhem, Magic Jingles, and the Insurance Industry Ad Brawl

You likely have seen TV commercials advertising Geico, one of the major companies that sell automobile insurance. You may recall Geico's commercials with a fast talking, Australian-accented gecko. Although the gecko commercials can be judged as effective in terms of their creativity, that is not the issue that will be emphasized in this section. Instead, we focus on the vast amount of *money* budgeted by Geico for these TV commercials and the amount of success achieved.

The top four automobile insurance advertisers—Geico, State Farm, Progressive, and Allstate—compete in a highly aggressive environment where price wars to lure new customers are common. Using clever and frequent advertising and spokespeople are alternate routes by which competitors in this industry fight over new customers (e.g., State Farm's "Magic Jingle" ads, Allstate's "Mayhem" campaign, Progressive's Flo, and Geico's gecko). Geico, despite having the fifth-largest market share, has been the leading advertiser among these top-four automobile insurance providers. Indeed, in 2014, Geico invested slightly over \$1.1 billion in advertising—which was \$560 million



Source: Geico

more than its next competitor State Farm. Much of this spending can be attributed to Warren Buffett, who made Geico a subsidiary of his Berkshire Hathaway Corporation.

This massive investment has paid dividends for Geico. It now enjoys a very high level of advertising awareness—over 97 percent of surveyed consumers indicate that they have heard of the Geico brand, which is tied with Allstate (with their “Mayhem” campaign), and the more traditional market share leader, State Farm. The nearest competitor in terms of ad awareness is State Farm at 80 percent. But, beyond creating awareness, Geico is the only brand in the auto insurance category to obtain double-digit growth in market share, a climb of approximately 13 percent in the auto insurance business. One of the reasons for their success is the shift from using traditional insurance agents to seeking online quotes. This is especially true for millennials, of which 48 percent look

online first. As a result, Geico is the top brand in terms of new-customer acquisition. Needless to say, these impressive gains by Geico have prompted State Farm and Allstate to elevate their own levels of advertising spending.

The Geico case illustrates unmistakably that creative advertising backed with a sufficient advertising budget can accomplish marcom objectives such as increasing awareness, attracting new customers, and boosting market share.

Sources: Adapted from E. J. Schultz, “How the Insurance Industry Got into a \$4 Billion Ad Brawl,” *Advertising Age*, February 21, 2011, <http://adage.com/article/news/insurance-industry-s-4-billion-advertising-brawl/148992>; Mya Frazier, “Geico’s Big Spending Pays Off, Study Says,” *Advertising Age*, June 26, 2007, <http://adage.com>; “Insurance Brands,” *Advertising Age*, July 13, 2015, 30; Mike Schoultz, “The Shocking Truth about the Insurance Advertising War,” *Digital Spark Marketing*, March 6, 2016, <http://digitalsparkmarketing.com/creative-marketingadvertisinginsurance-advertising-war/>.

## 8-1 Introduction

Returning again to the model of the marcom process provided in Chapter 1, you will recall that the framework described various forms of “fundamental” and “implementation” decisions. We continue with this theme as it relates specifically to advertising objective setting and budgeting. These activities, along with segmentation, targeting, and positioning (see Chapter 5), are the bedrock of all subsequent marcom decisions. Marcom strategy built on a weak foundation is virtually guaranteed to fail. Intelligent objectives and an adequate budget are critical for success. You might recall the mantra introduced in Chapter 1:

All marketing communications should be  
(1) directed to a particular *target market*, (2) clearly *positioned*, (3) created to achieve a *specific objective*, and (4) undertaken to accomplish the objective *within budget constraint*.

This chapter culminates the discussion of fundamental marcom decisions by examining points (3) objective setting and (4) budgeting. Both topics have been treated in the past mostly from the perspective of advertising rather than marcom in general. However, these issues are similar regardless of the form of marketing communications.

Finally, this chapter argues that objective setting and budgeting decisions must be formal and systematic rather than haphazard. Both topics represent key decisions that set the stage for the “implementation” of the choice of messages, media, mixture of marcom elements, and message continuity (or momentum), as introduced in Chapter 1.

### 8-1a SETTING MARCOM OBJECTIVES

**Marcom objectives** are general outcomes that the various marcom elements try to achieve individually or collectively.

#### Marcom objectives

General outcomes that the various marcom elements try to achieve individually or collectively.

**Goals** Objectives become goals when time and magnitude are included. Objectives provide the foundation for all remaining decisions.

(Note that when one adds magnitude [e.g., increase of 10 percent] and scope of time [e.g., at the end of the first quarter], objectives become **goals**.<sup>1</sup>) Objectives provide the foundation for all remaining decisions. Later chapters detail more specific objectives that each component of the marcom mix is designed to accomplish; for present purposes, we will introduce an illustrative set of general objectives for communicators. Alongside each objective, in parentheses, are the marcom tools most suitable for accomplishing

that objective. The listing of the term “advertising” below includes both its traditional and digital forms. In the case of “sales promotion,” this refers to both trade and consumer sales promotion, unless otherwise noted.

- Facilitate the successful introduction of new brands (brand naming and packaging, advertising, sales promotions, word-of-mouth buzz generation, point-of-purchase [POP] displays, and social media).
- Build sales of existing brands by increasing the frequency of use, the variety of uses, and other quantity purchased (advertising and sales promotions).
- Inform the trade (wholesalers, agents or brokers, and retailers) and consumers about brand improvements (personal selling and trade-oriented sales promotion).
- Create brand awareness (advertising, social media, packaging, and POP messages).
- Enhance a brand’s image (brand naming and packaging, advertising, social media, event sponsorship, cause-oriented marketing, and marketing-oriented public relations [PR]).
- Generate sales leads (advertising and personal selling).

- Persuade the trade to handle the manufacturer's brands (trade-oriented sales promotion and personal selling).
- Stimulate point-of-purchase sales (brand naming and packaging, POP messages, and external store signage).
- Increase customer loyalty (advertising, social media, and sales promotions).
- Improve corporate relations with special interest groups (marketing-oriented PR).
- Offset bad publicity about a brand or generate good publicity (marketing-oriented PR and social media).
- Counter competitors' communications efforts (advertising and sales promotions).
- Provide customers with reasons for buying immediately instead of delaying a purchase (advertising, social media, and sales promotions).

The objectives that marketing communications in its various forms must accomplish are varied. But, regardless of the substance of the objective, there are three major reasons why it is important that objectives be established *prior* to making the all-important implementation decisions regarding message selection, media determination, and how the various marcom elements should be mixed and maintained:<sup>2</sup>

1. *Achieving management consensus:* The process of setting objectives literally forces top marketing executives and marcom personnel to agree on a brand's marcom strategy for a given planning period, as well as the tasks it is to accomplish for a specific brand. As such, objectives provide a formalized expression of management consensus.
2. *Guiding subsequent marcom decisions:* Objective setting guides the budgeting, message, and media aspects of a brand's marcom strategy. Objectives determine how much money should be spent and suggest guidelines for the kinds of message strategy and media choice needed to accomplish a brand's marketing communications objectives.
3. *Providing standards:* Objectives provide standards against which results can be measured. As will be detailed later, good objectives set precise, quantitative yardsticks of what a marcom program hopes to accomplish. Subsequent results can then be compared with these standards to determine whether the effort accomplished what it was intended to do.

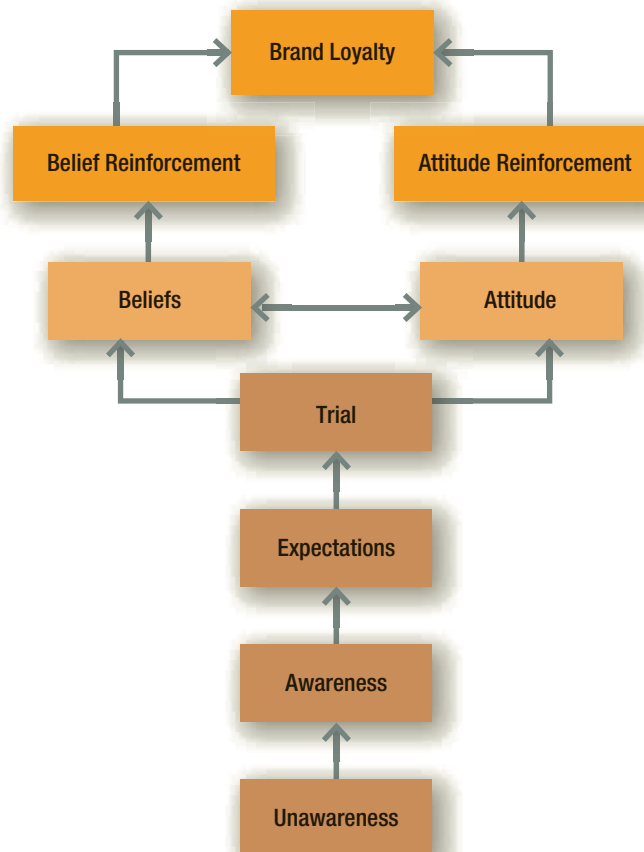
## 8-1b THE HIERARCHY OF MARCOM EFFECTS

A full appreciation of marcom objective setting requires that we first look at the process of communications from the customer's perspective. The general idea of the hierarchy-of-effects model studied in the last chapter is appropriate for accomplishing this understanding. The hierarchy framework reveals that the choice of marcom objective depends on the target audience's degree of experience with the brand prior to commencing a marcom campaign.<sup>3</sup>

Based on the idea of the **hierarchy-of-effects**, marcom elements must advance consumers through a series of psychological stages in order to be successful. A variety of hierarchy models have been formulated, all of which are predicated on the idea that the marcom elements, if successful, move people from an initial state of unawareness about a brand to eventually purchasing that brand.<sup>4</sup> Intermediate stages in the hierarchy represent progressively closer steps to brand purchase. The hierarchy of marcom effects in Figure 8.1 goes a step further by establishing brand loyalty as the top step on the ladder.<sup>5</sup>

**Hierarchy-of-effects** A model predicated on the idea that the marcom elements move people from an initial stage of unawareness about a product/brand to a final stage of purchasing that product/brand.

Figure 8.1 ► Hierarchy of Marcom Effects



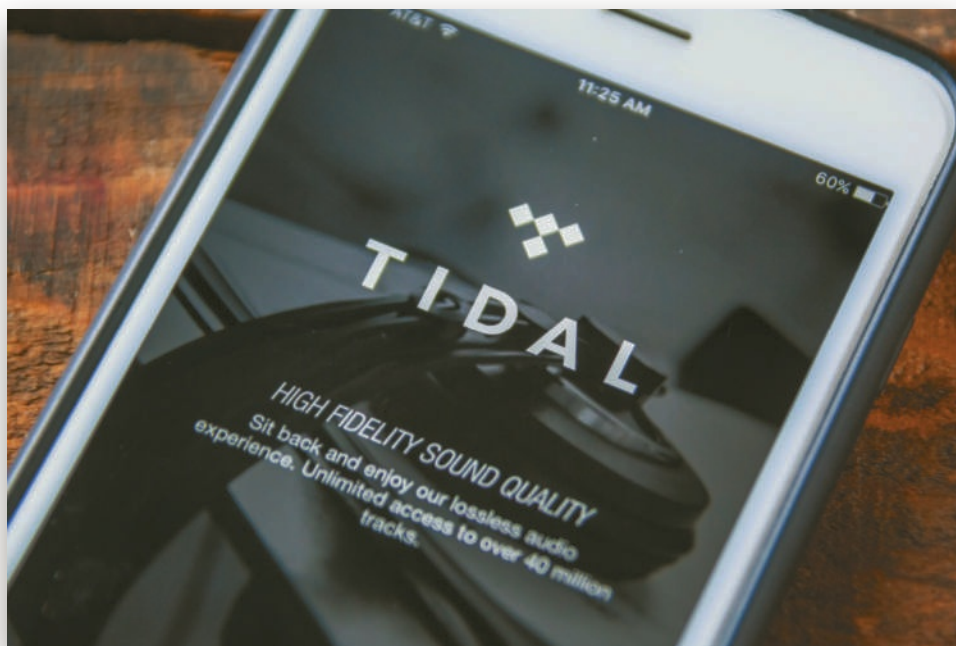
The meaning of each of these stages, or hierarchy steps, is best understood by examining an actual advertisement. Consider the ad in Figure 8.2 for a brand called Pegetables. A quick glance at this ad indicates that this product somehow is related to pets. On closer reading, one can see that the brand name, Pegetables, represents a combination of the *p* in *pet* and the word *vegetables* without the *v*—in other words, vegetables for pets.

### Advancing Consumers from Unawareness to Awareness

When first introduced to the market, consumers were initially unaware of Pegetables' existence and of its special features (many no doubt remain unaware). The initial marcom objective, therefore, is to make consumers with pets aware that there is a product such as Pegetables. In general, creating awareness is essential for new or unestablished brands. Of all the marcom tools, advertising via mass media, social media, etc. generally is the most effective and efficient method for quickly creating brand awareness. Sometimes advertising and public relations agencies place excessive emphasis on building brand awareness by creating extravagant launch events, using controversial celebrities or offbeat ads. For example, the launch of the music-streaming site TIDAL created much awareness, but struggled to move consumers further up the hierarchy toward purchasing the brand and potentially becoming loyal repeat purchasers.

insights  
online

To learn more about how TIDAL created brand awareness but struggled to move up the hierarchy, go to Insights Online in MindTap.



Celebrity Artists at the TIDAL Launch

### Creating an Expectation

Mere brand name awareness generally is insufficient to get people to buy a brand, particularly when consumers already possess a solution to a consumption-related problem or remain unaware that a solution is available. Advertising and other marcom elements should instill in consumers an expectation of what product benefit(s) they will obtain from buying and experiencing a brand based on how the brand has been positioned, as discussed in Chapter 5.

The positioning for Pegetables is a promise to consumers that it is a delicious-tasting and nutritious snack for dogs that is made with real vegetables (see the corn-, carrot-, and celery-shaped items). To the extent consumers develop this expectation, they may undertake trial purchases of Pegetables to learn for themselves (based on whether their pets seem to enjoy the product) whether it lives up to its promise.

### Encouraging Trial Purchases

Sales promotions and advertisements sometimes work together to encourage trial purchases (i.e., a first purchase), often by influencing consumers to switch from brands they currently are purchasing. Because most advertisements can simply hope to entice, enthuse, and whet one's appetite—or, in general, create expectations—a more compelling mechanism is required for generating trial purchases. Sales promotions ideally fit this role for marketing communications. Free samples and coupons are particularly effective devices for getting consumers to try new brands of packaged goods. In the case of expensive durable products, major price discounts and rebate offers are effective in encouraging a form of trial behavior such as test-driving automobiles.

### Forming Beliefs and Attitudes

Upon trying a brand for the first time, the consumer will form beliefs about its performance. With respect to Pegetables, the beliefs may be thoughts such as “My dog really likes these snacks, and, because they are made with real vegetables, they must be good for him.” These beliefs in turn, form the basis for developing an overall attitude toward the brand. Beliefs and attitudes are mutually reinforcing, as illustrated by the double-headed arrow linking these two elements in Figure 8.1. If Pegetables lives up to the pet owner's expectations, the attitude

Figure 8.2 ▶ Advertisement Illustrating Hierarchy of Marcom Effects

**Pegetables™**

**Pegetables** (pěj'tə-bəls) *n.* A nutritious & delicious dog chew treat made with real vegetables.

Pegetables, it's vegetables with a P.

Introducing Pegetables, in three fun flavors, naturally shaped to aid in consumption. Fortified with antioxidants, essential fatty acids, protein, fiber, calcium, vitamins A, B, C, D, and E. Treat your dog to a healthy snack with an irresistible taste!

Available at pet specialty retailers.  
800.697.5085 • [pegetables.com](http://pegetables.com)

**Spintek** *designing health & comfort* RP9906

Pegetables™ products are protected by trademark and trade dress, and are the subject of one or more patent applications.

Courtesy of Pegetables

toward that brand most likely will be positive; however, the attitude can be expected to be somewhat ambivalent or even negative if the brand fails to satisfy the expected benefit that motivated the trial purchase.

### Reinforcing Beliefs and Attitudes

Brand-specific beliefs and attitudes are formed as the *outcome from firsthand product usage experience*. Then, subsequent marketing communications merely serve to reinforce the consumers' beliefs and attitudes that resulted from trying the product. In Figure 8.1, this is referred to as belief reinforcement and attitude reinforcement. The reinforcement objective is accomplished when a marketing communicator sticks with a particular promise and promotes this point repeatedly.

### Accomplishing Brand Loyalty

As long as the brand continues to satisfy expectations and a superior brand is not introduced, the consumer may become a brand-loyal purchaser. (Note, as discussed in Chapter 2, *brand loyalty* is the consumer's commitment to continue using or advocating a brand.) This is the ultimate objective, because as has been mentioned, it is much cheaper to retain present customers than it is to prospect continuously for new ones.<sup>6</sup>

Brand loyalty is the top rung on the hierarchy of marcom effects (see Figure 8.1). Loyalty is not a guaranteed outcome, however. Strong brand loyalty occasionally develops. For example, some consumers always purchase the same brand of cola, toothpaste, shampoo, or even automobile. In many other instances, however, the consumer never forms a strong preference for any brand. Rather, the consumer continually shifts his or her allegiance from one brand to the next, constantly trying, trying, and trying but never developing a strong commitment to any particular brand.

It is interesting to note, however, that the various marcom elements may be in conflict toward the goal of accomplishing brand loyalty. Whereas advertising has the desirable long-run effect of making consumers less price sensitive and more brand loyal, sales promotions (e.g., online coupon offers) can actually reduce loyalty by effectively "training" consumers to be price sensitive and thus inclined to switch among brands to avail themselves of price discounts.<sup>7</sup>

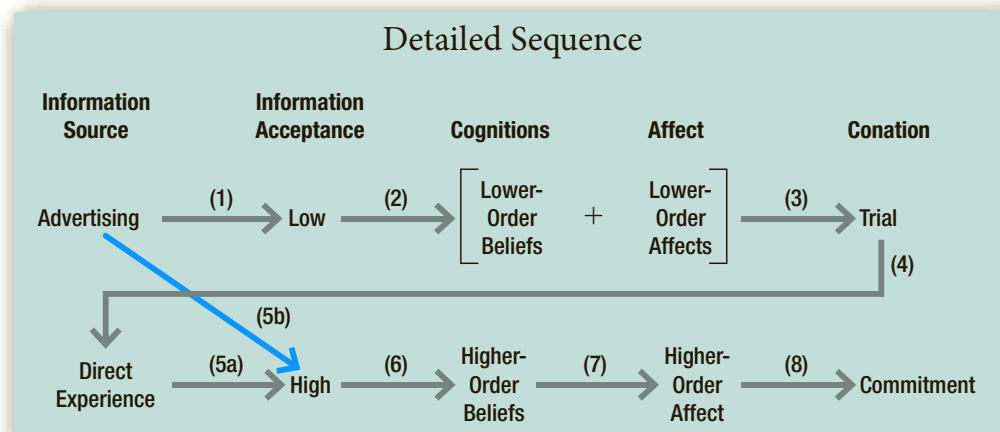
### 8-1c THE INTEGRATED INFORMATION RESPONSE MODEL

The preceding traditional view of the hierarchy of effects has been criticized at times because it suggests a single response pattern (i.e., cognition → affect → conation). However, the pattern in the traditional hierarchy applies only in instances of *high-involvement behavior*, in which the purchase decision is important to the consumer and has significant risks associated with it. A more comprehensive model is needed to capture fully the diversity of purchase decisions and consumer behavior in response to advertising.

Smith and Swinyard's **integrated information response model** (see Figure 8.3) provides this needed comprehensiveness.<sup>8</sup> The model takes its name from the idea that consumers *integrate information* from two sources—advertising and direct product usage experience—in forming attitudes and purchase intentions toward products and brands. Therefore, in Figure 8.3, two *information sources* are available to the consumer: *advertising* and one's own *direct experience* in using the product or brand. *Information acceptance* (due to factors such as source credibility) ranges between low and high levels. Extending from information acceptance are *cognitions*, shown in Figure 8.3 as either lower- or higher-order beliefs. Lower-order beliefs represent the consumer's mere awareness or recognition of the

**Integrated information response model** A model that takes its name from the idea that consumers *integrate information* from two sources—advertising and direct product usage experience—in forming attitudes and purchase intentions toward products and brands.

Figure 8.3 ▶ Integrated Information Response Model





brand and/or claims that it possesses some feature or benefit. For example, after seeing the ad for Pegetables (Figure 8.2), a dog owner may simply take away that the multicolored brand name is a combination of pet and vegetables.

Higher-order beliefs, which result from direct product experience (or under high involvement), represent the consumer's acceptance that a brand does in fact do (or fail to do) what the advertiser has claimed. For example, if you used Pegetables for your pet, you then could experience via your pet the product's nutritious advantages. *Affect* is also shown to be lower- or higher-order. Lower-order affect is a little more than a simple favorable (or unfavorable) disposition about a brand after learning about it, for example, in an advertisement. For instance, one consumer's response to learning about Pegetables might be "That's a great idea! It seems like an easy way to give my pet nutritious vegetables." Higher-order affect, on the other hand, represents the consumer's actual feelings toward the product after using it. For example, "I really believe Pegetables provides the antioxidants, protein, fiber, calcium and vitamins my pet needs!" Finally, *conation* ranges from a one-time trial purchase, as with an inexpensive packaged good, all the way to a commitment to regularly use the product or brand as part of one's lifestyle. Based on this terminology, we now present three response patterns or routes to advertising that are implied by the model.

### Pattern 1: Cognition → Affect → Commitment

The pattern of cognition to affect to commitment is the traditional (high involvement) hierarchy-of-effects model previously described. This is shown in Figure 8.3 by the dashed arrow from advertising to high information acceptance (path 5b) and then, in turn, to higher-order beliefs (path 6), to higher-order affect (path 7), and ultimately to commitment (path 8).

This pattern is applicable when consumers fully accept advertising message claims (under high involvement), form attitudes toward the advertised brand, and become firmly committed to purchasing the advertised product. It is important to note that this *high-involvement* pattern has the potential of impacting higher-order beliefs and affect without trial or direct experience, similar to the central route to persuasion studied in the previous chapter.

### Pattern 2: (Minimal) Cognition → Trial → Affect → Commitment

This sequence from (minimal) cognition to trial to affect to commitment is captured in Figure 8.3 by the flow of solid arrows from advertising to low information acceptance (path 1), on through lower-order beliefs and lower-order affect (path 2), then to trial (path 3), and ultimately to commitment as a function of direct experience and the higher-order beliefs and affect that result (paths 5a through 8).

This response pattern typifies *low-involvement learning*. When consumers are passive learners of information

(as typically the case with most products), higher-order affect results only *after* one has acquired direct (or first-hand) experience using a product. A true attitude (i.e., higher-order affect) typically follows rather than precedes direct product usage experience. Thus actual product usage experience (e.g., dining in a restaurant, drinking a beverage, or using a smartphone) is extremely informative and convincing, whereas merely learning from advertising (under low involvement) about how a product is supposed to taste or perform may be far less revealing.

The initial (minimal) thoughts from a TV commercial (e.g., candy bar's brand name) represent lower-order beliefs and initial impressions represent lower-order affect. This lower-order beliefs and impressions are tentatively held awaiting support or refutation based on actual product usage. First-hand knowledge (e.g., after actual use) will help guide and form higher-order affect and commitment.

### Pattern 3: Cognition → Trial → Trial → Trial . . .

This pattern from cognition to multiple trials is implicit in Figure 8.3 and suggests that in the case of relatively homogeneous product categories there may be no such thing as higher-order affect either before or after direct usage experience. In such instances, consumers simply switch brands consistently and may never form a preference or commitment. This may happen with fellow students who simply purchase soap or shampoo solely on low price or what is available. So in some cases like response pattern 3, long-term commitment or brand loyalty is not assured.

## 8-1d SECTION SUMMARY

It should be apparent from this discussion of marcom's hierarchy of effects that the objective for a brand's marcom program at any point in time depends on where in the hierarchy consumers are located and their relative involvement level in processing the communication. Although individual consumers inevitably will be at different levels of the hierarchy, the issue is one of where most consumers are located. For example, if research reveals that the vast majority of the target audience remains unaware of the brand, then creating awareness is of uppermost importance. If, however, most members of the target audience know of the brand but are unclear what it stands for, then the marcom task becomes one of designing messages that build an expectation capable of motivating consumers to try the brand. Involvement levels of the target market are also important in understanding different response patterns or routes taken in the integrated information response model.

## 8-1e REQUIREMENTS FOR SETTING SUITABLE MARCOM OBJECTIVES

A marcom objective is a specific statement about what a marcom program is intended to accomplish at a point in time. That objective is based on knowledge of where on the hierarchy of effects members of the target audience are located;

knowledge of the current, or anticipated, competitive situation in the product category; and the problems that the brand must confront or the opportunities that are available.

The specific content of a marcom objective depends entirely on the brand's unique situation and current details about competition (e.g., as provided by marketing research). We can, however, describe the requirements that all good objectives must satisfy. Let us start by clarifying that not all objectives are well stated. Consider the following examples:

*Example A: The objective next business quarter for Brand X is to realize increased sales.*

*Example B: The objective next business quarter for Brand X is to increase overall brand awareness from the present level of 60 percent to 80 percent.*

These extreme examples differ in two important respects. First, example B is obviously more specific. Second, whereas example A deals with a sales objective, example B involves a presales goal (increase awareness). The sections that follow describe the specific criteria that good objectives should satisfy.<sup>9</sup> We will return to examples A and B in the process of presenting these criteria, which are listed in Figure 8.4.

### Objectives Should Include a Precise Statement of Who, What, and When

Objectives should be stated in precise terms in moving them toward a goal. At a minimum, objectives should specify the target audience (who), indicate the specific communication stage—such as awareness level—to be accomplished (what), and indicate the relevant time frame over which the objective is to be achieved (when). For example, the marcom campaign for Pegetables (Figure 8.2) might move a general objective (awareness) into a goal with the following examples: (1) “Within four months from the beginning of the advertising campaign, research should show that 25 percent of all dog owners are aware

of the Pegetables name”; (2) “Within six months from the beginning of the campaign, research should show that at least 50 percent of the target audience who now are aware of the Pegetables name know that this brand is a vegetable-based snack treat for dogs”; or (3) “Within one year from the beginning of the campaign, at least 5 million households should have tried Pegetables.”

Returning to the two hypothetical objectives (A versus B), example B represents the desired degree of specificity and, as such, would give brand managers a meaningful goal and benchmark to direct their efforts for assessing whether the marcom campaign has accomplished its objective. Example A, by comparison, is much too general. Suppose sales have actually increased by 2 percent during the course of the campaign. Does this mean the campaign was successful because sales have in fact increased? If not, how much increase is necessary for the campaign to be regarded as a success?

### Objectives Should Be Quantitative and Measurable

This requirement demands that ad objectives be stated in quantitative terms so as to be measurable. A nonmeasurable objective for Pegetables would be a vague statement such as, “Marketing communications should enhance consumers’ knowledge of Pegetables.” This objective lacks measurability because it fails to specify the product benefit of which consumers are to possess knowledge.

### Objectives Should Specify the Amount of Change

In addition to being quantitative and measurable, objectives must specify the amount of change they are intended to accomplish in moving toward goals. Example A (to increase sales) fails to meet this requirement. Example B (to increase awareness from 60 percent to 80 percent) is satisfactory because it clearly specifies that anything less than a 20 percent awareness increase would be considered unsuitable performance.

### Objectives Should Be Realistic

Unrealistic objectives are as useless as having no objective at all. An unrealistic objective is one that cannot be accomplished in the time allotted to the proposed marcom campaign. For example, a brand that has achieved only 15 percent consumer awareness during its first year on the market could not realistically expect a small marcom budget to increase the awareness level to, say, 45 percent next year. Several years ago, the Beecham Company sued their marketing research agency, Yankelovich Clancy Shuman, because Yankelovich’s initial (erroneous) forecast had predicted a share for Delicare (a cold-water wash detergent) to be between 45 percent and 52 percent when in fact it only reached 17 percent.<sup>10</sup> The moral is that although it is essential to have accurate and timely information to guide decisions, it also is important to speak up in meetings when information may not be realistic given

**Figure 8.4** ▶ Criteria That Good Marcom Objectives Should Satisfy

- Include a precise statement of who, what, and when
- Be quantitative and measurable
- Specify the amount of change
- Be realistic
- Be internally consistent
- Be clear and in writing

the environment (e.g., consumer, cultural, competitive, supplier, technological, regulatory, and market situations).

### Objectives Should Be Internally Consistent

Objectives set for a particular element of a marcom program must be compatible (internally consistent) with objectives set for other marcom components. It would be incompatible for a manufacturer to proclaim a 25 percent reduction in sales force while simultaneously stating that the advertising and sales promotion objective is to increase retail distribution by 20 percent. Without adequate sales force effort, it is doubtful that the retail trade would give a brand more shelf space.

### Objectives Should Be Clear and in Writing

For objectives to accomplish their purposes of fostering communication and permitting evaluation, they must be stated clearly and in writing so that they can be disseminated to marcom personnel who will be held responsible for seeing that the objectives are accomplished.

## 8-1f SHOULD MARCOM OBJECTIVES BE STATED IN TERMS OF SALES?

We can broadly distinguish two types of marcom objectives: sales versus pre-sales objectives. *Pre-sales objectives* are commonly referred to as *communication objectives*, with the term *communication* focused on effects that will increase the target audience's brand awareness, enhance their attitudes toward the brand, shift their preference from competitors' brands to our brand, and so on. Comparatively, using *sales* as the goal for a particular advertising campaign means that the marcom objective literally is to increase sales by a specified amount. Marcom practitioners and educators have traditionally rejected the use of sales as an appropriate objective. However, a relatively recent perspective asserts that influencing sales should *always* be considered as the ultimate objective of any marcom effort. The following discussion first presents the traditional view on this matter (favoring a pre-sales, or communications, objective) and then introduces the "heretical" (opposite) position (preferring a sales objective).

### The Traditional View

This view asserts that using sales as the objective for a branded product's marcom effort is unsuitable for two major reasons. First, a brand's sales volume during any given period is the consequence of a host of factors in addition to advertising, sales promotions, and other elements of the marcom program. These include the prevailing economic climate, competitive activity, and all the marketing mix variables used by a brand—its price level, product quality, distribution strategy, and so forth. It is virtually impossible, according to the traditional view, to determine precisely the role advertising or other marcom

elements have had in influencing sales in a given period, because marketing communications is *just one of many possible determinants* of a brand's sales volume.

A second reason that sales response is claimed to represent an unsuitable marcom objective is that marcom's effect on sales is typically delayed, or *lagged*. For example, advertising during any given period does not necessarily influence sales in the current period but may influence sales during later periods. On the one hand, advertising for a particular automobile model this year may have a limited effect on some consumers' purchasing behavior because these consumers are not presently in the market for a new automobile. On the other hand, this year's advertising can influence consumers to select the advertised model next year when they *are* in the market.

Advocates of the traditional view thus argue that it is misguided to use sales as the goal for a particular marcom effort. Their view is that it is idealistic to set sales as the objective because marcom's exact impact on sales cannot be accurately assessed.

### The Heretical (Opposite) View

Conversely, some marcom authorities argue that marketing communicators should always state objectives in terms of sales or market share gains and that failure to do so is shortsighted. The logic of this nontraditional, or heretical, view is that marcom's basic purpose is not just only to create brand awareness, convey copy points, influence expectations, or enhance attitudes but also ultimately to affect behavior (e.g., generate sales). Thus according to this position, it is always possible to measure, if only vaguely and imprecisely, marcom's effect on sales. Pre-sales, or communication, objectives such as increases in brand awareness are claimed to be "precisely wrong," in contrast to sales measures that are asserted to be "vaguely right."<sup>11</sup> These positions are depicted in Figure 8.5. Basically, an argument can be made that a sales objective ultimately is the right objective. However, communication objectives (e.g., awareness, comprehension) are more accurately measured, as sales can be a function of many factors. The impact of advertising on sales is more vaguely measured.

**Figure 8.5** ▶ The Logic of Vaguely Right Versus Precisely Wrong Thinking

OBJECTIVE-SETTING ISSUE	ALTERNATIVE POSSIBILITIES
<ul style="list-style-type: none"> <li>Choice of Objective</li> </ul>	<ul style="list-style-type: none"> <li>Chosen Objective Is Right or Wrong</li> </ul>
<ul style="list-style-type: none"> <li>Accuracy of Measurement</li> </ul>	<ul style="list-style-type: none"> <li>Accuracy Is Precise or Vague (i.e., Imprecise)</li> </ul>

### An Accountability Perspective (A Synthesis)

There is no simple resolution as to whether the traditional or heretical view is more correct. However, there are some situations in which sales (direct) objectives may be more appropriate, including weekly advertising by retailers, direct response or online advertising (e.g., online ads linked with purchase behavior), sales promotion advertising (e.g., free-standing inserts with coupon bar codes), and business-to-business advertising (e.g., with fewer customers than with consumer advertising).

One thing is certain, however, companies, their chief executives, and financial officers are increasingly demanding greater *accountability* from marcom programs. Increasing pressure has been placed on agencies to develop campaigns that produce bottom-line results—increases in sales, in market share, and higher returns on investment (ROI). Although it is difficult to measure the precise effect marketing communications have on sales, in a climate of increased demands for accountability, it is important that advertisers and other marketing communicators measure, as best they can, whether the marketing communications program during a particular financial period has increased a brand's sales, market share, and ROI.

Importantly, this is *not* to say that efforts should not also be made to assess whether marcom affects pre-sales goals such as improving brand awareness, driving home copy points, and augmenting attitudes and intentions. The point, instead, is that the measurement of effects should *not stop* with these measures. Awareness, for example, is a suitable substitute for sales only if there is a direct impact of enhanced awareness levels on increased sales. This, unfortunately, is rarely the case. A marcom campaign may increase brand awareness by a substantial amount, but have limited impact on sales (as found with the TIDAL music streaming launch discussed in *Insight Online* in MindTap). As such, brand managers should not permit agencies to mislead them into thinking that a campaign has been successful just because brand exposure (e.g., with GRPs) or awareness has improved.

## 8-2 Marcom Budgeting

Establishing a budget is, in many respects, one of the most important marcom decisions. Budgeting is a critical decision as marcom endeavors such as advertising can be very expensive. Moreover, the implications of spending too little or too much are considerable. If too little is invested in marketing communications, sales volume will not achieve its potential and profits may be lost. If too much is spent, unnecessary expenses can reduce profits.

insights  
online

To learn more about the substantial investment in marketing communications and the spending of the top 25 global marketers, go to Insights Online in MindTap.



Plush Studios/Photodisc/Getty Images

Of course, the dilemma brand managers face is determining what spending level is “too little” or how much is “too much.” As with most marketing and business decisions, the “devil is in the doing!” Budgeting is not only one of the most important marcom decisions but also it is one of the most complicated. This challenge will be demonstrated in the following discussion of how—in theory—advertising budgets should be set if the objective is to maximize profits.

### 8-2a BUDGETING IN THEORY

Budgeting for advertising or other marcom elements is, in theory, a simple process, provided one accepts the idea that the best (optimal) level of any investment is the level that *maximizes profits*. This assumption leads to a simple rule for establishing advertising budgets: *Continue to invest in advertising as long as the marginal revenue from that investment exceeds the marginal cost.*

Some elaboration is needed on this rule. From the field of economics, marginal revenue (MR) and marginal cost (MC) are the *changes* in the total revenue and total cost, respectively, that result from a change in a business factor (such as advertising) that affects the levels of total revenue and cost. Profits are maximized at the point where  $MR = MC$ . At any investment level below this point (where  $MR > MC$ ), profits are not maximized, because at a higher level of advertising investment more profit remains to be earned. Similarly, at any level above this point (where  $MC > MR$ ), there is a marginal loss. In practical terms, this means that advertisers should continue to increase their advertising investments as long as every dollar of investment yields more than a dollar in revenue.

For marcom managers, setting the advertising budget is a matter of answering a series of *if-then* questions—*if* \$X are invested in advertising, *then* what amount of revenue will be generated? Because budgets are set before the actual observance of how sales respond to advertising, this requires that the if-then questions be answered *before the fact*. But this is where the complications begin. To employ the profit-maximization rule for budget setting, a marcom manager must know the *sales-to-advertising response function* for every brand for which a budgeting decision will be made. Because such knowledge is rarely available, theoretical (profit-maximization) budget setting is an ideal that can be difficult to apply precisely in the real world of advertising decision making. To appreciate this point fully, we will use the concept of a sales-to-advertising (S-to-A) response function.

The **sales-to-advertising response function** refers to the relationship between money invested in advertising and the response (output), of that investment in terms of sales revenue generated. As with any mathematical function, the S-to-A function maps the relationship between an “output” (e.g., sales revenue) to each meaningful level of an “input” (e.g., advertising expenditures). Table 8.1 demonstrates a hypothetical S-to-A response function by listing a series of advertising expenditures (“costs”) and the corresponding sales revenue yielded at each ad-expenditure level. Marginal costs, revenues, and profits also are presented (columns C through E).

Suppose our marcom manager is contemplating spending anywhere between \$1,000,000 and \$5,000,000 in advertising a brand during a particular period. Column A in Table 8.1 lists a range of possible advertising expenditures that increase in \$500,000 increments starting at

**Sales-to-advertising response function**

The relationship between money invested in advertising and the response, or output, of that investment in terms of sales revenue generated.

\$1,000,000 and ending at \$5,000,000. Column B presents the levels of sales revenue predicted in response to advertising. If you were to graph the relation between columns A and B, you would see that sales respond slowly to advertising until ad expenditures increase above \$2,000,000, at which point sales revenue jumps considerably, especially at \$3,000,000 invested in advertising.

Thereafter, sales response to advertising tapers off substantially. It is easy to determine the level of marginal profit by simply subtracting the marginal cost at each level of advertising from the corresponding marginal revenue. The point of profit maximization is realized at an advertising investment of \$4,000,000 where  $MR = MC = \$500,000$ . Any ad investment below that amount continues to yield marginal profit, whereas any investment above \$4,000,000 results in a marginal loss. Thus, as previously noted, profits are maximized at the point where  $MR = MC$ .

If in fact marcom managers could accurately estimate the S-to-A response function (columns A and B in Table 8.1), then setting the advertising budget to maximize profits would be an easy exercise. However, because the S-to-A response function is influenced by a *multitude of factors* (e.g., advertising creativity, competition, other marketing mix elements, the economy), and not solely by the amount of advertising investment, it is difficult to know with exact certainty what amount of sales a particular level of advertising expenditure will generate, unless the other elements are accounted for or held constant. For example, the relationship between advertising and firm value is stronger for firms with points of difference than for cost leaders.<sup>12</sup> Thus, overall, applying profit-maximization budgeting requires information that may not always be available.

**Table 8.1** ▶ Hypothetical Sales-to-Advertising Response Function

(A) ADVERTISING EXPENDITURES (\$)	(B) SALES REVENUE RESPONSE (\$)	(C) MARGINAL COST (\$)	(D) MARGINAL REVENUE (\$)	(E) MARGINAL PROFIT (MR – MC)
1,000,000	5,000,000	NA	NA	NA
1,500,000	5,750,000	500,000	750,000	250,000
2,000,000	6,500,000	500,000	750,000	250,000
2,500,000	7,500,000	500,000	1,000,000	500,000
3,000,000	10,000,000	500,000	2,500,000	2,000,000
3,500,000	10,600,000	500,000	600,000	100,000
4,000,000	11,100,000	500,000	500,000	0
4,500,000	11,500,000	500,000	400,000	–100,000
5,000,000	11,800,000	500,000	300,000	–200,000

## 8-2b BUDGETING IN PRACTICE

Given the difficulty of accurately predicting sales response to advertising, companies typically set budgets by using judgment, applying experience with analogous situations, and using rules of thumb, or *heuristics*.<sup>13</sup> Although criticized because they do not provide a basis for advertising budget setting that is directly related to the profitability of the advertised brand, these heuristics continue to be widely used.<sup>14</sup> The practical budgeting methods most frequently used by both B2B companies and consumer goods firms in the United States, Europe, and even in China are the percentage-of-sales, objective-and-task, competitive parity, and affordability methods.<sup>15</sup>

### Percentage-of-Sales Budgeting

In using the **percentage-of-sales method**, a company sets a brand's advertising budget by simply establishing the budget as a fixed percentage of *past* (e.g., last year's) or *anticipated* (e.g., next year's) sales volume. Assume, for example, that a company has traditionally allocated 3 percent of anticipated sales to advertising and that the company projects next year's sales for a particular brand to be \$100,000,000. Its advertising budget would thus be set at \$3,000,000.

A survey of the top 100 consumer goods advertisers in the United States found that slightly more than 50 percent employ the percentage-of-anticipated-sales method and 20 percent use the percentage-of-past-sales method.<sup>16</sup> This is expected, because budget setting should logically correspond to what a company expects to do in the future rather than being based on what it accomplished in the past.

What percentage of sales revenue do most companies devote to advertising? Actually, the percentage is highly variable. For example, among approximately 200 different types of products and services, the highest percentage of sales devoted to advertising in a recent year was the transportation services industry, which invested 29 percent of sales to advertising. Some other categories with double-digit advertising-to-sales ratios were mailing, reproduction, and commercial art services (22.4 percent); perfume, cosmetic, and toilet preparation (21.2 percent); books: publishing and printing (18.1 percent); medicinal chemicals and botanical products (15.8 percent); and distilled and blended liquor (13.0 percent). Most product categories average less than 5 percent advertising-to-sales ratios. In fact, the average advertising-to-sales ratio across nearly 200 categories of B2C and B2B products and services was *3.42 percent*.<sup>17</sup>

**Criticism of Percentage-of-Sales Budgeting** The percentage-of-sales method is frequently criticized as being illogical. Critics argue that the method reverses the logical relationship between sales and advertising. That

**Percentage-of-sales method** A company sets a brand's advertising budget by simply establishing the budget as a fixed percentage of *past* (e.g., last year's) or *anticipated* (e.g., next year's) sales volume. See also **Objective-and-task method**.

**Objective-and-task method** The most sensible and defensible advertising budgeting method where advertising planners specify clear objectives for the advertising, identify the tasks the advertising must perform to reach these objectives, and then set the budget accordingly. See also **Percentage-of-sales method**.

is, the true ordering between advertising and sales is that advertising *causes* sales, meaning that the level of sales is a function of advertising:  $Sales = f(Advertising)$ . So, implementing the percentage-of-sales method amounts to reversing the causal order by setting advertising as a function of sales:  $Advertising = f(Sales)$ .

By this logic and method, when sales are anticipated to increase, the advertising budget also increases; when sales are expected to decline, the budget is reduced. Applying the percentage-of-sales method can lead many firms to reduce advertising budgets during economic downswings. However, rather than decreasing the amount of advertising, it may be wiser during these times to increase advertising to prevent further sales erosion. When used blindly, the percentage-of-sales method is little more than an arbitrary and simplistic rule of thumb substituted for what needs to be a sound business judgment.

In practice, most sophisticated marketers do not use percentage of sales as the sole budgeting method. Instead, they may employ the method as an initial pass, or first cut, for determining the budget and then alter the budget forecast depending on the objectives and tasks to be accomplished, the amount of competitive ad spending, and the availability of funds.

### The Objective-and-Task Budgeting Method

The **objective-and-task method** is generally regarded as the most sensible and defensible advertising budgeting method. In using this method, advertising planners specify clear objectives for the advertising, identify the tasks the advertising must perform to reach these objectives, and then set the budget accordingly. The role is typically identified in terms of a communication objective (e.g., increase brand awareness by 20 percent), but could be stated in terms of expected sales volume or market share (e.g., increase market share from 15 to 20 percent).

The objective-and-task method is the advertising budget procedure used most frequently by both B2C and B2B companies. Surveys have shown that over 60 percent of consumer goods companies and 70 percent of B2B companies use this budgeting method.<sup>18</sup> The following steps are involved when applying the objective-and-task method.<sup>19</sup>

1. The first step is to establish specific *marketing objectives* that need to be accomplished, such as sales volume, market share, and profit contribution.

Consider the marketing and advertising challenge in the United States that faced Volkswagen (VW) in 2015. Although this once-vaunted automobile company had achieved huge success in the 1960s and 1970s with its VW Beetle, they were embroiled in a diesel car emission test scandal that

affected an estimated 11 million diesel cars globally, recall costs of \$10 billion, and U.S. EPA fines that could reach \$18 billion.<sup>20</sup> After offering an apology and incentives on new cars, VW launched a nostalgic European ad campaign entitled, “Then Now Always” from DDB Berlin that featured a boy growing up in VW cars over a 40-year period. In the United Kingdom, two marketing objectives for the campaign were to help increase sales to the level before the campaign, as they had slumped by 13.8% in 2015 and the same for market share that had dropped to 7.1% from 8.49%.<sup>21</sup>



Source: Volkswagen

2. The second step in implementing the objective-and-task method is to assess the *communication functions* that must be performed to accomplish the overall marketing objectives.

In order to restore their sales and market share, VW had to first concentrate on restoring its image that had been tarnished by the scandal. So one important communications goal was to significantly increase their brand index score (i.e., YouGov’s BrandIndex—a measure of quality, value and reputation) as it ranked at the very bottom of 35 car brands in November 2015.

3. The third step is to *determine advertising’s role in the total communication mix* in performing the functions established in step 2.

Given the nature of its products and communication objectives, VW’s campaign focused on 60-second television spots, print ads, and online media. It initially rolled out in the United Kingdom, Spain, and Portugal, with the rest of Europe to receive ads throughout 2016.

4. The fourth step is to establish specific advertising goals in terms of the levels of *measurable communication response* required to achieve marketing objectives.

VW sought to significantly increase not only their brand index score (from 35th), but also their unit sales (and associated market share) to prescandal levels. These objectives are specific, quantitative, and measurable.

5. The final step is to *establish the budget* based on estimates of expenditures required to accomplish the advertising goals.

Although the exact amount spent on the “Then Now Always” campaign was not released, VW spent over \$3.1 billion in advertising globally as noted in the *Insight Online: Global Focus* presented in MindTap. There were initial signs that the brand was beginning to recover, as the YouGov Brand

Index had increased by a statistically significant 8.6 points in three months and they moved up to 18th out of 35 car brands ranked. Since the campaign is continuing at the time of this writing, it will be interesting to see if unit sales and market share also increase significantly to levels before the scandal.

In sum, the objective-and-task method of advertising budgeting is aptly named in that it is based on first establishing a clear *objective* that advertising (or another marcom element) is designed to accomplish, and then identifying the *tasks* that advertising must perform in order to achieve the designated objective. The overall advertising budget can then be determined by calculating the amount of money needed to accomplish the identified tasks. This is a more systematic process than applying a simple formula (e.g., percentage of sales) or using more arbitrary techniques.

### Budgeting via the Competitive Parity Method

The **competitive parity method** sets the budget by examining what competitors are doing. A company may learn that its primary competitor is devoting 10 percent of sales to advertising and then adjust its percentage of advertising for its own brand. Armed with information on competitors’ spending, a company may decide not merely to match but also to exceed the expenditures that competitors are committing to advertising. This is precisely what Geico did (see *Marcom Insight* at beginning of chapter) when it decided to vastly outspend its competitors in the auto insurance industry in order to attract new users and build market share. Interestingly, research has shown that companies that spend heavily on advertising can signal to customers that their brands are of high quality.<sup>22</sup>

The importance of paying attention to what competitors are spending on advertising (or on any other marcom element) cannot be

**Competitive parity method** A budgeting method that sets the advertising budget by examining what competitors are doing. Also called the *match-competitors method*.

overemphasized. For example, the **share of market (SOM)** and **share of voice (SOV)** metrics, and their relationships, are important competitive tools. These measures relate to a single-product category and consider each brand's revenues and advertising expenditures during, say, a fiscal year compared to the total sales revenues and ad expenditures in the category. The ratio of

**Share of market (SOM)** The ratio of a brand's revenue to total category revenue.

**Share of voice (SOV)** The ratio of a brand's advertising expenditures to total category advertising expenditures.

one brand's sales revenue to total category revenue is that brand's SOM. Similarly, the ratio of a brand's advertising expenditures (its "ad spend") to total category advertising expenditures is that brand's SOV.

SOV and SOM generally are correlated: Brands having larger SOVs also generally realize larger SOMs. For example, Tables 8.2 and 8.3 list

the advertising expenditures, the SOVs, and the SOMs for the top-5 wireless phone brands (see Table 8.2) and the top-5 beer brands (see Table 8.3) in one recent year. The correlation between the shares of market and voice for these brands is apparent; that is, brands with larger shares of market typically have larger shares of voice. This does not mean, however, that SOV causes SOM. In fact, the relationship between SOV and SOM is bidirectional: A brand's SOV is partially responsible for its SOM. At the same time, brands with larger SOMs can afford to achieve higher SOVs, whereas smaller-share brands are limited to relatively small SOVs.

The SOM-SOV relationship is a jousting match of sorts between competitors. If large market share brands reduce their SOVs to levels that are too low, they are vulnerable to losing market share to aggressive competitors (such as T-Mobile in Table 8.2). Conversely, if competitors with relatively small market shares (such as Heineken in

Table 8.3) become too aggressive, the leading marketers (Anheuser-Busch and MillerCoors) may be forced to increase their advertising expenditures to offset the challenge.

**Table 8.2** ▶ Advertising Spend, SOV, and SOM for Top-5 Wireless Phone Providers

CARRIER	AD SPEND (IN \$ MILLION)	SOV	SOM
AT&T	\$1,200	22.15%	29.2%
Verizon	1,040	19.15	32.6
Sprint	908	16.72	13.6
T-Mobile	845	15.56	12.5
TracFone Wireless	166	3.06	8.8
Top 5	4,159	76.59	96.7
Industry totals	\$5,431	100.00%	100.00%

Note: SOV and SOM do not sum to 100, because the data include just the top-5 wireless phone providers. Column totals may not reflect rounding.  
Source: Reprinted with permission from the July 13, 2015 edition of *Advertising Age* (p. 30). Copyright, Crain Communications Inc., 2015.

**Table 8.3** ▶ Advertising Spend, SOV, and SOM for Top-5 Beer Marketers

MARKETER	AD SPEND (IN \$ MILLION)	SOV	SOM
Anheuser-Busch (InBev)	\$539	38.56%	44.7%
MillerCoors (SAB Miller)	417	29.8	26.0
Constellation Brands	171	12.2	6.7
Heineken	150	10.7	3.9
Pabst Brewing Co.	3	0.22	2.5
Top 5	1,280	91.48	83.8
Industry totals	\$1,398	100.00%	100.00%

Note: SOV and SOM do not sum to 100, because the data include just the top-5 beer marketers. Column totals may not reflect rounding.  
Source: Reprinted with permission from the July 13, 2015 edition of *Advertising Age* (p. 28). Copyright, Crain Communications Inc., 2015.

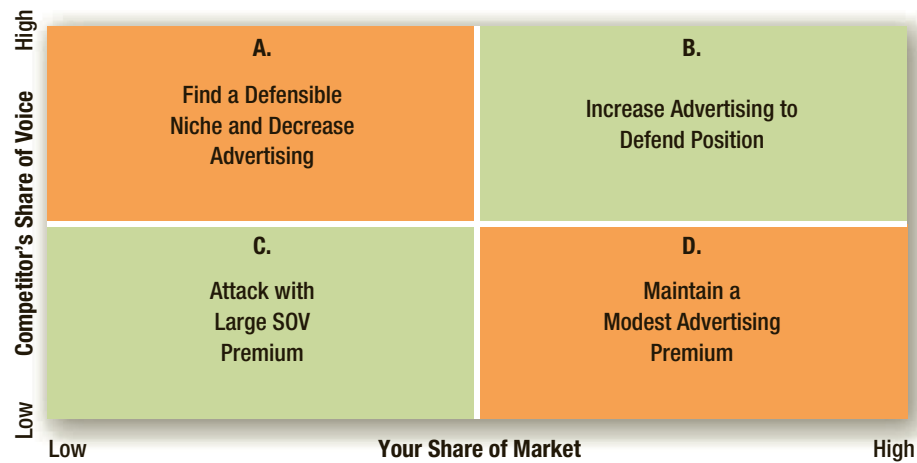
#### Four General SOM/SOV Situations

Figure 8.6 provides a framework for evaluating whether a brand should increase or decrease its advertising expenditures in view of its share of market (horizontal axis) and of the competitor's share of voice (vertical axis).<sup>23</sup> Although numerous possible relations are in this two-dimensional space, we can simplify the discussion by considering just four general situations, which in Figure 8.6 are the quadrants, or cells, labeled A, B, C, and D. Advertising budgeting implications for each situation are as follows:

- **Cell A:** In this situation, your company's SOM is relatively low and your competitor's SOV is



**Figure 8.6** ▶ The SOV Effect and Ad Spending Implications



Source: James C. Schoer, "Ad Spending: Growing Market Share," *Harvard Business Review* (January–February 1990): 48. Reprinted by permission of Harvard Business Review, © 1990 by the Harvard Business School Publishing Corporation; All rights reserved.

relatively high. Constellation Brands (Corona, Pacifico, Modelo) in Table 8.3 exemplifies this situation when compared with Anheuser-Busch and MillerCoors. The recommendation is that the advertiser should be careful in going head-to-head with large SOV brands and find a niche that can be defended against other small-share brands.

- **Cell B:** Your SOM in this situation is relatively high and your competitor has a high SOV. This characterizes Anheuser-Busch in Table 8.3 vis-à-vis MillerCoors. Anheuser-Busch probably should increase its advertising expenditures to defend its present market share position. Failure to do so likely would result in a share loss to these aggressive competitors. Interestingly, both have lost share recently.
- **Cell C:** In this situation, your SOM is low and your competitor's SOV also is low. Sprint and T-Mobile in Table 8.2 appear to occupy such a relationship. The general recommendation in such a situation is to attack the low-SOV competitor aggressively with a *large SOV premium* vis-à-vis that competitor. This appears to be the tact that Sprint has taken by spending more than that of T-Mobile, although T-Mobile is catching up. In other words, this is a good opportunity to wrest market share from a competitor.
- **Cell D:** In this situation, you have the attractive position of holding a high market share, but your competitor is nonaggressive and has a relatively low SOV. Hence, it is possible for you to retain your present large share by *maintaining only a*

*modest advertising spending premium* over your competitor.

These are guidelines for determining a brand's advertising budget rather than hard-and-fast rules. The general point to stress is that advertising budgets—as well as budgets for all other marcom elements—must be set with knowledge of what competitors are doing.<sup>24</sup>

### The Role of Competitive Interference

It is important to set advertising budgets with an eye to consumer recall of advertising from competitive brands, a situation of

potential *competitive interference*. If "your" brand were the only one advertising in a particular product category, it probably could get by with a substantially smaller ad budget. Merely increasing advertising expenditures does *not* guarantee a substantial impact on augmenting a brand's sales volume.<sup>25</sup>

There are reasons to expect that established brands are less susceptible to the interference from competitive advertising than are less established and relatively unfamiliar brands. This explains why established brands' SOMs tend to exceed their advertising SOVs, whereas unestablished brands' SOVs often exceed their SOMs.<sup>26</sup> Unfamiliar brands that compete in an environment of advertising clutter are at a competitive disadvantage in conveying their points of uniqueness vis-à-vis established brands, although even established brands suffer from the effects of competitive interference.<sup>27</sup> It follows that because relatively small-share brands are disadvantaged by competitive advertising, they need to avoid heavily cluttered, traditional and social media and perhaps turn to alternative marcom tools—such as using event marketing, viral marketing and other buzz-generating methods, or any of a number of nontraditional (alternative) advertising media.

Overcoming competitive interference is not just a matter of spending more but rather one of *spending more wisely*. A psychological theory called the *encoding variability hypothesis* explains how advertisers can be smarter spenders.<sup>28</sup> (The term *encoding* refers to transferring information into memory.) The encoding variability hypothesis contends that people's memory for information is enhanced when multiple *pathways*, or connections, are created between the object to be remembered and the

information about that object. For advertising, this can include (1) varying the advertising *message* itself and (2) varying the advertising *media* in which the message is placed.

### Budgeting via the Affordability Method

In the so-called **affordability method**, a firm spends on advertising only those funds that remain after budgeting for everything else. In effect, when this “method” is used, advertising, along with other marcom elements, is relegated to a position of comparative insignificance (vis-à-vis other investment options) and is implicitly considered relatively unimportant to a brand’s present success and future growth. Sometimes, marcom funds are in short supply due to extreme sales slowdowns. At such times, product and brand managers behave rationally when severely cutting back on their advertising spending or other marcom investments. Yet in many

**Affordability method** An advertising budgeting method that sets the budget by spending on advertising those funds that remain after budgeting for everything else.

competitive marketing situations, it is a good idea that marcom personnel fight the tendency of financial planners to treat marcom expenditures as an unnecessary evil or “cost.” The challenge is for brand managers to demonstrate that advertising and other marcom initiatives do, in fact, produce results.

### 8-2c SECTION SUMMARY

Most advertising budget setters combine two or more methods rather than depending exclusively on any one heuristic. For example, an advertiser may have a fixed percentage-of-sales figure in mind when starting the budgeting process, but subsequently adjusts this figure in light of objectives and tasks, anticipated competitive activity, funds availability, and other considerations. Moreover, brand managers often find it necessary to adjust their budgets during the course of a year, keeping expenditures in line with changing conditions in the marketplace.

# Summary

This chapter detailed marcom objective setting and budgeting. Advertising objective setting depends on the pattern of consumer behavior and information that is involved in the particular product category. Toward this end, an introductory section presented a hierarchy-of-effect model of how consumers respond to marcom messages and discussed the implications for setting objectives. The integrated information response model was discussed, demonstrating how consumer involvement levels dictate whether one relies more on advertising information (under high involvement) or their own product trial experience in processing advertising (under low involvement). Requirements for developing effective objectives were discussed. A final section described the arguments both promoting and opposing the use of sales volume as the basis for setting objectives.

The chapter concluded with an explanation of the marcom budgeting process. The budgeting decision is one of the most important decisions and also one of the most difficult. The complication arises with the difficulty of determining the sales-to-advertising response function. In theory, budget setting is a simple matter, but the information on theoretical requirements can be difficult to obtain in practice. For this reason, practitioners use various rules of thumb (heuristics) to assist them in arriving at satisfactory, if not optimal, budgeting decisions. Objective-and-task and percentage-of-sales budgeting methods are the dominant budgeting heuristics, although maintaining competitive parity and not exceeding funds' availability are other relevant considerations when setting budgets.

## Discussion Questions

1. It can be argued that creating an expectation is the most important function many advertisements and other marcom messages perform. Provide examples of two online advertisements or YouTube videos that illustrate advertisers' attempts to create expectations. Offer explanations of what expectations the advertisers are attempting to forge in their audiences' minds.
2. Chapter 5 was devoted to the topic of marcom segmentation, targeting, and positioning. Offer an explanation of the similarity between the concepts of positioning and creating expectations.
3. Apply the hierarchy of marcom effects framework (see Figure 8.1) to explain the evolution of a relationship between two people, beginning with dating and culminating in a wedding.
4. Repeat question 3, but use a relatively obscure brand as the basis for your application of Figure 8.1. Along the lines of the Pegetables illustration (see Figure 8.2), identify a relatively unknown brand and explain how marcom efforts must attempt to move prospective customers through the various hierarchy stages.
5. Interview several other students on a recent purchase of theirs or use of a smartphone app. Applying the principles of the integrated information response model (see Figure 8.3), which response pattern did they use—high involvement, low involvement, or continual switching?
6. What reasons can you give for certain industries investing considerably larger proportions of their sales in advertising than other industries?
7. Compare the difference between precisely wrong and vaguely right advertising objectives. Give an example of each.
8. Some critics contend that the use of the percentage-of-sales budgeting technique is illogical. Explain.
9. Explain how an advertising budget setter could use two or more budgeting heuristics in conjunction with one another.
10. In your own words, explain why it is extremely difficult to estimate sales-to-advertising response functions.
11. Established brands' shares of market tend to exceed their advertising shares of voice, whereas unestablished brands' SOVs often exceed their SOMs. Using the concept of competitive interference as your point of departure, explain these relationships.
12. Construct a picture to represent your understanding of how the encoding variability hypothesis applies in an advertising context. Use an actual brand for illustration purposes.



## The Practice and Environment of Integrated Marketing Communications (IMC)

- 1 An Overview of Integrated Marketing Communications
- 2 Enhancing Brand Equity and Accountability
- 3 Brand Adoption, Brand Naming, and Intellectual Property Issues
- 4 Environmental, Regulatory, and Ethical Issues

## Fundamental IMC Planning and Decisions

- 5 Segmentation, Targeting, and Positioning
- 6 The Communications Process and Consumer Behavior
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- 8 IMC Objective Setting and Budgeting

## Advertising Management and Media Choices

- 9 Overview of Advertising Management
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# Part 3

## Advertising Management and Media Choices

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**P**art 3 includes nine chapters that examine advertising management, traditional media, and digital media choices (e.g., mobile advertising, app advertising, social media). *Chapter 9* presents the role and importance of advertising and functions that it performs. The advertising management process and role of advertising agencies are then provided.

*Chapter 10* describes the creative aspects of the ad management process, including the creative brief, alternative creative styles, means-end chaining, and ad strategy.

*Chapter 11* examines the role of endorsers in advertising (“source effects”) and different message appeals in advertising. Coverage includes how endorser credibility, attractiveness, and power operate, as well as how message appeals to fear, humor, music, etc. work.

*Chapter 12* provides an analysis of traditional advertising media with attention to evaluating the unique characteristics, recent changes, and strengths/weaknesses of four major media: newspapers, magazines, radio, and television.

*Chapter 13* discusses the use of digital media, including online, mobile, and app advertising. The online ad process and different forms of advertising

online are detailed, as well as the dramatic growth of mobile video advertising. The chapter concludes with a discussion of privacy, online behavioral targeting, and metrics for online ad effectiveness.

*Chapter 14* describes many of the major social media brands (e.g., Facebook, Twitter, Instagram, Snapchat) with special attention paid to Facebook and Twitter social networks. Advantages and disadvantages of social media are discussed, followed by the presentation of 20 of some of the best social media campaigns of all time. The chapter concludes with recent consumer trends and issues in social media (e.g., privacy, addiction) and measurement choices.

*Chapter 15* covers the nature of direct marketing, direct (response) advertising, customer relationship management (CRM), and “other” advertising media, such as yellow-pages advertising, videogame advertising, augmented and virtual reality, brand placements in movies and other media, cinema advertising, and other alternative media. The chapter describes where direct response advertising fits into overall direct marketing strategies.

*Chapter 16* describes four media planning and analysis topics: target audience selection, objective specification (e.g., reach, frequency, gross rating points (GRPs)), cost considerations (e.g., cost-per-thousand (CPM)), media-vehicle selection, and media-buying activities.

*Chapter 17* presents the many different techniques to assess ad message effectiveness, discussing industry standards for message research, and the types of information a brand management team and its ad agency desire.

# Overview of Advertising Management

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Understand the magnitude of advertising and the percentage of sales revenue companies invest in this marcom tool.
- 2 Appreciate that advertising can be extraordinarily effective, but that there is risk and uncertainty when investing in this practice.
- 3 Discuss advertising's effect on the economy, including resolving the advertising = market power and advertising = information viewpoints.
- 4 Recognize the different functions that advertising performs.
- 5 Explore the advertising management process from the perspective of clients and their agencies.
- 6 Understand the functions agencies perform and how they are compensated.
- 7 Explore the issue of when investing in advertising is warranted and when disinvesting is justified.
- 8 Examine advertising elasticity as a means for understanding the contention that "strong advertising is a deposit in the brand equity bank."

## Marcom Insight

### The Story of "Mad Man," the "Elvis of Advertising"

Perhaps no one has attracted as much attention in the advertising agency business as Alex Bogusky, described affectionately as both "Mad Man" (a takeoff from the popular *Mad Men* TV series about advertising in the 1960s) and "The Elvis of Advertising." Alex Bogusky is a designer, marketer, author, and consumer advocate; and once was a creative director, ad executive, and principal of the ad agency Crispin, Porter + Bogusky (CP + B). He also was the chief creative director at MDC Partners (CP + B's parent company).

Bogusky's meteoric rise to the top of the ad industry began as the sixteenth employee at Crispin Porter in 1989. He became creative director of the agency in five years, partner in 1997, and co-chairman in 2008. Along the way, he pushed creative boundaries with some of the most memorable, outlandish, and ambitious campaigns in advertising. These include the successful Truth antismoking campaign, the Mini Cooper car ads (placing Minis atop SUVs), Burger King's ads "Subservient Chicken" and "The King," and VW's "unpimp my



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ride” campaign with “Helga” and “Wolfgang”. During his time, CP + B’s success was attributed to four of their non-traditional principles: (1) *get close* to the client’s customers, (2) *fire clients* that are not a good match, (3) *be media neutral*, and (4) “*risky is good*.”

Based on his creative successes, Bogusky was inducted into the American Advertising Federation’s Hall of Achievement in 2002. He received an honorary PhD from the University of Colorado in 2009 and was awarded “Creative Director of the Decade” by *Adweek* magazine in their “Best of 2000s” issue.

Then, in 2008, Bogusky released his new book, *The 9-Inch “Diet”: Exposing the Big Conspiracy in America*, which protested fast-food corporations’ supersize tendencies. (The nine-inch reference was the average diameter of a dinner plate in 1970; it is now a third larger.) As one would expect, the book did not go over well with CP + B clients Burger King and Domino’s.

Since retiring from CP + B and MDC Partners in 2010, Bogusky has become a consumer advocate on his blog post (“Fearless Revolution”) and web TV show (“Fearless TV”). He advocates a ban on children’s advertising (especially fast food) and emphasizes transparency, sustainability, democracy, and collaboration among businesses and consumers. With a partner in 2010, he launched COMMON, a network for combining and launching social ventures under a unified brand.

In 2014, Bogusky joined with colleagues to start Boomtown Boulder, a seed accelerator focused on funding and developing startup Internet, mobile, and software companies, primarily in media, design, marketing, and ad technology sectors.

Some have argued that the ad agency business has moved beyond “big names” like Bogusky, due to digital content in which programmers, designers, and the technology itself should all receive credit. Yet, creative directors certainly guide and continue to make important contributions to this process. In Alex Bogusky’s case, there is certainly no mistaking the independence, critical thinking, risk taking, and consumer advocacy that he embraced in his very successful run in a somewhat traditional and predictable agency business. No doubt that this “Mad Man” and “Advertising’s Elvis” will be missed.

Sources: Susan Berfield, “Mad Man,” *Bloomberg Businessweek*, August 2, 2010, 60–63; Danielle Sachs, “Alex Bogusky, Advertising’s Elvis. Tells Fast Company Why He Quit MDC and the Ad Biz,” *FastCompany.com*, July 1, 2010, <http://www.fastcompany.com/1665887/alex-bogusky-resign-mdc>; “Alex Bogusky,” *Wikipedia*, [http://en.wikipedia.org/wiki/Alex\\_Bogusky](http://en.wikipedia.org/wiki/Alex_Bogusky) (accessed September 2, 2011); Daniel Kiley, “The Craziest Ad Guys in America,” *Businessweek*, May 22, 2006, 72–80; Maureen Morrison, “A Bad Week for Crispin,” *Advertising Age*, March 3, 2011, 1, 23; Creative X, “The Industry Doesn’t Need a Bogusky,” *Advertising Age*, January 17, 2011, <http://adage.com/print/148251>; <http://www.boomtownaccelerator.com>.

## 9-1 Introduction

This chapter introduces the first major IMC tool—**advertising**—and presents the fundamentals of advertising management. An initial section looks at the magnitude of advertising in the United States and elsewhere. The second major section examines the advertising management process, advertising’s effect on the economy, the functions of advertising, and the role of advertising agencies. A concluding section provides a detailed discussion of the arguments favoring investments in advertising and counterarguments regarding circumstances when it is advisable to disinvest. This section also explores the concept of advertising elasticity and compares it with price elasticity to determine the circumstances when a brand manager should either increase advertising expenditures or reduce prices.

First, however, it will be useful to define the topic of this and the subsequent chapters specifically so as to make a clear distinction between advertising and other forms of marketing communications.

*Advertising is a paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future.<sup>1</sup>*

The word *paid* in this definition distinguishes advertising from a related marcom tool—public relations—that secures

**Advertising** A paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future.

unpaid space or time in media due to the news value of the public relations content. The expression *mediated communication* is designed to distinguish advertising, which typically is conveyed (mediated) via print and digital media, from person-to-person forms of communication, including personal selling, word of mouth, and (usually) social media.

Finally, the definition emphasizes that advertising’s purpose is to *influence action*, either presently or in the future. The idea of influencing action is in keeping with the fifth key IMC feature presented in Chapter 1: the ultimate objective of any form of marketing communications is to eventually affect behavior rather than merely its precursors, such as the levels of consumers’ brand awareness and the favorability of their attitudes toward the advertised brand.

Companies that sell their brands to final consumers undertake most advertising activities (*B2C* advertising). Consumer packaged goods companies (e.g., Procter & Gamble, General Mills, Kraft Heinz) are especially heavy advertisers in the *B2C* arena, but service providers (e.g., wireless) and consumer durables (e.g., automobiles) are heavy advertisers as well. Some companies that sell directly to other companies rather than to consumers also are heavy advertisers (*B2B* advertising). Much of their advertising takes place in trade magazines that appeal to the special interests of practitioners who are prospects for the *B2B* advertiser’s products. Interestingly, however, *B2B* advertisers also use traditional



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Advertising Public Relations Internet Marketing Image Interventions

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**Figure 9.1** ▶ Example of the Use of Humor in B2B Advertising

consumer media (e.g., television) to reach audiences that do not typically subscribe to trade publications. For example, 2015 B2B Agency of the Year BBDO used a TV spot for FedEx (“Solutions That Matter”) showing a courier sticking with a small business customer as his company grows from a tiny cubicle to a global enterprise. For another BBDO customer—GE—a TV spot (“Childlike Imagination”) shows the wonder and magic of jet engines and wind turbines through the eyes of a little girl whose mom works for GE (<https://www.youtube.com/watch?v=Co0qkWRqTdM>).<sup>2</sup>

Sometimes, B2B campaigns use humor to convey their point, as shown in an example from an advertising agency in Figure 9.1. Also, in a TV spot for Parker Hannifin, an industrial firm that manufactures hoses and valves, two engineer-type characters are seated at a sushi bar and appear to be flirting with two attractive women at the other end of the bar (<https://www.youtube.com/watch?v=TJQ6hpt4iUY>). As one of the women uses chopsticks to lift a piece of sushi to her lips, an engineer asks his colleague, “Do you see what I see?” And the other responds, “Oh yeah.” This brief dialogue is punctuated by the scene changing to a research lab where a robotic arm is shown lifting a lobster out of a tank. The connection between the sushi bar scene and the research lab is made clear when

the campaign’s tagline appears on the screen: “Engineers see the world differently.” Parker Hannifin’s campaign celebrates engineers and engineering feats, and in doing so hopes to increase the odds that real (not TV) engineers will be more likely to recommend the use of the company’s products.<sup>3</sup>

## 9-2 The Magnitude of Advertising

Advertising expenditures in the United States were estimated to exceed \$204 billion in 2016.<sup>4</sup> This amount is approximately \$632 in advertising for each of the approximately 323 million men, women, and children living in the United States. Ad spending in the United States has for many years averaged approximately 2.2 percent of the country’s gross domestic product.<sup>5</sup> Needless to say, advertising in the United States is serious business!

Advertising spending also is considerable in other major industrialized countries, but not nearly to the same magnitude as in the United States. Global ad spending outside the United States totaled approximately \$538 billion in 2016.<sup>6</sup> It is notable that ad spending in developing countries—particularly the so-called BRIC nations (Brazil, Russia, India, and China)—is growing at

a much more rapid rate than in the United States (at 4.7%) and elsewhere around the globe.<sup>7</sup>

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Several companies in the United States spend more than \$3 billion annually to advertise their goods and services. Recently, Procter & Gamble spent \$4.81 billion advertising its products in the United States; AT&T, \$3.27 billion; General Motors, \$3.12 billion; and Comcast, \$3.03 billion.<sup>8</sup> Table 9.1 lists these firms along with others that constitute the 25 top-spending U.S. advertisers in a recent year. Although not listed in the top 25, even the U.S.

**Table 9.1** ▶ Top 25 Spenders in U.S. Advertising, 2014

RANK	COMPANY	HEADQUARTERS	AD EXPENDITURES (\$ MILLION)
1	Procter & Gamble Co.	Cincinnati, OH	\$4,807.0
2	AT&T	Dallas, TX	3,272.0
3	General Motors Corp.	Detroit, MI	3,120.1
4	Comcast Corp.	Philadelphia, PA	3,028.6
5	Verizon Communications	New York, NY	2,526.0
6	Ford Motor Co.	Dearborn, MI	2,467.1
7	American Express Co.	New York, NY	2,364.3
8	Fiat Chrysler Automobiles	London, UK	2,249.8
9	L'Oreal	Clichy, France	2,158.1
10	Walt Disney Co.	Burbank, CA	2,109.1
11	Toyota Motor Corp.	Toyota City, Japan	2,090.3
12	Johnson & Johnson	New Brunswick, NJ	1,967.8
13	Walmart Stores	Bentonville, AR	1,940.1
14	J.P. Morgan Chase & Co.	New York, NY	1,896.5
15	Samsung Electronics Co.	Seoul, South Korea	1,825.4
16	Time Warner	New York, NY	1,696.6
17	Pfizer	Charlotte, NC	1,673.2
18	Target Corp.	Minneapolis, MN	1,647.0
19	Macy's	Cincinnati, OH	1,602.0
20	Bank of America Corp.	Charlotte, NC	1,584.0
21	21st Century Fox	New York, NY	1,583.5
22	Anheuser Busch InBev	Leuven, Belgium/St. Louis, MO	1,568.3
23	Berkshire Hathaway	Omaha, NE	1,539.2
24	SoftBank (Sprint Corp.)	Overland Park, KS	1,500.0
25	Capitol One Financial Corp.	McLean, VA	1,464.4

Source: "200 Leading National Advertisers," *Advertising Age*, July 13, 2015, 14. Copyright Crain Communications Inc., 2015. Used with permission.

government (ranked number 39) advertised to the tune of \$979.5 million. The government's advertising goes to such efforts as the U.S. Postal Service, Amtrak rail services, anti-smoking campaigns, and military recruiting.

### 9-2a ADVERTISING-TO-SALES RATIOS

In 2015, the average advertising-to-sales ratio across nearly 200 categories of B2C and B2B products and services was 3.42 percent. That is, on average, the advertising spend for companies in the United States is slightly over 3 cents out of every dollar of sales revenue. (These advertising expenditures are for traditional measured media advertising.) Table 9.2 provides greater detail by illustrating ad-to-sales ratios for companies that compete in three industries—retail, restaurants, and prescription drugs. In general, advertising as a percentage of sales can range from a low of less than 0.1 percent for Walmart Stores in the retail industry to a high of 60 percent for film companies in the movie studio category.

An examination of this table also reveals that some smaller competitors in industries typically invest relatively larger percentages of their sales revenues in advertising (e.g., most retailers versus Walmart). In most cases, this is because companies with smaller market shares generally have to spend relatively more on advertising in order to be competitive, and thus the ad-to-sales ratios are higher because the sales base is relatively small compared with bigger competitors. Another observation is that there can be quite a bit of variability within some categories (e.g., prescription drug marketers). This is because some pharmaceutical companies may focus more on direct-to-consumer advertising (e.g., Pfizer) than other companies in the category. Also, in the case of movies, they often are sold less on the basis of “product performance” and more in terms of image, which requires greater advertising support to convey the desired impression. This is also true for other high ad-to-sales ratio categories, such as personal care products and toys. For some companies with low ad-to-sales ratios, price (e.g., for Walmart) or brand recognition/word-of-mouth (e.g., for Starbucks) may be more important than advertising.

### 9-2b ADVERTISING EFFECTS ARE UNCERTAIN

Advertising is costly and its effects are often uncertain. It is for these reasons that many companies think it appropriate at times to reduce advertising expenditures or to eliminate advertising entirely. Marketing managers—and perhaps especially chief financial officers—sometimes consider it unnecessary to advertise when their brands already are enjoying great success. Companies find it particularly seductive to pull funds out of advertising during economic downturns—every dollar not spent on advertising is one more dollar added to the bottom line. For example, during the economic downturn in 2001 and the impending

recession late that year—propelled in part by the economic fallout from the terrorist attacks on the World Trade Center and the Pentagon—advertising expenditures in the United States declined between 4 and 6 percent. Declines of this magnitude had not been seen in the United States since the Great Depression of the late 1920s and early 1930s.<sup>9</sup> Following a brief recovery after 2001, ad spending plunged again: 10.2 percent in 2009 during the brunt of another recession. Although spending recovered in 2010 (an 8.8 percent increase), budgets have seen more modest increases (4.7 percent for 2016) recently.<sup>10</sup>

Such behavior implicitly fails to recognize that advertising is not just a current expense as the term is used in accounting parlance but rather is an investment. Although businesspeople fully appreciate the fact that building a more efficient production facility is an investment in their company's future, many of these same people often think that advertising can be dramatically reduced or even eliminated when financial pressures call for cost-cutting measures. However, an ex-chief executive officer at Procter & Gamble—one of the world's largest advertisers—drew the following apt analogy between advertising and exercise:

*If you want your brand to be fit, it's got to exercise regularly. When you get the opportunity to go to the movies or do something else instead of working out, you can do that once in a while—that's [equivalent to] shifting funds into [sales] promotion. But it's not a good thing to do. If you get off the regimen, you will pay for it later.<sup>11</sup>*

Thus, *consistent investment spending* is the key factor underlying successful advertising. This point should remind you of our discussion in Chapter 1 regarding the importance of establishing momentum for marcom efforts. Advertising momentum is like exercise. Stop exercising and you may lose conditioning and possibly gain weight. Stop advertising and your brand may lose some of its equity and market share as well.

Finally, recent thinking has suggested that programmatic, digital ad spending should increase the advertising spending efficiency as measured by the effect of ad spending on return on investment. Yet, a longitudinal analysis of ad spending and ROI for the top 100 U.S. advertisers from 1985 to 2012 actually showed *greater ad inefficiency* over time.<sup>12</sup> One possible reason cited was the voluminous amount of data that managers have to absorb and analyze in today's marketplace.

### 9-3 Advertising's Effect on the Economy

There are two divergent schools of thought on advertising's economic role: (1) *advertising = market power* and (2) *advertising = information*. Table 9.3 summarizes these two different perspectives.<sup>13</sup>

**Table 9.2** ▶ Advertising-to-Sales Ratios for Select Product Categories

INDUSTRY & COMPANY	U.S. SALES REVENUE (\$ MILLION)	U.S. MEASURED MEDIA ADVERTISING \$ MILLION)	AD/SALES RATIO (%)
<b>Retail</b>			
Walmart Stores	347,530	947	<0.1
Macy's	27,198	834	3.1
Target Corp.	72,528	686	1.0
Amazon	45,330	454	1.0
Sears Holding Corp.	30,220	430	1.4
Home Depot	75,550	402	0.5
J.C. Penney Co.	12,088	390	3.2
Lowe's Cos.	54,396	344	0.6
Kohl's Corp.	18,132	320	1.8
Best Buy Co.	36,264	310	0.9
<i>Category Average</i>			<b>0.3</b>
<b>Restaurants</b>			
McDonald's	35,408	935	2.6
Starbucks	12,579	103	0.8
Subway	12,113	533	4.4
Burger King	8,852	237	2.7
Wendy's	8,386	284	3.4
Taco Bell	8,386	357	4.3
Dunkin' Donuts	6,968	132	2.0
Chick-fil-A	5,591	51	0.9
Pizza Hut	5,591	233	4.4
Applebee's	4,659	165	3.4
<i>Category Average</i>			<b>1.4</b>
<b>Prescription Drug Marketers</b>			
AstraZeneca	19,443	330	1.7
Novartis	19,443	22	0.1
Johnson & Johnson	19,069	235	1.2
Gilead Sciences	18,321	59	0.3
Pfizer	17,947	1,171	6.5
Roche Holding	17,573	76	0.4
Merck & Co.	17,573	325	1.9
Teva Pharmaceutical Industries	17,573	13	<0.1
Amgen Corp.	16,452	136	0.8
Sanofi	14,582	18	0.1
<i>Category Average</i>			<b>1.3</b>

Source: Adapted from "U.S. Market Leaders," *Advertising Age*, July 13, 2015, 26–30.

### 9-3a ADVERTISING = MARKET POWER

Advertising equals market power is a more negative view of advertising's impact on the economy. It argues that advertising yields marketing power in being able to *differentiate physically homogenous products*. It follows from the view that advertising will foster brand loyalty, thereby encouraging customers to be less price sensitive than they would in the absence of advertising. In turn, entry barriers are increased; in order to enter an industry (i.e., wireless service, beverage, brewing), new firms must spend relatively more than established firms on advertising to overcome existing brand-loyalty patterns. It follows that established brands are relatively insulated from potential rivals and have discretionary power to increase prices and influence the market in other ways. According to the advertising = market power position, the result is that firms charge higher prices than they would in the absence of advertising and are able to earn excessive profits.

### 9-3b ADVERTISING = INFORMATION

The advertising = information perspective provides an antithesis (opposite view) to the market power position. It is a more positive view and argues that by informing consumers about product attributes and benefits, advertising

increases consumers' price sensitivity and their ability to obtain the best value. Barriers to entry for new firms are reduced because advertising enables these new firms to communicate important product attributes and advantages to consumers. In turn, advertising allows consumers to easily compare competitive offerings, leading to increased competitive rivalry. Product innovation is aided via new entrants, and quality is improved. Furthermore, prices are forced downward because consumers, informed by advertising, put pressure on firms to lower prices.

### 9-3c A SYNTHESIS

The world is never as simple and straightforward as these two opposite views of advertising would lead us to believe. Neither view is entirely correct or adequate by itself. Critics of the advertising = market power view contend that a number of factors other than advertising (e.g., superior product quality, better packaging efficient distribution) also account for brand loyalty and price insensitivity.<sup>14</sup> Thus, advertising is not the sole market force responsible for a firm's market power. Also, the impact of advertising in one period rarely is limited to an impact on sales in the next period.

**Table 9.3** ▶ Two Schools of Thought on Advertising's Role in the Economy

	ADVERTISING = MARKET POWER	ADVERTISING = INFORMATION
<i>Advertising</i>	Advertising affects consumer preferences and tastes, changes product attributes, and differentiates the product from competitive offerings.	Advertising informs consumers about product attributes and does not change the way they value those attributes.
<i>Consumer-Buying Behavior</i>	Consumers become brand loyal, less price sensitive, and perceive fewer substitutes for advertised brands.	Consumers become more price sensitive and buy best "value;" only the relationship between price and quality affects elasticity for a given product.
<i>Barriers to Entry</i>	Potential entrants must overcome established brand loyalty and spend relatively more on advertising.	Advertising makes entry possible for new brands because it can communicate product attributes to consumers.
<i>Industry Structure and Market Power</i>	Firms are insulated from market completion and potential rivals; concentration increases, leaving firms with more discretionary power.	Consumers can compare competitive offerings easily and competitive rivalry is increased; efficient firms remain, and as the inefficient leave, new entrants appear; the effect on concentration is ambiguous.
<i>Market Conduct</i>	Firms can charge higher prices and are not as likely to compete on quality or price dimensions; innovation may be reduced.	More-informed consumers put pressures on firms to lower prices and improve quality; innovation is facilitated via new entrants.
<i>Market Performance</i>	High prices and excessive profits accrue to advertisers and give them even more incentive to advertise their products; output is restricted compared to conditions of perfect competition.	Industry prices are decreased; the effect on profits due to increased competition and increased efficiency is ambiguous.

Source: Paul W. Farris and Mark S. Albion, "The Impact of Advertising on the Price of Consumer Products," *Journal of Marketing* 44 (Summer 1980): 18. Reproduced with permission of American Marketing Association in the format Republish in a textbook via Copyright Clearance Center.

Similarly, advertising does not possess all the virtues that advocates of the advertising = information school would lead us to believe. Critics of this view contend that advertising goes beyond merely providing consumers with information; in fact, it can influence consumers' relative preferences for different product attributes. It follows from this contention that advertising may create the same undesirable consequences in some situations (e.g., market concentration, price insensitivity, entry barriers) claimed by the advertising = market power advocates.

In sum, advertising's macroeconomic role is neither all good nor all bad. The exact role varies from situation to situation, and generalizations are ill-advised. On balance, advertising has negative economic effects (as claimed by the market power school) to the extent that only one or a few advertisers in a given market situation possess differential advantages over competitors in terms of advertising spending ability or effectiveness. However, when any one competitor's advertising efforts can be countervailed by other advertising, the positive economic effects of advertising (as claimed by the information school) outweigh the negative.<sup>15</sup>

## 9-4 Advertising Functions

Many business firms as well as not-for-profit organizations do have faith in advertising. In general, advertising is valued because it is recognized as performing five critical communications functions: (1) informing, (2) influencing, (3) reminding and increasing salience, (4) adding value, and (5) assisting other company efforts.<sup>16</sup>

### 9-4a INFORMING

One of advertising's most important functions is to publicize brands.<sup>17</sup> That is, advertising makes consumers aware of new brands, educates them about a brand's distinct features and benefits, and facilitates the creation of positive brand images. Because advertising is an efficient form of communication capable of reaching mass audiences at a relatively low cost per contact, it facilitates the introduction of new brands and increases demand for existing brands, largely by increasing consumers' *top-of-mind awareness (TOMA)* for established brands in mature product categories.<sup>18</sup> Advertising performs another valuable information role—both for the advertised brand and the consumer—by teaching new uses for existing brands. This practice, termed *usage expansion advertising*, is typified by the following illustrations:<sup>19</sup>

- Campbell's soup, which is typically eaten for lunch and during other informal eating

occasions, was advertised as being suitable for eating during formal family dinners or even at breakfast.

- Gatorade, which originally was used during heavy athletic activity, was advertised for replenishing liquids during flu attacks.
- Orange juice has been touted as “not just for breakfast anymore.”
- Hidden Valley Ranch Dressing was placed in frozen grocery sections when consumers began using it on frozen foods, such as pizza, vegetables, and chicken wings.

### 9-4b INFLUENCING

Effective advertising influences prospective customers to try advertised products and services. Sometimes advertising influences *primary demand*—that is, building demand for an entire product category. Examples include collective efforts by companies in funding campaigns for the California Milk Processor Board (“Milk Mustache” and “Milk Life” campaigns) and the Florida Orange Growers Association. More frequently, advertising attempts to build *secondary demand*, the demand for a company's brand. Advertising by both B2C and B2B companies provides consumers and customers with reasoned arguments and emotional appeals for trying one brand versus another. For example, in an inaugural national TV advertising campaign, Starbucks attempted to influence consumers to purchase specialty coffees at that chain's stores rather than elsewhere.

### 9-4c REMINDING AND INCREASING SALIENCE

Advertising keeps a company's brand fresh in the consumer's memory. When a need arises that is related to the advertised product, the influence of past advertising makes it possible for the advertiser's brand to come to the consumer's mind as a purchase candidate. This has been referred to as making a brand more *salient*; that is, enriching the memory trace for a brand such that the



Source: Florida's Natural Growers

brand comes to mind in relevant choice situations.<sup>20</sup> Effective advertising also increases the consumer's interest in mature brands and thus the likelihood of purchasing brands that otherwise might not be chosen.<sup>21</sup> Advertising has been demonstrated, furthermore, to influence brand switching by reminding consumers who have not recently purchased a brand that the brand is available and that it possesses favorable attributes.<sup>22</sup> Finally, as noted in Chapter 8, simple reminder cues (e.g., water dripping on an ice-cold Heineken beer in a print ad viewed on a hot day) may be important, especially for consumers under low involvement processing.

#### 9-4d ADDING VALUE

There are three basic ways by which companies can add value to their offerings: innovating, improving quality, and altering consumer perceptions. These three value-added components are completely interdependent as astutely captured in the following quote:

*Innovation without quality is mere novelty. Consumer perception without quality and/or innovation is mere puffery. And both innovation and quality, if not translated into consumer perceptions, are like the sound of the proverbial tree falling in the empty forest.*<sup>23</sup>

Advertising adds value to brands by influencing perceptions. Effective advertising causes brands to be viewed as more elegant, more stylish, more prestigious, of higher quality, and so on. Indeed, research involving over 100 brands drawn from five nondurable products (e.g., paper towels and shampoo) and five durable products (e.g., televisions and cameras) has demonstrated that greater ad spending influences consumers to perceive advertised brands as higher in quality.<sup>24</sup> Effective advertising, then, by influencing perceived quality and other perceptions, can lead to increased market share and greater profitability.<sup>25</sup> Recent examples of brands adding value abound. For example, cereals (e.g., Cheerios, Special K) now tout their heart healthiness. Also, new auto technology has allowed companies to offer state-of-the-art electric vehicles (e.g., Tesla Model 3, Chevy's Bolt, and Nissan's Leaf) and even driverless cars (e.g., Google). Smartphones (e.g., Samsung Galaxy S7) promote their greater water resistance versus those that offer less resistance (e.g., Apple iPhone).

By adding value, advertising can generate for brands more sales volume, revenue, and profit and reduce the risk



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of unpredictable future cash flows. In finance terms, all of this can be captured in the concept of *discounted cash flow (DCF)*. By making a brand more valuable, advertising generates incremental DCF. One advertising practitioner eloquently captured advertising's value-adding role with this claim: "Advertising builds brands. Brands build the business. Let the discounted cash flow!"<sup>26</sup> And, in a world of accountability, it is absolutely imperative that advertising deliver positive financial results. It has even been demonstrated that firms that invest greater percentages of their sales revenues in advertising can reduce the risk that their stock values will fall during a period of general declines in stock market valuations.<sup>27</sup>

#### 9-4e ASSISTING OTHER COMPANY EFFORTS

Advertising is just one member of the marcom team. Advertising's primary role is at times to facilitate other marcom efforts. For example, advertising may be used as a vehicle for delivering online coupons and sweepstakes and attracting attention to these and other promotional tools. Another crucial role is to assist sales representatives. Advertising pre-sells a company's products and provides salespeople with valuable introductions prior to their personal contact with prospective customers. Sales effort, time, and costs are reduced because less time is required to inform prospects about product features and benefits. Moreover, advertising legitimizes or makes more credible the sales representative's claims.<sup>28</sup>



Advertising also enhances the effectiveness of other marcom tools. For example, consumers can identify product packages in the store and more readily recognize a brand's value following exposure to advertisements for it on television, social media or in a magazine. Advertising also can augment the effectiveness of price deals. Customers are known to be more responsive to retailers' price deals when retailers advertised that fact compared to when retailers offer a deal absent any advertising support.<sup>29</sup>

## 9-5 The Advertising Management Process

Following an assessment of target market needs, advertising management can thus be thought of as the process of creating ad messages, selecting media in which to place the ads, and measuring the effects of the advertising efforts: messages, media, and measures—all devoted to a given target market. This process usually involves at least two parties: the organization that has a product or service to advertise, the *client*, and the independent organization that is responsible for creating ads, making media choices, and measuring results, the *agency*. The following sections first examine advertising management from the client's perspective and then the agent's. Because most advertising is undertaken for specific brands, the client typically is represented by an individual who works in a brand- or product-management position. This individual and his or her team are responsible for marcom decisions that affect the brand's welfare.

### 9-5a MANAGING THE ADVERTISING PROCESS: THE CLIENT PERSPECTIVE

Figure 9.2 graphically illustrates the advertising management process, which consists of three sets of interrelated activities: advertising strategy, strategy implementation, and assessing ad effectiveness.

#### Formulating and Implementing Advertising Strategy

Advertising strategy formulation involves four major activities (see the top box in Figure 9.2). The first two, setting objectives and devising budgets, were described in Chapter 8 when discussing these activities in the context of all marcom elements. Message creation, the third aspect of formulating advertising strategy, is the subject of Chapters 10 and 11. The fourth element, media strategy, the topic of Chapters 11 through 16, involves the selection of media categories and specific vehicles to deliver advertising messages. (The term *vehicle* is used in reference to, say, the specific TV program in which an advertisement is to be placed—TV is the medium, the program [e.g., *Sunday Night Football*, *Grey's Anatomy*, or *NCIS*] is the vehicle.)

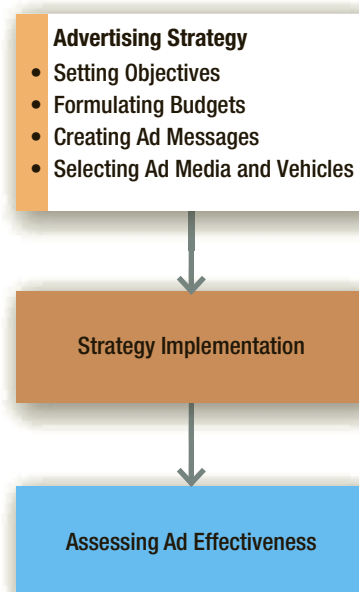
#### Implementing Advertising Strategy

Strategy implementation deals with the tactical, day-to-day activities that must be performed to carry out an advertising campaign. For example, whereas the decision to emphasize television over—say—digital media is a strategic choice, the selection of specific types of programs and times at which to air a commercial is a tactical implementation matter. Likewise, the decision to emphasize a particular brand benefit is a strategic message consideration, but the actual way the message is delivered is a matter of creative implementation. This text focuses more on strategic than tactical issues.

#### Measuring Advertising Effectiveness

Assessing effectiveness is a critical aspect of advertising management—only by evaluating results it is possible to determine whether objectives are being accomplished. This often requires that baseline or control measures be taken before an advertising campaign begins (to determine, for example, what percentage of the target audience is aware of the brand name) and then afterward to determine whether the objective was achieved. Because research is fundamental to advertising control, Chapter 17 explores a variety of measurement techniques that are used for evaluating advertising effectiveness.

Figure 9.2 ► The Advertising Management Process



### 9-5b THE ROLE OF ADVERTISING AGENCIES

Message strategies and decisions most often are the joint enterprise of the companies that advertise (the clients) and their advertising agencies. This section examines the role of advertising agencies and describes how agencies are organized. Table 9.4 lists the top 25 advertising agency

networks in the world according to revenue. Three observations come to mind. First, all of these agencies were at one time independent businesses; now, due to mergers and acquisitions, most are owned by large marketing organizations such as Omnicom Group (New York), WPP Group (London), Interpublic Group (New York), Publicis Groupe (Paris), and Havas (Suresnes, France). Second, it is apparent that most of the major U.S. ad

**Table 9.4** ▶ The World's Largest Advertising Agency Networks, 2015

RANK	AGENCY	HEADQUARTERS	AD REVENUE (\$ MILLIONS)
1	Young & Rubicam Group [WPP]	New York, NY	\$3,668
2	DDB Worldwide Communications Group [Omnicom]	New York, NY	3,097
3	McCann Worldgroup [Interpublic]	New York, NY	3,083
4	Accenture Interactive [Accenture]	New York, NY/London, UK	2,923
5	BBDO Worldwide [Omnicom]	New York, NY	2,483
6	Ogilvy & Mather [WPP]	New York, NY	2,337
7	Epsilon [Alliance Data System Corp.]	Irving, TX	2,074
8	IBM Interactive Experience [IBM]	Armonk, NY	2,125
9	Dentsu (Japan) [Dentsu]	Tokyo, Japan	1,988
10	TBWA Worldwide [Omnicom]	New York, NY	1,960
11	Deloitte Digital [Deloitte]	New York, NY	1,648
12	Publicis Worldwide [Publicis]	New York, NY/Paris, France	1,621
13	Havas Creative Group [Havas]	New York, NY	1,542
14	FCB [Interpublic]	New York, NY	1,334
15	J. Walter Thompson [WPP]	New York, NY	1,274
16	Dentsu Aegis Network [Dentsu]	Tokyo, Japan	1,265
17	Leo Burnett Worldwide [Publicis]	Chicago, IL	1,261
18	Hakuhodo [Hakuhodo]	Kumano, Japan	1,188
19	PwC Digital Services [PwC]	New York, NY	1,121
20	BlueFocus (China) [BlueFocus]	Beijing, China	1,052
21	Sapient Nitro [Publicis]	Boston, MA	917
22	DigitasBi [Publicis]	Boston, MA	897
23	Grey Group [WPP]	New York, NY	894
24	Experian Marketing Services [Experian]	New York, NY	870
25	Saatchi & Saatchi [Publicis]	New York, NY	854

Source: "Agency Report 2016: Consolidated Networks," *Advertising Age*, May 2, 2016, 16. Where appropriate, each agency network's parent company is shown in brackets. Copyright Crain Communications Inc., 2016. Used with permission.

agency networks are located in New York City, which for many years has been the world's major advertising center. Third, the networks include many related services beyond just advertising. For example, at Ogilvy & Mather (#6), in addition to U.S. and worldwide advertising operations, their network includes Neo@Ogilvy (digital media), Ogilvy Public Relations, Ogilvy CommonHealth Worldwide, and Ogilvy One (customer engagement/CRM/direct). Overall, there literally are thousands of ad agencies throughout the United States and worldwide, although most generate revenues only a small fraction of those shown in Table 9.4.

To appreciate why a company would use an ad agency, it should be mentioned that businesses routinely employ outside specialists: lawyers, financial advisors, management consultants, tax specialists, and so on. By their very nature, these “outsiders” bring knowledge, expertise, and efficiencies that companies do not possess within their own ranks. Advertising agencies can provide great value to their clients by developing highly effective and profitable advertising campaigns. The relationship between ad agency and client sometimes lasts for decades. Of course, client–agency relationships also can be short lived and volatile if the client evaluates the agency as underperforming and failing to enhance the equity and market share of the client's brand. Research has demonstrated that agencies are put on review (or even fired) shortly after clients experience declines in their brands' market shares.<sup>30</sup>

In general, advertisers have three alternative ways to perform the advertising function: use an in-house advertising operation, purchase advertising services on an as-needed basis from specialized agencies, or select a full-service advertising agency. First, a company can choose *not* to use an advertising agency, but rather maintain its own *in-house advertising operation*. This necessitates employing an advertising staff and absorbing the overhead required to maintain the staff's operations. Such an arrangement is unjustifiable unless a company does a large amount of continual advertising. Even under these conditions, most businesses instead choose to use the services of advertising agencies.

A second way for a client to accomplish the advertising function is to *purchase advertising services à la carte*. That is, rather than depending on a single full-service agency to perform all advertising and related functions, an advertiser may recruit the services of a variety of firms with particular specialties in distinct aspects of advertising, including creative work, media selection, advertising research, direct response advertising, digital, search engine, animation, and so on. This arrangement's advantages include the ability to contract for services only when they are needed, thus yielding potential cost-efficiencies. On the downside, specialists (so-called *boutiques*) sometimes lack financial stability and may be poor in terms of cost accountability.

Third, *full-service advertising agencies* perform at least four basic functions for the clients they represent: (1) creative services, (2) media services, (3) research services, and (4) account management. They also may be involved in the advertiser's total marketing process and, for a fee, perform other marcom functions, including sales promotion, publicity, package design, strategic marketing planning, customer relationship management (CRM), and sales forecasting. Why would an advertiser want to employ the services of a full-service agency? The primary advantages include acquiring the services of specialists with in-depth knowledge of advertising and obtaining negotiating leverage with the media. The major disadvantage is that some control over the advertising function is lost when it is performed by an agency rather than in house. Nonetheless, brand managers frequently utilize the services of full-service ad agencies because these agencies understand their clients' businesses and are capable of producing equity-enhancing advertising campaigns. Understanding the client's business and “good chemistry” between client and agency are the two primary reasons cited by managers for choosing a particular ad agency partner.<sup>31</sup>

### Creative Services

Advertising agencies have staffs of copywriters, graphic artists, and creative directors who create advertising copy and visualizations. Advertising agencies on occasion create brilliant advertising campaigns that enhance brand equity and increase a brand's sales volume, market share, and profitability. Often, however, advertisements are not sufficiently clever or novel to break through the clutter of surrounding advertising.

### Media Services

This unit of an advertising agency is charged with selecting the best advertising media for reaching the client's target market, achieving ad objectives, and meeting the budget. *Media planners* are responsible for developing overall media strategy (where to advertise, how often, when, etc.), and media buyers then procure specific vehicles within particular media that media planners have selected and clients have approved. The complexity of media buying requires the use of sophisticated analysis and continual research of changing media costs and availability. Experts in digital media and vehicle selection are able to make more effective, dynamic and programmatic decisions than are brand managers on the client side who have no particular expertise in media and vehicle selection. Yet, measurement issues (beyond simple exposure) are becoming more of an issue to increase consumer attention and engagement in the world of ad blocking online.

### Research Services

Full-service advertising agencies employ research specialists who study their clients' customers' buying habits, purchase preferences, and responsiveness to

advertising concepts and finished ads. Focus groups, copy tests, neuroimaging studies, ethnographic studies by trained anthropologists, and acquisition of syndicated research data are just some of the services agencies' research specialists perform. These specialists are sometimes referred to as *account planners*.

### Account Management

This facet of a full-service advertising agency provides the mechanism to link the agency with the client. Account managers act as liaisons so that the client does not need to interact directly with several different service departments and specialists. In most major advertising agencies, the account management department includes account executives and management supervisors. *Account executives* are involved in tactical decision making and frequent contact with brand managers and other client personnel. Account executives are responsible for seeing that the client's interests, concerns, and preferences have a voice in the advertising agency and that the work is being accomplished on schedule. Account executives report to *management supervisors*, who are more involved in actually getting new business for the agency and working with clients at a more strategic level. Account executives are groomed for positions as management supervisors.

### 9-5c AGENCY COMPENSATION

There are three basic methods by which clients compensate agencies for services rendered: (1) receiving commissions from media, (2) being compensated based on a fee system, and (3) earning compensation based on performance outcomes.

1. *Commissions from media* for advertisements aired or printed on behalf of the agency's clients provided the primary form of ad agency compensation in the past. Historically, U.S. advertising agencies charged a standard commission of 15 percent of the gross amount of billings.<sup>32</sup> To illustrate, suppose the Creative Advertising Agency buys \$200,000 of space in a certain magazine for its client, ABC Company. When the invoice for this space comes due, Creative would remit payment of \$170,000 to the magazine (\$200,000 less Creative's 15 percent commission); bill ABC for the full \$200,000; and retain the remainder, \$30,000, as revenue for services rendered. The \$30,000 revenue realized by Creative was, in the past, regarded as fair compensation to the agency for its creative expertise, media-buying insight, and ancillary functions performed in behalf of its client, ABC Company.
2. The 15 percent compensation system has, as one may suppose, been a matter of some controversy between client marketing executives and managers of advertising agencies. The primary area of disagreement is

whether 15 percent compensation is too much (the marketing executives' perspective) or too little (the ad agencies' perspective). The disagreement has spurred the growth of alternative compensation systems. Indeed, today just a fraction of advertisers still pay a 15 percent commission. Although there are alternatives to the commission system, it probably will not vanish entirely. Rather, a reduced commission system, by which the ad agency is compensated with a flat fee that is less than 15 percent, provides an option.

3. One common compensation method today is a *labor-based fee system*, by which advertising agencies are compensated much like lawyers, tax advisors, and management consultants; that is, agencies carefully monitor their time and bill clients an hourly fee based on time commitment. This system involves price negotiations between advertisers and agencies such that the actual rate of compensation is based on mutual agreement concerning the worth of the services rendered by the advertising agency.
4. *Outcome- or performance-based programs* now represent the most common approach to agency compensation, with 61 percent of advertisers now building performance incentives into their compensation agreements with agencies.<sup>33</sup> Ford Motor Company, for example, uses a compensation system whereby it negotiates a base fee with its agencies to cover the cost of services provided and additionally offers incentive payments that are tied to brand performance goals such as targeted revenue levels. Procter & Gamble (P&G) employs a sales-based model in which ad agencies are compensated based on a percentage of sales that a P&G brand obtains. The agency's compensation rises with sales gains and falls with declines. Needless to say, this incentive-based system encourages, indeed demands, agencies to use whatever IMC programs are needed to build brand sales. P&G's best interest (growth in brand sales and market share) and the agency's best interest (increased compensation) are joined by this compensation system in a hand-in-glove fashion. In another example, Coca-Cola's pay-for-performance model for agencies ranges from nothing more than recouped costs for poor performance to profit margins as high as 30 percent based on outcome targets.<sup>34</sup> Ultimately, the success of outcome-based programs will depend on demonstrating that advertising and other marcom efforts agencies initiate do indeed translate into enhanced brand performance.<sup>35</sup>

### 9-6 Ad-Investment Considerations

Thus far, we have introduced the topic of advertising, presented facts illustrating its magnitude, discussed its functions, provided an overview of the advertising

management process from the client's perspective, and described the functioning and compensation of advertising agencies. It is important to ask now whether the billions of dollars invested in advertising are warranted. More precisely, when is it justifiable to invest in advertising, and when is it appropriate to disinvest?

Let's first examine a few equations that will put things into focus. These equations deal with the relations among sales volume (or simply volume), sales revenue (or simply revenue), and profit.

$$\text{Profit} = \text{Revenue} - \text{Expenses} \quad (9.1)$$

$$\text{Revenue} = \text{Price} \times \text{Volume} \quad (9.2)$$

$$\text{Volume} = \text{Trial} + \text{Repeat} \quad (9.3)$$

We see first with Equation 9.1 that a brand's profit during any accounting period—such as a business quarter or an entire year—is a function of its revenue minus expenses. Because advertising is an expense, total profit during an accounting period can be increased by reducing advertising expenses. At the same time, an undesirable effect of reducing advertising is that revenue may decline because fewer units can be sold or the price per unit has to be reduced in the absence of adequate advertising support (see Equation 9.2). We can further note from Equation 9.3 that sales volume (i.e., number of units sold) is obtained by a combination of recruiting more *trial*, or first-time, users to a brand and encouraging users to continue purchasing the brand—that is, to remain *repeat* purchasers.

Whether one chooses to invest or disinvest in advertising depends largely on expectations about how advertising will influence a brand's sales volume (Equation 9.3) and revenue (Equation 9.2). Let's look at arguments first for investing and then for disinvesting.

### 9-6a THE CASE FOR INVESTING IN ADVERTISING

In terms of profitability, investing in advertising is justified only if the incremental revenue generated from the advertising exceeds the advertising expense. In other words, if the advertising expense is \$X, then over the long term (i.e., not necessarily immediately) revenue attributable to the advertising must be more than \$X to justify the investment. On what grounds might one expect that the revenue will exceed the advertising expense? In terms of Equation 9.3, it might be expected that effective advertising will attract new triers to a brand and encourage repeat purchasing. (Obviously, advertising is not the only marcom tool able to generate trial and repeat purchasing; indeed, sales promotions perform both roles in conjunction with advertising.) Thus, effective advertising should build sales volume by enhancing brand equity—both by increasing brand awareness and by enhancing brand image (recall the discussion in Chapter 2).

Equation 9.2 shows that the other determinant of revenue besides sales volume is the unit price at which a brand is sold. Advertising has the power to enhance a brand's perceived quality and thus the ability of brand managers to charge higher prices. That is, consumers are willing to pay more for brands they perceive as higher quality. Taken together, then, the case for investing in advertising is based on the belief that it can increase profitability by increasing sales volume, enabling higher selling prices, and thus increasing revenue beyond the incremental advertising expense.

### 9-6b THE CASE FOR DISINVESTING

Firms often choose to reduce advertising expenditures either when a brand is performing well or during periods of economic recession. This is a seductive strategy because a reduction in expenses, everything else held constant, leads to increased profits (Equation 9.1). But is “everything else held constant” when advertising budgets are cut or, worse yet, severely slashed? The assumption is that revenue (and revenue's elements, volume and price) will *not* be affected adversely when ad budgets are diminished. However, such an assumption is based on the naive premise that past advertising will continue to affect sales volume positively, even when advertising in the current period is curtailed or reduced. The assumption also is somewhat illogical. On the one hand, it presumes that past advertising will carry over into the future to maintain revenue; on the other hand, it neglects to acknowledge that the absence of advertising in the present period will have an adverse effect on revenues in subsequent periods!

### 9-6c WHICH POSITION IS MORE ACCEPTABLE?

The profit effect of reducing advertising expenses is relatively certain: For every dollar not invested in advertising, there is a dollar increase in short-term profit—assuming, of course, that the reduction in advertising does not adversely affect revenue. It is far less certain, however, that maintaining or increasing advertising expenditures will increase profits. This is because it is difficult to know with certainty whether advertising will build brand volume or enable higher prices; either outcome or both will lead to increased revenues. Yet, and it is a *big* yet, most sophisticated companies are willing to place their bet on advertising's ability to boost revenues and thus enhance profits from the *revenue-increase side* rather than from the *expense-reduction side*.

### A Deposit in the Brand Equity Bank

The reason many marketing executives continue to invest in advertising, even during economic downturns, is because they believe advertising will enhance a brand's equity and increase sales. You will recall from the

discussion in Chapter 2 that marcom efforts enhance a brand's equity by creating brand awareness and forging favorable, strong, and perhaps unique associations in the consumer's memory between the brand and its features and benefits. When advertising and other forms of marketing communications create unique and positive messages, a brand becomes differentiated from competitive offerings and is relatively insulated from future price competition.

Advertising's long-term role has been described in these terms: "Strong advertising represents a deposit in the brand equity bank."<sup>36</sup> This clever expression nicely captures the advertising challenge. It also correctly notes that not all advertising represent a deposit in the brand equity bank, only advertising that is *strong*—that is, different, relevant, held in high esteem, and memorable (e.g., positive knowledge).

Making such a "deposit" or investment in online advertising today, however, can be challenging due to the rise of ad blocking software, such as Apple's IOS mobile operating system making it easier for apps to block ads in Safari browsers on the iPhone.<sup>37</sup>

**Elasticity** A measure of how responsive demand for a brand is to changes in marketing variables such as price and advertising.

insights  
online

To learn more about the rise of ad blocking software and solutions to this dilemma, go to Insights Online in MindTap.

### Advertising Versus Pricing Elasticity

Returning more directly to the issue of investing or disinvesting in advertising, and assuming ads won't be blocked, we have to grapple with the following challenge: what are the alternative ways by which brand managers can grow their brands' sales volume, revenue, and profits? Increasing advertising is one option; reducing price—via outright price cuts or through promotional dealing—is another. Which option is more promising? The answer requires we have a common measure for comparing the effects of increasing advertising versus decreasing prices. The concept of *elasticity* provides just such a metric.

**Elasticity**, as you will recall from a basic economics or marketing course, is a measure of how responsive the demand for a brand is to changes in marketing variables such as price and advertising. We can calculate elasticity coefficients for price ( $E_p$ ) and advertising ( $E_A$ ), respectively, based on the following equations:

$$E_p = \text{Percentage change in quantity demanded} \div \text{Percentage change in price} \quad (9.4)$$

$$E_A = \text{Percentage change in quantity demanded} \div \text{Percentage change in advertising} \quad (9.5)$$

To illustrate these concepts, consider the situation faced by a recent college graduate, Aubrey, who sells

T-shirts imprinted with thematic messages. (Students well familiar with the concept of elasticity are encouraged to skip this basic treatment and resume reading the subsection titled "Average Price and Advertising Elasticities.")

Aubrey has been doing a pretty good business but thinks he can increase revenues and profits by lowering the price at which he sells imprinted T-shirts. (The *law of inverse demand* says that sales volume, or quantity, typically increases when prices are reduced, and vice versa.) Last week (we refer to this as week 1), Aubrey priced his product at \$10 each and sold 1,500 shirts ( $P_1 = \$10$ ;  $Q_1 = 1,500$ ). He decided the following week, week 2, to reduce the price to \$9, and then sold 1,800 shirts ( $P_2 = \$9$ ;  $Q_2 = 1,800$ ). Applying Equation 9.4, we quickly see that the percentage change in quantity demanded is 20 percent. That is,  $(1,800 - 1,500) \div 1,500 = 20$  percent. Thus, with an 11 percent decrease in price—that is,  $(10 - 9) \div 9$ —he realized a 20 percent increase in quantity sold. The price elasticity ( $E_p$ ) expressed as an absolute value is 1.82 (i.e.,  $20 \div 11$ ). (Refer to Equation 9.4 to see how the elasticity coefficient for price,  $E_p$ , is calculated.) Aubrey was pleased with this result because total revenue in week 2 was \$16,200



keith morris/Alamy Stock Photo

( $P_2 \times Q_2 = \$9 \times 1,800 = \$16,200$ ) compared with the \$15,000 revenue obtained in week 1 ( $\$10 \times 1,500$ ). Thus, although he reduced the price of T-shirts, he enjoyed an 8 percent increase in revenue—that is,  $(\$16,200 - \$15,000) \div \$15,000$ .

Now consider that rather than reducing price, Aubrey decided to increase the amount of advertising from week 1 to week 2. Suppose that in week 1, he had spent \$1,000 advertising in the local newspaper. As before, he obtained \$15,000 revenue in week 1 from selling 1,500 T-shirts at a price of \$10 each. Suppose in week 2, he increased the level of advertising to \$1,500 (a 50 percent increase over week 1) and sold 1,600 shirts at \$10 each. In this case, the percentage change in quantity demanded is 6.67 percent. That is,  $(1,600 - 1,500) \div 1,500 = 6.67$  percent. This increase in quantity sold was enjoyed with a 50 percent increase in ad expenditures. Thus applying Equation 9.5, the advertising elasticity ( $E_A$ ) is  $6.67 \div 50 = 0.133$ . Whereas Aubrey received \$15,000 in week 1, revenue ( $P_1 = \$10$ ;  $Q_1 = 1,500$ ), revenue increased in week 2, by \$1,000 ( $P_2 = \$10$ ;  $Q_2 = 1,600$ ). This increased revenue (\$1,000) was obtained with a \$500 increase in advertising, so Aubrey enjoyed a \$500 increase in profit—not a bad week's work for a young entrepreneur!

**Average Price and Advertising Elasticities** An interesting question is whether increases in advertising can be justified, especially when compared with the alternative possibility of merely reducing prices. We know a lot about advertising and price elasticities. An important study determined that the average price and advertising elasticities for 130 brands of durable and nondurable products were 1.61 and 0.11, respectively.<sup>38</sup> In another study of 751 ad elasticity coefficients, the average short-term ad elasticity was 0.12 and was higher for durable goods, early stages in the life cycle, yearly (versus quarterly) data, and for gross rating points (GRPs) as opposed to monetary values.<sup>39</sup> (Also, we should note that the price elasticity is presented here as an absolute value, although technically it should have a negative sign insofar as price increases typically result in volume decreases and price decreases result in volume increases.) A price elasticity of 1.61 is interpreted as meaning that a 1 percent reduction in price leads to a 1.61 percent increase in sales volume; similarly, the ad elasticity coefficient of 0.11 indicates that a 1 percent increase in ad expenditures increases volume by just 0.11 percent.

Therefore, sales volume is about 14.6 times ( $1.61 \div 0.11$ ) more responsive, on average, to changes in price than to changes in advertising. For just durable goods, the average price and advertising elasticities are 2.01 and 0.23, which indicates that sales volume for these goods is, on average, 8.7 times more responsive to price discounts than advertising increases. Comparatively, for nondurable goods, the average price and advertising elasticities

are 1.54 and 0.09, respectively, indicating that, on average, sales volume is 17 times more responsive to price cuts than advertising increases.

**What's a Manager to Do?** Do these results indicate that brand managers should always discount prices and never increase advertising? Absolutely not! As you have learned from this text and elsewhere, every situation is unique. Pat answers (“This is how you should do it.”) can be flat-out wrong and misleading! Every brand does not experience the same price and advertising elasticities as presented here. “On average,” as used in our discussion, means that some brands are at the average, whereas others are above or below the average; there is, in other words, a distribution of elasticity coefficients around the average. In general, we can consider four combinations of advertising and price elasticities. For each situation, we will identify the appropriate strategy for increasing profit, whether to increase advertising or to reduce price.<sup>40</sup>

- *Situation 1: Maintain the status quo.* Consider a situation where consumers have well-established brand preferences such as during the decline stage of a product's life cycle or in established niche markets. In a market such as this, demand would not be very price elastic or advertising elastic; consequently, profits would be maximized by basically adhering to the status quo and maintaining the present price and advertising levels. In short, facing a situation such as this, brand managers should neither discount prices nor increase levels of advertising.
- *Situation 2: Build image via increased advertising.* In a situation where demand is more advertising elastic than price elastic, it is advisable to spend relatively more on advertising increases than price discounts. This situation is likely for new products, luxury goods, and products characterized by symbolism and imagery (cosmetics, designer labels in apparel and home furnishings, expensive brands of distilled spirits, etc.). The profit-increasing strategy in a situation such as this is to build a brand's image by increasing advertising.
- *Situation 3: Grow volume via price discounting.* This third situation is characterized by mature consumer goods markets where consumers have complete information about most brands in the category and brand switching is frequent. Because brands are little differentiated, the market is more price than advertising elastic. Profit increases are obtained more from price discounts than advertising investments.
- *Situation 4: Increase advertising and/or discount prices.* This is a situation where the market is both price elastic and advertising elastic. This would be

expected when brands in the product category are inherently differentiable (cereals, automobiles, appliances, etc.) and for products that are seasonal (e.g., lawn products, seasonal clothing, and special holiday gift items). In situations such as these, informative advertising can influence consumers' beliefs about product attributes (e.g., Scott's fertilizer is longer-lasting than competitive brands), but because brands are similar, consumers also are eager to compare prices.

Given knowledge of the price and advertising elasticities that exist in a particular situation, it is possible to determine mathematically whether it is more profitable to increase advertising or discount price. The analysis is beyond the scope of this text, but the interested reader is referred to additional sources.<sup>41</sup> It is hoped that this section conveyed the point that the choice to invest (increase) or disinvest (decrease) in advertising can be made only after determining the relative advertising and price elasticities that confront a brand in a particular market situation. Also, it should be cautioned that price can have a more immediate and direct impact on sales than advertising. Moreover, every brand has a unique situation in how it might respond to changes in advertising and/or price.

### Ad Spending, Advertising Elasticity, and Share of Market

The effect of advertising for a brand on its sales volume, revenue, and market share—that is, its proportional representation of total product category revenue—is determined both by how much it spends relative to other brands in the category (its share of voice, or SOV) and how effective its advertising is. It was mentioned earlier that *strong* advertising is a deposit in the brand equity bank. Full appreciation of this statement requires that we explore the concept of advertising “strength.” We have, in fact, a measure of advertising strength, and that measure is the familiar concept we’ve been discussing, namely, *advertising elasticity*. Table 9.5 presents real data for the top ten U.S. beer brands from a recent year as a basis for illustrating advertising elasticity and the concept of strength. However, before proceeding, it is necessary to introduce a final equation, Equation 9.6.

$$\text{SOM}_i = A_i^e / \sum_{j=1}^n A_j^e \quad (9.6)$$

Equation 9.6 indicates that a brand's predicted market share (i.e., the share of market (SOM) for the *i*th brand in a product category) depends on its level of advertising (*A*.) raised to the power of its advertising elasticity (*e*) in

**Table 9.5** ▶ The Effect of Advertising Elasticity on Brands Share of Market

BEER MARKETER	AD SPEND (\$ MILLION) (A)	HYPOTHETICAL ELASTICITY COEFFICIENTS (B)	(A) ^ (B)* (C)	PREDICTED SOM (1) (D)	(A) ^ (B)** (E)	PREDICTED SOM (2) (F)
Anheuser Busch InBev	\$539	0.11	2.00	13.52%	2.00	13.05%
MillerCoors	417	0.11 or 0.15	1.94	13.12	2.47	16.12
Constellation Brands	171	0.11	1.76	11.90	1.76	11.49
Heineken	150	0.11	1.74	11.77	1.74	11.36
Pabst	3	0.11	1.13	7.64	1.13	7.38
Boston Beer Co.	50	0.11	1.54	10.41	1.54	10.05
D.G. Yuengling & Son	6	0.11	1.22	8.25	1.22	7.96
N. American Breweries	4	0.11	1.17	7.91	1.17	7.64
Diageo (Guinness)	10	0.11	1.29	8.72	1.29	8.42
Mark Anthony (Mike's)	1	0.11	1.00	6.76	1.00	6.53
Column Sums	\$1,351	NA	14.79	100%	15.32	100%

\*Assumes elasticity coefficients for all 10 beer marketers are equal at 0.11.

\*\*Assumes that MillerCoors' elasticity coefficient is 0.15, whereas all other marketers' elasticities remain at 0.11.

Source: “U.S. Market Leaders by Category,” *Advertising Age*, December 21, 2015, 13. Copyright Crain Communications Inc., 2015. Used with permission.



comparison to the total level of advertising for all brands in the category (brands  $j = 1$  to  $n$ , where  $n$  is the total number of brands in the category) raised to the power of their elasticity coefficients.<sup>42</sup> Table 9.5 brings this formulation to life with a straightforward example drawn from the U.S. beer industry.

The first column of data, column A, indicates the advertising expenditures in a recent year for each of the top 10 U.S. beer companies. (This example pre-dates InBev's acquisition of MillerCoors in mid-2016.) For example, Anheuser-Busch InBev spent a total of \$539 million to advertise its flagship brands, Budweiser, Bud Light, Stella Artois, etc. Total ad expenditures among these 10 marketers exceeded \$1.3 billion. Column B makes the simplifying assumption that advertising for every beer company is equally strong (or equally weak), as indicated by identical elasticity coefficients of 0.11, which, as pointed out previously, is the average advertising elasticity across many consumer products. Note that two coefficients are presented for MillerCoors, either 0.11 or 0.15. We explain later why two coefficients are shown for this particular brand.

In column C, the ad spend is raised to the power of the elasticity coefficient, with the symbol  $\wedge$  indicating a power function. For example, Anheuser Busch InBev's ad spend of \$539 million raised to the power of 0.11 equals 2.00, and MillerCoors' spend raised to the same power equals 1.94. Each value in Column C, one for each of the 10 beer marketers, is the numeric equivalent to the  $A_j^e$  term in Equation 9.6. The summation of all of the values in column C is 14.79, which represents the numerical counterpart to the summation term in Equation 9.6, namely  $\sum A_j^e$ .

Thus following Equation 9.6, each value in column C is divided by the summation of all values to yield, in column D, predicted market shares for each of the 10 beer brands.

Of course, Equation 9.6 makes the simplifying assumption that advertising is the sole determinant of market share. If that were the case, then the market shares in column D should correlate strongly with actual market shares. In fact, although not shown in Table 9.5, the correlation between actual and predicted market shares equals 0.80, which indicates that advertising is an important determinant of market shares in the beer industry.

Column E provides a new set of values that have been derived by assuming that all elasticity coefficients remain equal at 0.11 with the exception of MillerCoors, which now is assumed to be 0.15. The assumption, in other words, is that MillerCoors advertising is "stronger" than its competitors', due perhaps to more creative advertising content or a novel and compelling ad message. If this in fact were the case, then predicted market shares would look like those in column F. Note carefully that MillerCoors predicted market share has increased by slightly over 3 share points (from 13.12 in column D to 16.12 in column F), whereas the shares for all other beers have declined. MillerCoors gain (due to hypothetically superior advertising) has come at the expense of its competitors.

In sum, this exercise has shown how it is possible to translate the idea of advertising "strength" into numerical values by capitalizing on the concept of advertising elasticity. Equation 9.6 is based on the simplifying assumption that advertising alone influences market share. Yet, simplification aside, it enables us to see the effect of creating better, more creative, and stronger advertising vis-à-vis competitors' efforts can lead to increased market shares. The following two chapters will go into much greater detail in developing the concept of advertising creativity and ad message strategies.

# Summary

This chapter offered an introduction to advertising. First, advertising was defined as a paid, mediated form of communication from an identifiable source that is designed to persuade the receiver to take some action, either now or in the future. We then looked at the magnitude of advertising in the United States and elsewhere. For example, U.S. ad expenditures were estimated to be approximately \$204 billion in 2016, and global ad spending for the same year were estimated to total approximately \$538 billion. Also discussed in this context were advertising-to-sales ratios for several illustrative product categories.

Next explored was advertising's role in the economy—and resolving the debate between the advertising = market power versus advertising = information perspectives. Then, the functions advertising performs, which include informing, influencing, reminding and increasing salience, adding value, and assisting other company efforts, were presented. Following this, the advertising management process was examined from the perspectives of clients. The role of advertising agencies then was discussed, and methods of compensation were reviewed.

A concluding section provided a detailed discussion of the arguments favoring investment in advertising and counterarguments regarding circumstances when it is advisable to disinvest. Considerable attention was devoted to the issue of advertising versus pricing elasticities. We pointed out that sales volume is about 14.6 times more responsive, on average, to changes in price than to changes in advertising. Although this would seem to suggest that revenue is best grown by reducing prices rather than increasing ad spending, the point was made that not all advertisers are “average” and not all advertising situations are the same. Moreover, oftentimes, pricing has a more immediate and direct effect on sales than does advertising. Thus, whether increasing advertising or reducing price is a better strategy depends entirely on the situation facing each particular product category and competitor in that category. In conclusion, we examined the role of advertising expenditures and elasticity coefficients in determining market shares.

## Discussion Questions

- Describe circumstances when each of the five advertising functions described in the chapter might be more important than the others.
- Advertising is said to be “a deposit in the brand equity bank,” but only if the advertising is “strong.” Explain.
- Even if an advertiser is willing to invest by advertising his/her brand online, they may face consumers using ad blocking software. What options do you suggest for advertisers that face this challenge?
- Provide an example of usage expansion advertising other than those illustrated in the chapter.
- Present arguments for and against using advertising agencies. Are there lessons to learn from the experiences of Alex Bogusky (CP + B) featured in the *Marcom Insight*?
- Ad agency compensation is increasingly turning to performance- or outcome-based compensation. Explain how this form of ad agency compensation works and why it potentially is superior to alternative methods of compensating ad agencies.
- Using Equations 9.1 through 9.3, explain the various means by which advertising is capable of influencing a brand's profitability.
- In the context of the discussion of price and advertising elasticities, four situations were presented by comparing whether price or advertising elasticity is stronger. Situation 2 was characterized as “build image via increased advertising.” In your own terms, explain why in this situation it is more profitable to spend relatively more on advertising rather than reduce a brand's price.
- Research results were presented showing that sales volume is about 14.6 times more responsive, on average, to changes in price than to changes in advertising. Explain exactly what this means for the manager of a brand who is considering whether to grow sales by increasing advertising expenditures or lowering the price.
- Data in this same section indicated that nondurable goods (versus durables) are relatively more responsive to price cuts than advertising increases. Offer an explanation for this differential.
- Show your understanding of Equation 9.4 and the data presented in Table 9.5 by constructing a spreadsheet (using, for example, Microsoft Excel) and altering the elasticity coefficients for different beers. For example, just as MillerCoors' elasticity coefficient was changed from 0.11 to 0.15 while holding all the others constant at 0.11, you may want to vary the coefficient for, say, Heineken.

# CHAPTER 10

## Effective and Creative Ad Messages

### CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Appreciate the factors that promote effective and creative advertising.
- 2 Discuss the different levels of impressions made by advertising.
- 3 Describe the features of a creative brief.
- 4 Understand the concept of means-end chains and their role in advertising strategy.
- 5 Appreciate the MECCAS model, laddering techniques, and their role in guiding message formulation.
- 6 Explain alternative creative styles of advertising messages.
- 7 Recognize the role of corporate image and issue advertising.

### Marcom Insight

#### Perhaps the Greatest TV Commercial of All Time

Most people would agree that TV commercials are generally of average quality, not especially good or bad. Some commercials, although relatively few, are so dreadful that we are immediately turned off. At the opposite end of the ad-quality continuum are a small number of exceptionally good commercials. One such commercial, for Apple's Macintosh computer, aired on a single occasion 32 years ago. Many advertising critics consider it to be the best advertising execution of all time.

Apple Computers had just developed the world's most user-friendly computer and needed breakthrough advertising to introduce its new Macintosh brand, which was a revolution in computing technology. The late Steve Jobs, the cofounder of Apple, who was only 29 at the time of the Macintosh introduction, instructed his advertising agency, Chiat/Day, to create an explosive television commercial that would portray the Macintosh as a truly revolutionary machine. The creative people at Chiat/Day faced a challenging task, especially since Macintosh's main competitor was the powerful and much larger "Big Blue" (IBM). (In 1984, Dell, Hewlett-Packard, and other personal computer brands were nonexistent. It was only Apple versus IBM in the personal desktop computer business,



Image Courtesy of The Advertising Archives

and IBM was the well-established leader known for its corporate computers.) However, Chiat/Day produced a commercial in which IBM was obliquely caricatured as the much despised and feared institution reminiscent of the Big Brother theme in George Orwell's book *1984*. (In the book, political power is controlled by Big Brother, and individual dignity and freedom are superseded by political conformity.) The one-minute commercial created in this context, dubbed "1984," was run during the Super Bowl XVIII on January 22, 1984, and was never repeated on commercial television. This was not because it was ineffective; to the contrary, its incredible word-of-mouth-producing impact negated the need for repeat showings.

*The commercial . . . opens on a room of zombie-like citizens staring at a huge screen where Big Brother is spewing a relentless cant about "information purification . . . unprincipled dissemination of facts" and "unification of thought."*

*Against this ominous backdrop, a woman in athletic wear [a white jersey top and bright red running shorts, which was the only primary color in the commercial] runs in and hurls a sledgehammer into the screen, causing a cataclysmic explosion that shatters Big Brother. Then the message flashes on the TV screen: "On January 24th, Apple Computer will introduce Macintosh. And you'll see why 1984 won't be like '1984.'"*

This remarkable advertising is considered by some to be the greatest TV commercial ever made. It attracted immediate attention; it broke through the clutter of the many commercials aired during the Super Bowl; it was memorable; it was discussed by millions of people; and

ultimately, it played an instrumental role in selling truckloads of Macintosh computers. Moreover, it created a unique image at the time for the Mac (short for Macintosh) as described adroitly by one observer.

*The Mac is female. Conversely, IBM must be male. IBM is not just male, it is Big Brother male. And Apple is not just female, but New Female. She is strong, athletic, independent, and, most important, liberated. After all, that's what the young athlete is all about. She is, in terms of the 1980s, empowerment and freedom.*

Certainly, times have changed since 1984 with a positioning to all demographics (e.g., male and female), and Apple has seen a significant boost in sales of Macs. This shift has been attributed, in part, to their creative advertising and success of the iPod, iPhone, iPad, recent additions Apple Watch and Apple TV, generating a halo effect in which satisfied users purchase more Apple equipment either online or through their 478 retail stores in 17 countries. Apple recently reported worldwide sales of 5.5 million Macs and a market share of 6 percent for Macs in the United States.

Sources: Based on Bradley Johnson, "The Commercial, and the Product, That Changed Advertising," *Advertising Age*, January 10, 1994, 1, 12–14; Bob Garfield, "Breakthrough Product Gets Greatest TV Spot," *Advertising Age*, January 10, 1994, 14; "The Most Famous One-Shot Commercial Tested Orwell, and Made History for Apple Computer," *Advertising Age*, November 11, 1996, A22; James B. Twitchell, *20 Ads That Shook the World: The Century's Most Groundbreaking Advertising and How It Changed Us All*, New York: Crown Publishers, 2000, 190; "Macintosh," *Wikipedia*, last modified September 26, 2016, accessed June 18, 2016, <http://en.wikipedia.org/wiki/Macintosh>.

## 10-1 Introduction

Do you like emotional ads? Humorous ones? Informative ones? What exactly is meant by advertising creativity? What makes for an effective and successful advertising message? What is required for an advertisement to have lasting impact? How can understanding consumer values lead to the production of effective advertisements? What are the different types of creative styles, and when and why is each used? The present chapter, which is the first of two to examine the message aspect of advertising, addresses questions such as these. Ad creativity can be a challenge though. Most product categories generally operate in an advertising context where audiences are continually bombarded by advertisements or in which ad blockers are used. This ad barrage commonly is referred to as advertising *clutter*, meaning that ad messages must be creative to break through and gain the receiver's attention and accomplish even more ambitious goals such as enhancing brand images and motivating consumers to purchase advertised products.

## 10-2 Suggestions for Creating Effective Advertising

We turn now to the issue of how advertising agencies and clients work together to develop effective advertising campaigns. No simple answer is possible, but it can help to examine the meaning of *effective advertising*. It is easy, in one sense, to define effective advertising: advertising is effective if it accomplishes the advertiser's objectives. This view defines effectiveness from the *output side*, or in terms of what it accomplishes. It is much more difficult to define effective advertising from an *input perspective*, or in terms of the composition of the advertisement itself. For example, creative staff developing direct-mail advertising or social media probably have a different opinion about what constitutes effective advertising than would Steve Hayden, the inspirational source and copy writer behind the "1984" Macintosh commercial that was described in the chapter-opening *Marcom Insight*.

At a minimum, effective advertising satisfies the following general considerations:<sup>1</sup>

1. *It extends from sound marketing strategy.* Advertising can be effective only if it is compatible with other elements of an integrated and well-orchestrated marcom strategy. For example, as established in Chapter 1, all marcom tools must be integrated and “speak” with a single voice.
2. *Effective advertising takes the consumer’s view.* Advertising must be stated in a way that relates to the consumer’s—rather than the marketer’s—needs, wants, and values. In short, effective advertising *connects* with the target audience by reflecting keen insight into what consumers are looking for when making brand-selection decisions in specific product categories. For example, several years ago, when Northwest Airlines (now part of Delta) pulled out of Milwaukee as a hub, frequent flyers were quite upset. Yet, Midwest Airlines (now part of Frontier) filled the void by offering nearly 40 direct flights to major destinations from Milwaukee each day. Midwest’s advertising campaign then showed consumers on pogo sticks hopping around a map of the United States, depicting all of their competitors with nondirect flights. Midwest remained Milwaukee’s “hometown airline” and leader in market share for almost 25 years. In general, an advertising practitioner who specializes in creative thinking has stated the issue in these terms: “Consumers don’t want to be bombarded with ads—they want to be inspired by ideas that will change their lives. Ads create transactions. Ideas create transformations. Ads reflect our culture, ideas imagine our future.”<sup>2</sup>
3. *It finds a unique way to break through the clutter.* Advertisers continually compete for the consumer’s attention. Gaining attention is no small task considering the massive number of print advertisements, broadcast commercials, online ads, social media feeds, and other sources of information consumers see daily. Indeed, the situation in television advertising has been sometimes characterized negatively as “audiovisual wallpaper.”<sup>3</sup> Yet, appeals to consumer needs and creative executions can help, as depicted in the Planters’ “barbell ad,” effectively making the visual analogy that their nut products can fuel one’s fitness.



Source: Kraft Foods

4. *Effective advertising never promises more than it can deliver.* This point speaks for itself, both with respect to ethics and in terms of smart business sense. Consumers learn when they have been deceived and will resent the advertiser. Effective advertising promises no more than the advertised product is capable of delivering.
5. *It prevents the creative idea from overwhelming the strategy.* The purpose of advertising is to inform, inspire, and ultimately sell products; the purpose is not to be creative merely for the sake of being clever. For example, Geico’s famous, long-running ad campaign using humorous depictions of geckos, pigs, and cavemen did not overshadow their main ad message of just “15 minutes could save you 15% or more on car insurance.” Regarding creativity, advertising agencies do place an important emphasis on winning awards at the various annual ceremonies the ad industry conducts—for example, the Cannes Lions International Advertising Festival in France, the London International Advertising Awards, and the Clio Awards in the United States.

### 10-3 Qualities of Successful Advertising

Several years ago, the noted advertising scholar and visionary, Herbert Krugman, cited what he believed were three important ingredients of successful advertising:

(1) information, (2) rational stimulus (“reason why”), and (3) emphasis.<sup>4</sup> He noted that few ads boasted all three elements. The first, *information*, refers to whether the advertiser has important news to share with the world (i.e., newsworthiness). For example, the American Dental Association’s endorsement of Crest toothpaste in 1960 was an important piece of news advertised by Procter & Gamble and helped ensure their market leadership position for many years. Second, the *rational stimulus* or “reason why” usually occurs under high involvement (e.g., due to a prior need or product search) and often motivates a scrutiny of message-relevant arguments in seeking the “reason why” one should purchase or consider the advertised brand. The third ingredient, *emphasis*, focuses on repeating a single theme or aspect of the product. Although ideal under low involvement (and as a reminder to purchase), it easily can lead to irritation and “ad wearout” if overdone. Yet, for many items for which consumers do not value as being important in their lives, emphasizing a single theme may bring the item to one’s “top of mind” awareness when shopping.

#### 10-4 What Exactly Does Being “Creative” and “Effective” Mean?

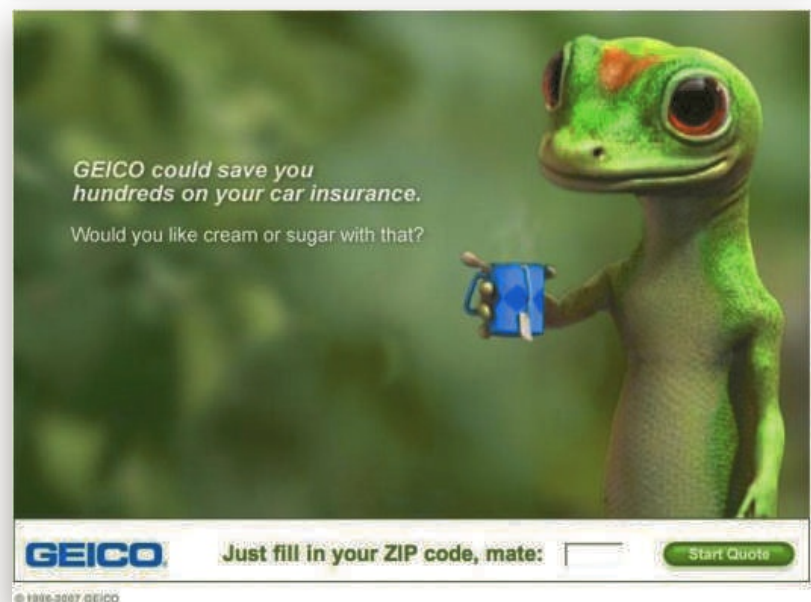
An argument can be made that “effective” or successful advertising is usually being creative with a purpose. Certainly, the notion of effective advertising can vary from culture to culture. In the United Kingdom, a premium may be placed on being different, humorous, or out-of-the-ordinary in differentiating campaigns from the mass of mediocre advertising. In fact, according to Nielsen, 51 percent of their executions are of the humorous variety.<sup>5</sup>

In the United States, even though humorous executions are used, creative advertising is viewed more often as being “effective” in that the creativity has a purpose. That is, the strategy is more about developing advertising executions that connect with the target audience, cut through the clutter, and position the brand optimally in view of the brand’s strengths relative to competitive brands. Importantly, the focus is on the original objectives for the campaign (e.g., ROI).

Certainly, it is easier to give examples of creative advertising than to offer a universal definition. Consider the following three examples of unique and creative messaging: (1) the long-running Geico campaigns featuring geckos, pigs, pets, cavemen and

rhetorical questions in offering cost savings to consumers on auto insurance; (2) Procter and Gamble’s Always “Like a Girl” campaign focusing on adolescent girl empowerment; and (3) GoPro’s “Hero in Action” video ad featuring a firefighter trying to save a kitten in a house fire. (As evidence, Geico’s “Unskippable” ad won Advertising Age’s “Campaign of the Year” Award, P&G’s Always “Like a Girl” Campaign was ranked as a top Super Bowl ad, and GoPro’s “Hero in Action” has now attracted over 31 million views on YouTube.)<sup>6</sup>

Jazz musician Charlie Mingus described creativity about as well as it can be described: “Creativity is more than just being different. Anybody can play weird, that’s easy. What’s hard is to be simple as Bach. Making the simple complicated is commonplace, making the complicated simple, awesomely simple, that’s creativity.”<sup>7</sup> The following section discusses several elements found in “creative” ads.<sup>8</sup>



Source: KraftFocus

### 10-4a CREATIVITY: THE CAN ELEMENTS

Although identifying advertising creativity is challenging, there is some agreement that “creative” ads share three common features: connectedness, appropriateness, and novelty. These are the “CAN” elements.<sup>9</sup>

#### Connectedness

**Connectedness** addresses whether an advertisement reflects *empathy*, creates a bond, and is relevant with the *target audience’s* basic needs and wants as they relate to making a brand-choice decision in a product category. For example, if competitive price and speed of delivery are paramount to corporate purchasing agents, then ads that reflect these motivations *are* connected.

#### Appropriateness

**Appropriateness** means that an advertisement must provide information that is pertinent to the *advertised brand* relative to other brands in the product category. An advertisement is appropriate to the extent that the message is on target for delivering the brand’s positioning strategy and capturing the brand’s relative strengths and weaknesses vis-à-vis competitive brands. Appropriate ads also are coherent in the sense that all message elements work in concert to deliver a singular, unambiguous message.

#### Novelty

**Novel ads** are unique, fresh, and unexpected. They differ from consumers’ expectations of a typical ad for a brand in a particular product category. Novelty draws consumers’ attention to an ad so that they engage in more effortful information processing, such as attempting to comprehend the meaning of the advertised brand. Unoriginal advertising is unable to break through the competitive clutter and grab the consumer’s attention. Geico’s “Unskippable” commercial (<https://www.youtube.com/watch?v=g0zJNjGM5Dw>) featured a family enjoying a spaghetti dinner, but immediately cut to a preroll message that “You can’t skip this Geico ad, because it is already over” with Geico’s message of “15 minutes could save you 15% or more on car insurance.” Then, the family was frozen while their dog leaps upon the table and proceeds to eat all of their dinner.

Advertising agencies sometimes develop ads that are unique, different, unexpected, and weird. Yet, novel advertisements can be considered creative only if they also are connected and appropriate. Such ads CAN be effective!

### 10-4b GETTING MESSAGES TO “STICK”

Beyond being creative, advertisers want their advertising to “stick.” **Sticky ads** are ads for which the audience comprehends the advertiser’s intended message; they are remembered, and they change the target audience’s

brand-related opinions or behavior.<sup>10</sup> Such ads have *lasting impact*: they stick.

What are the features of sticky messages in general? We now describe six common features of messages that tend to stick—that is, have relatively lasting impact.<sup>11</sup>

#### Simplicity

Sticky advertisements are both *simple* and *profound*. An advertisement can be said to be simple when it represents the brand’s core idea or key positioning statement (i.e., the advertising execution is stripped to its critical essence and captures the key element that needs to be communicated). Simple advertisements are *appropriate* in the sense of the term’s CAN elements of creativity usage.

#### Unexpectedness

Sticky advertisements generate interest and curiosity when they deviate from audience members’ expectations. As the marketplace is cluttered with commercial messages, communicators must overcome consumers’ natural tendency to attend selectively only those messages that are relevant to their goals. Note the similarity of unexpectedness to the *novelty* element in the list of creative CAN features. Sticky messages also are creative. As depicted earlier, the Geico “Unskippable” ad pre-roll and family dog eating their dinner was unexpected.

#### Concreteness

Sticky ideas possess concrete images as compared to abstract representations. As discussed in further detail in Chapter 6, advertisers “concretize” their messages to facilitate both consumer learning and retrieval of brand information. *Concretizing* is based on the straightforward idea that it is easier for people to remember and retrieve concrete versus abstract information. Concretizing is accomplished by using tangible, substantive (i.e., concrete) words and demonstrations. For example, a marketer of pickup trucks demonstrates concreteness when visually showing the truck lugging a huge load versus an abstract claim of just being “tough.”

#### Credibility

Sticky advertisements are *believable*. They have a sense of authority and provide reasons why they should be accepted as fact. For example, the American Dental Association seal of approval for cavity prevention was advertised in Crest campaigns in the 1960s, which aided Crest’s market leadership position for years. Chapter 11 discusses in greater detail the nature and importance of credibility when describing the role of celebrity endorsers.

#### Connectedness

Addresses whether an advertisement reflects *empathy*, creates a bond, and is relevant with the *target audience’s* basic needs and wants as they relate to making a brand-choice decision in a product category.

#### Appropriateness

The extent to which the message is on target for delivering the brand’s relative strengths and weakness vis-à-vis competitive brands.

**Novelty** When an ad differs from the customer’s expectations of a typical ad for a brand in a particular product category.

**Sticky ads** Ads for which the audience comprehends the advertiser’s intended message; they are remembered, and they change the target audience’s brand-related opinions or behaviors.

#### Emotionality

People care about ideas that generate emotions and tap into feelings. For example, fun and upbeat commercials (e.g., Geico gecko, E\*TRADE baby, Kia Soul dancing hamsters)



Source: Procter & Gamble

may generate positive feelings and affect in the form of happiness, joy, cheerfulness, amusement, and other favorable emotions. Other executions in the form of empowerment (“Always “Like a Girl”) or heroism (GoPro “Hero in Action”) may also generate positive feelings. In general, advertisers can get people to care about their brands by appealing to emotions that are relevant to the product category in which the advertised brand competes. Also, such appeals are especially effective during holiday seasons.<sup>12</sup>

### Storytelling

The sixth element of sticky messages is telling stories. By definition, stories have plots, characters, and settings—all features of which are contained in touching ad campaign for UPS entitled “Your Wishes Delivered: Driver for a Day (<https://www.youtube.com/watch?v=0IsL5AMqLMY>).”<sup>13</sup> This emotional ad features a real story about four-year-old Carson who develops a friendship with a UPS driver (“Mr. Ernie”) who comes to his parents’ house delivering packages several times a week. In the commercial, Carson has dressed up in a UPS delivery uniform to meet Mr. Ernie and is extremely surprised and happy when Mr. Ernie delivers a toy motorized UPS truck for Carson to make deliveries in his neighborhood that day. This UPS story led to over 3.7 million views of the video on YouTube and is highlighted in Chapter 14 as one of the most successful social media campaigns of all time.

To sum up, sticky messages are those that have lasting impact. The elements of sticky messages are Simplicity, Unexpectedness, Concreteness, Credibility, Emotionality, and Storytelling, or **SUCCESS**.<sup>14</sup>

### 10-4c ILLUSTRATIONS OF CREATIVE AND STICKY ADVERTISING EXECUTIONS

In addition to the highly creative (and effective) advertisement presented in the chapter opening *Marcom Insight* insert, the following examples illustrate individual

advertisements and advertising campaigns that, in the authors’ opinion, register high marks on the CAN facets of creativity and the **SUCCESS** elements of stickiness.

### Miss Clairol: “Does She . . . or Doesn’t She?”

Imagine yourself employed as a copywriter in a New York advertising agency in 1955. You have just been assigned creative responsibility for a product that heretofore (as of 1955) had not been nationally marketed or advertised. The product: hair coloring. The brand: Miss Clairol. Your task: devise a creative strategy that will convince millions of American women to purchase Miss Clairol hair coloring—at the time called Hair Color Bath. This challenge occurred, by the way, in a cultural context where it was considered patently inappropriate for respect-

able women to smoke in public, wear long pants, or color their hair.

The person actually assigned this task was Shirley Polykoff, a copywriter for the Foote, Cone & Belding agency. At the time of the Miss Clairol campaign, there was no hair-coloring business. Women were even ashamed to color their own hair due to social disapproval and because at-home hair color often turned out looking unnatural. A product that provided a natural look stood a strong chance of being accepted, but women would have to be convinced that an advertised hair-coloring product would, in fact, give them that highly desired natural look.

Shirley Polykoff explains the background of the famous advertising line that convinced women that Miss Clairol would produce a natural look.

*In 1933, just before I was married, my husband had taken me to meet the woman who would become my mother-in-law. When we got in the car after dinner, I asked him, “How’d I do? Did your mother like me?” and he told me his mother had said, “She paints her hair, doesn’t she?” He asked me, “Well, do you?” It became a joke between my husband and me; anytime we saw someone who was stunning or attractive we’d say, “Does she, or doesn’t she?” Twenty years later [at the time she was working on the Miss Clairol account], I was walking down Park Avenue talking out loud to myself, because I have to hear what I write. The phrase came into my mind again. Suddenly, I realized, “That’s it. That’s the campaign.” I knew that [a competitive advertising agency] couldn’t find anything better. I knew that immediately. When you’re young, you’re very sure about everything.<sup>15</sup>*

The advertising line “Does she . . . or doesn’t she?” actually was followed with the tagline “Hair color so natural only her hairdresser knows for sure!” The headline



attracted the reader's attention, whereas the tagline promised a conclusive benefit: the product works so well that only an expert would recognize that her hair color was not her actual color. This brilliant advertising persuaded millions of American women to become product users and led to dramatically increased sales of Miss Clairol.<sup>16</sup> In terms of the six stickiness elements, this campaign performs extremely well with respect to at least five of these features: simplicity, concreteness, credibility, emotionality, and storytelling.

### Absolut Vodka

Imported brands of vodka were virtually nonexistent in the United States until the early 1980s. Three brands (Stolichnaya from Russia, Finlandia from Finland, and Wyborowa from Poland) made up less than 1 percent of the total U.S. vodka market. Absolut vodka from Sweden—a country previously not associated with vodka—was introduced to the United States in 1980. In addition to having a great name (suggesting the unequivocally best, or *absolute*, vodka), the brand's most distinguishing feature was a unique bottle—crystal clear with an interesting shape.

With a small budget and the capability of advertising only in print media (broadcast advertising of beer, wine, and distilled spirits was not permitted), the brand's advertising agency, TBWA, set about the task of rapidly building brand awareness. The agency's brilliant idea was simply to feature a full-page shot of the bottle with a two-word headline: The first word would always be the brand name, Absolut, used as an adjective to modify a second word

that (1) described the brand (e.g., Absolut Perfection); (2) characterized its consumer (e.g., Absolut Sophisticate); or (3) associated the brand with positive places, people, or events (e.g., Absolut Barcelona). Literally hundreds of print ads were executed over the next quarter century, and Absolut rose to the top in the vodka industry, only to be knocked off its perch later when luxury brands such as Grey Goose, Ketel One, and many others were introduced. (A website with illustrations of Absolut's print ads is available at [www.absolutad.com](http://www.absolutad.com).) The campaign was discontinued eventually and replaced with another campaign titled "In an Absolut World." The rationale for discontinuing the earlier, famous campaign is presented in the *Insights Online: Global Focus* in MindTap. This campaign performs especially well on the simplicity aspect of the SUCCEsS model.

insights  
online

To learn more about Why Dump a Successful Ad Campaign, go to Insights Online in MindTap.

### Always "Like a Girl"

Based on consumer research, Procter & Gamble's Always brand launched their groundbreaking "Like a Girl" campaign for the Super Bowl that focused on empowerment for adolescent girls. The campaign developed by Leo Burnett featured a spot interviewing both adolescent girls and then young girls as to their differences

Home | Your Lifestyle | Always Feminine Products | What's New | Contact Us

Run #LIKEAGIRL

Threw #LIKEAGIRL

Swing #LIKEAGIRL

Dance #LIKEAGIRL

Kick #LIKEAGIRL

Rewrite the Rules

What do you do #LIKEAGIRL?

Take a stand and show young girls everywhere that doing things #LIKEAGIRL should never be used as an insult - that it means being strong, talented, and downright amazing.

TWEET NOW

FIND OUT MORE

Join The Movement

Using #LikeAGirl as an insult is a hard knock against any adolescent girl. And since the rest of puberty's really no picnic either, it's easy to see what a huge impact it can have on a girl's self-confidence.

Wow, kick on off an epic battle to make sure that you

This video is literally amazing. @Always Thank you for doing the #LikeAGirl campaign. <https://t.co/03ckKisNA> #LikeAGirl @Always

Pascal De Vitta (@pascal) Proud to be a girl. Proud to do everything #likeagirl

Source: Procter & Gamble Co.

in what it meant to “do things #LIKEAGIRL.” The adolescent girls (and some boys the same age) imitated a girl running, throwing, or doing an activity flimsily, whereas the young girls depicted the same activities with confidence and strength. This top-rated digital ad in the Super Bowl was quite effective in telling a compelling story in directly addressing the significant drop in self-confidence that girls might experience during puberty.<sup>17</sup>

### GoPro “Hero in Action”

GoPro’s high-definition, personal cameras are a “must” for many snowboarders, surfers, skateboarders, and others that partake in similar high-action sports and want to capture everything on video. Yet, sometimes there can be a more serious reason for capturing video, such as when firefighters enter a house fire. GoPro’s “Fireman Saves a Kitten” video (now redone as “Hero in Action”) depicted a firefighter with a GoPro Hero 3 camera attached to his helmet trying to save a kitten in a house fire. Although the kitten perished from smoke inhalation, this emotional and heartbreaking video initially led to 1.5 million views and (at the time of this writing) 31 million views after GoPro recut the footage and released it on YouTube ([https://www.youtube.com/watch?v=CjB\\_oVeq8Lo](https://www.youtube.com/watch?v=CjB_oVeq8Lo)).<sup>18</sup>

## 10-5 Making an Impression

Advertising that is creative and purposeful oftentimes is effective as well. Yet, such advertising should try to make an *impression*. No doubt, advertising can have different types of impressions on consumers. Research with television commercials has identified a structured, well-defined hierarchy of impressions that includes five major types of advertising impressions.<sup>19</sup> From the most basic to the highest level, here is the hierarchy:

**Brand name.** *The easiest and most likely takeaway from a commercial that viewers retain in memory is the brand name. Consumers often remember little else but what brand was being advertised.*

**Brand** Name, term, sign, symbol, design, or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competition.

**Generics** The major selling claim associated with the advertised brand.

**Generics.** *The second most typical impression consists of generics. The **generics** represents the major selling claim associated with the advertised brand (e.g., Häagen-Dazs claims to have the purest and finest ice cream ingredients in the world; General Electric focuses on imagination at work; Geico claims that you will save money by just spending a few minutes online.).*

**Attitudinal response (feelings).** *Next in the impression hierarchy is the generation of an **attitudinal response** or **feelings**.<sup>20</sup> Television commercials and online videos and photos (e.g., from YouTube, Facebook, Instagram, Snapchat) can evoke a variety of positive and negative feelings. Positive feelings might include reactions such as pride, excitement, warmth, tenderness, amazement, confidence, humor, and so on. Negative feelings might include fear, boredom, sadness, anger, disgust, and irritation. Research shows that*



concrete affective appeals work better in the short term, whereas abstract ones are better for the long-term.<sup>21</sup>

Commercial specifics. *Retention of commercial specifics is the fourth most frequent form of impression. Commercial specifics involve the elements in the execution of the advertisement such as the spokesperson or endorser (e.g., Aaron Rodgers, Danica Patrick, David Beckham, Taylor Swift, or Chris Bosh in “Got Milk?” print ads), the music (e.g., “Party Rock Anthem” by LMFAO in Kia Soul’s dancing hamsters commercial), the overall situation (e.g., an emotional ad for Hallmark greeting cards), and characters (e.g., Geico’s gecko, Progressive’s Flo, and actors in Allstate’s “Mayhem” commercials).*

Specific sales message. *The last or highest level of an impression viewers retain is the specific sales message. However, repeated exposures and persistence during the course of an advertising campaign can enable (at least part of) a sales message to be retained as a “generic” element. For example, Brooks running shoe ads tout that “every step gets cushioned” and that their “DNA cushioning dynamically reacts to your specific weight, pace, gait, and running surface.”*

## 10-6 Advertising Plans and Strategy

**Advertising plans** provide the framework for the systematic execution of advertising strategies. An advertising plan evaluates a brand’s advertising history, proposes where the next period’s advertising should head, and justifies the proposed strategy for maintaining or improving a brand’s competitive situation.

To put an advertising plan into action requires (1) careful evaluation of customer behavior related to the brand, (2) detailed evaluation of the competition, and (3) a coordinated effort to tie the proposed advertising program to the brand’s overall marcom strategy. (Note: one’s advertising plan should be closely tied and an integral part of the overall **marketing plan** for the firm.<sup>22</sup>) In turn, **advertising strategy** is what the advertiser says about the brand being advertised. It involves the development of an advertising message that communicates the brand’s value proposition—that is, its primary benefit or how it can solve the consumer’s problem.

### Attitudinal

#### response (feelings)

Television commercials and online videos (e.g., from YouTube, Tumblr) can evoke a variety of positive and negative feelings. Positive feelings might include reactions such as pride, excitement, warmth, tenderness, amazement, confidence, humor, and so on. Negative feelings might include fear, boredom, sadness, anger, disgust, and irritation.

### Commercial

#### specifics

The elements in the execution of the advertisement such as the spokesperson or endorser, the music, the overall situation, and characters.

### Specific sales

**message** The last or highest level of an impression viewers retain is the specific sales message.

### Advertising plan

Provides the framework for the systematic execution of advertising strategies; evaluates a brand’s advertising history, proposes where the next period’s advertising should head, and justifies the proposed strategy for maintaining or improving a brand’s competitive situation.

### Marketing plan

A written document that specifies the marketing objectives and goals, strategies, programs, budgets and controls for a company and its brands.

### Advertising strategy

A plan of action of how a brand is to be advertised; involves the development of an advertising message that communicates the brand’s value proposition—that is, its primary benefit or how it can solve the consumer’s problem.

## 10-5a A FIVE-STEP PROGRAM

Developing an advertising strategy requires that the advertiser and its agency undertake a formal process, such as the following five-step program:<sup>23</sup>

1. Specify the key fact from the consumer’s point of view.
2. State the primary problem from the marketer’s point of view.
3. State the communications objective.
4. Implement the creative message strategy (creative platform).
5. Establish mandatory requirements.

Each step in the ad strategy process will be illustrated by considering a series of advertising campaigns by Geico, the second largest auto insurer in the United States reporting total revenue of \$20 billion recently.<sup>24</sup> Since 1999, Geico continues to air perhaps some of the most memorable Super Bowl (and other) commercials by The Martin Agency featuring smart-talking, tech-savvy geckos, pigs, and cavemen whose theme was that spending just “15 minutes [online at geico.com] could save you 15% or more on car insurance.” The series of highly rated, humorous, and satirical commercials include spots featuring the Gecko, Maxwell the Pig, Cavemen, Skippable, Parodies, and the Rhetorical Question Campaign (“Is Ed “Too Tall?” Jones too tall? Did the Cavemen invent fire?). The implication is clear; it is so easy to buy insurance online using geico.com that anyone could do it and you could save money and time.

### Step 1: Specify the Key Fact

The key fact in an advertising strategy is a single-minded statement from the *consumer’s point of view*. It identifies why consumers are or are not purchasing the product, service, or brand or are not giving it proper consideration.

In the case of Geico, research revealed that consumers perceived shopping for car insurance as taking a long time and being very complicated. So, there was much inertia on behalf of consumers in shopping and switching.<sup>25</sup>

### Step 2: State the Primary Problem

Extending from the key fact, this next step is to state the problem from the *marketer’s point of view*. The primary problem may be an image issue, a product perception view, or competitive weakness, to name a few.

For Geico, it is a crowded competitive marketplace, with strong competition from State Farm, Allstate, Nationwide, Progressive, and Farmers Insurance. Over



Source: Geico

\$5.8 billion had been spent in the industry on advertising in 2014, with Geico at the top with 19.8 percent of industry ad spending (or \$1.16 billion). As Geico is primarily an online agent, it was important to justify their value with consumers and differentiate themselves from competition.

### Step 3: State the Communications Objective

This step is a straightforward statement about *what effect the advertising is intended to have on the target market*.

Geico's primary spokesperson is a smart-talking, tech-savvy gecko, with cavemen and a pig with similar characteristics in other campaigns. The primary communications objective is the ease of shopping at geico.com for a rate quote to save money.

### Step 4: Implement the Creative Message Strategy (i.e., the Creative Platform)

The creative message strategy, sometimes called the *creative platform*, represents the internal workings of the overall advertising strategy. The creative platform for a brand is summarized into a single statement classed a *value proposition* (previously discussed in this text) or *positioning statement*. A positioning statement (or "takeaway" or "net impression") is the single most important idea that a brand is intended to stand for in consumers' minds. It also takes into account how competitors have positioned their brands. These consumer thoughts and feelings about our brand should stand out in comparison to competitive offerings and should motivate the customer or prospect to try our brand. The *creative platform* consists of (1) defining the target market, (2) identifying the primary competition, (3) choosing the positioning statement, and (4) offering reasons why.

**Define the Target Market** You will recall from discussion in Chapter 5 that the target market for a brand's advertising strategy and related marketing programs can be defined in terms of demographics, geodemographics, psychographics, or product usage (behavioral) characteristics.

**slogan** A catch phrase or small group of words that are combined in a special way to identify a product or company.

Geico's primary target market is adults aged 25 to 49 years with household income of \$30,000+. This target skews younger, more tech-savvy, and compatible with the view that technology can simplify their life and save them money. Their purchase decisions were driven by a desire for consistent quality, simplicity, and stress-free decision making.<sup>26</sup>

**Identify the Primary Competition** Who are the primary competitors in the segment the brand is attempting to tap, and what are their advantages and disadvantages? Answering this question enables an advertiser to know exactly how to position

a brand against consumers' perceptions of competitive brands.

The major competitors for Geico are State Farm and Allstate, who both use personal agents primarily (versus online) as their delivery channel to consumers. So, Geico is attempting to persuade such consumers to try searching for insurance quotes online from geico.com.

**Offer Reasons Why** The "reasons why" are the facts supporting the positioning statement. In some instances, advertisers back up advertising claims with factual information that is relevant, informative, and interesting to consumers. Other times, the initial appeal or premise may be more emotional or psychological, hoping to drive traffic to a website or social media location with greater detail. In some instances, advertisers turn to celebrities, authority figures, or other experts to offer support to the implicit advertising promise.

Geico's promise is that they could save you "hundreds of dollars" by going to their website. They tout being the second-largest auto insurer in the United States, having a 97 percent customer satisfaction rate, and allowing access to licensed agents 24/7.

### Step 5: Mandatory Requirements

The final step in developing an advertising strategy involves the mandatory requirements that must be included in an ad. These include those imposed by corporate officers as a matter of policy and tradition, or due to regulatory requirements in some instances (e.g., side effects and warnings listed for prescription drugs). Non-regulatory requirements usually include the corporate slogan and/or logo and a standard tagline at the bottom of a print ad or end of a commercial. A **slogan** or tagline is "a catch phrase or small group of words that are combined in a special way to identify a product or company."<sup>27</sup> Recently, and for the 2016 Rio Olympics, Coca-Cola's slogan was "Taste the Feeling." (To learn more about advertising slogans, go to Insights Online in MindTap.) Other

2nd-largest auto insurer

97% customer satisfaction

24/7 licensed agents

Helping people since 1936

GEICO

The other guy.

**The choice is yours, and it's simple.**

Why enjoy just one cookie when there's a whole stack in front of you?

The same goes for car insurance. Why go with a company that offers just a low price when GEICO could save you hundreds and give you so much more? You could enjoy satisfying professional service, 24/7, from a company that's made it their business to help people since 1936. This winning combination has helped GEICO to become the 2nd-largest private passenger auto insurer in the nation.

Make the smart choice. Get your free quote from GEICO today.

**GEICO**

geico.com | 1-800-947-AUTO | Local Office

Some discounts, coverages, payment plans and features are not available in all states on all GEICO companies. Customer satisfaction based on an independent study conducted by Alan Watson Research, 2015. GEICO is the second largest private passenger auto insurer in the United States according to the 2014 A.M. Best annual share report, published April 2015. GEICO is a registered service mark of Government Employees Insurance Company, Washington, D.C. 20076; a Berkshire Hathaway Inc. subsidiary. © 2014 GEICO

Source: The Government Employees Insurance Company

as key retailers.) Although creative briefs vary in terms specificity, and from agency to agency, most briefs would include answers to the following questions.<sup>28</sup>

### 10-7a ADVERTISING OBJECTIVES

The initial question that must be addressed is: *Why are we advertising?* The answer requires a brief explanation regarding why the advertising agency is being asked to perform a certain advertising job. What is it that the client wishes to achieve with the campaign? This usually includes a specification of the primary and secondary objectives for the campaign. For example, the purpose may be to launch a new brand, gain back lost sales from a competitor, or introduce a new version of an established product.

### 10-7b TARGET AUDIENCE

*Who are we talking to?* This is a precise description of the primary and secondary target markets. With knowledge of the behaviorgraphic, psychographic, demographic, or geodemographic characteristics of the intended customer (see Chapter 5), creatives have a specific target at which to direct their efforts.

### 10-7c MOTIVATIONS, THOUGHTS, AND FEELINGS

requirements include the corporate website and/or social media sites (Facebook, Twitter) and QR (quick response) codes for smartphone scanning to link with brand information.

## 10-7 Constructing a Creative Brief

Perhaps the most important document in the development of an ad campaign and its execution is the creative brief. The **creative brief** is the “blueprint,” or guide, that links the advertising strategy with the execution of the ad campaign. All key parties (e.g., account executive, client, creative director) must approve the brief before the campaign is developed and launched. So, the work of copywriters and other creatives is directed by the brief, channeling their efforts toward a solution that will serve the interests of the client. (Sometimes, other parties are involved, such

**Creative brief** The “blueprint,” or guide, that links the advertising strategy with the execution of the ad campaign.

*What are the motivations of the target audience? What do they currently think and feel about our brand?* Here is where research and account planning are needed as the foundation for the advertising job. The advice here is to perform research *prior* to developing creative advertisements. With the assistance of account planners in interpreting research results, ad creatives are then prepared to design research-based advertising that speaks to the target audience in terms of their known thoughts and feelings about the brand rather than relying on mere suppositions. Sure, effective ads can be created absent any formal research (recall that the GoPro “Hero in Action” video ad came from original footage from the firefighter); however, the odds of success are much improved if formal research precedes creative activity.

What do we want the target audience to think or feel about the brand, and why should they think this way? This guideline simply reminds everyone what the client wants

the advertising to accomplish. It calls for a short statement about the crucial feelings or thoughts that the advertisement should evoke in its intended audience. For example, the ad might be designed to move the audience emotionally, to make them feel deserving of a better lifestyle, or to get them to feel anxious about a currently unsafe course of behavior. Is there a current perception that needs to be changed? For example, if a large number of consumers in the target market consider the brand overpriced, how can we change that perception and convince them that the brand actually is a good value due to its superior quality? Knowing this, creatives can then design appropriate advertisements to achieve that objective. Given multiple objectives, it is desirable to prioritize them from most to least important and to focus on the most important objective.

Also, although not a typical practice in the ad industry when constructing creative briefs, it is helpful to indicate not only what objectives are to be accomplished, but also how achievement of these objectives will be measured. By specifying measures in advance, client and agency are on the proverbial same page when follow-up research is performed to assess whether the advertising campaign has actually accomplished what it was designed to do.<sup>29</sup>

### 10-7d BRAND POSITIONING AND PERSONALITY

*What is the brand positioning and brand personality that we want to project?* Copywriters are reminded that their creative work must reflect the brand's positioning statement. The brand management team must clearly articulate the brand's meaning and personality, or what it is to stand for in the audience's collective mind. Also, the creative brief might suggest to the advertising agency a slogan the client wants to use for the brand or request ideas from the agency for alternative slogans that might be used. The *Insights Online* in Mindtap presents a number of well-known ad slogans and also challenges you to identify these brand slogans correctly.



To learn more about Advertising Slogans, go to Insights Online in MindTap.

### 10-7e PRIMARY OUTCOME OR "TAKE AWAY"

*What is the single most important thing that we want our target audience to take away from our advertising?* Beyond thoughts and feelings, this guideline focuses on the "take-away," "net impression," or "generics" (i.e., major selling claim) that you want the target audience to recognize or

recall. Thus, measurement via copy tests on these factors is important in gauging the success of this guideline.

*What do we want the target audience to do?* This guideline may focus on the specific *outcome(s)* that the advertising campaign is designed to achieve in the target audience. For example, the advertising might be intended to get prospects to request further information, to go online to participate in a sweepstake or contest, to contact a salesperson, or to go to a retail outlet within the next week to take advantage of a limited-time sales opportunity.

### 10-7f OTHER DETAILS AND MANDATORIES

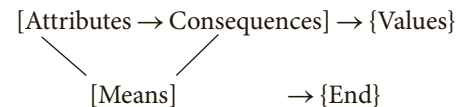
Some agencies also include specifics in the brief about the exact message, media, deadlines, and budget for the campaign. There usually are mandatories listed, such as the brand website, brand logo, social media sites (e.g., Facebook, Twitter, Snapchat), QR codes, and/or toll-free or local contact numbers.

## 10-8 Means-End Chaining and Laddering

The notion of a means-end chain provides a useful framework for understanding the relationship between consumers or customers and advertising messages. A means-end chain represents the linkages among brand *attributes*, the *consequences* obtained from using the brand and "consuming" the attributes, and the *personal values* that the consequences reinforce.<sup>30</sup> These linkages represent a means-end chain because the consumer sees the brand and its attributes, the consumption of which has consequences, as the *means* for achieving a valued end state resulting from these consequences. Schematically, the means-end chain is as follows:

**Attributes** Features or aspects of the advertised product or brand.

**Consequences** The desirable or undesirable results from consuming a particular product or brand.



**Attributes** are features or aspects of advertised brands. In the case of automobiles, for example, attributes include price, powertrain (gas, electric, hybrid), mileage, engine performance, aesthetic features, driverless technology, and so on. **Consequences** are what consumers hope to receive (*benefits*) or avoid (*detriments*) when consuming brands. Increased status, convenience, performance, safety, and resale value are positive consequences associated with automobiles (benefits), whereas breakdowns, mishandling, and poor resale value are negative consequences that consumers wish to avoid (detriments). In the case of large-screen plasma TVs, screen size and resolution are product attributes leading to consequences such as remarkably clear images vis-à-vis old-fashioned TVs (benefit), but also high energy

consumption (detriment) versus TVs based on low-cost LCD (liquid-crystal display) and more expensive, but high-contrast OLED (organic light-emitting diode) technologies.

In sum, the important thing to appreciate is that attributes reside in brands, whereas consumers experience consequences as a result of brand acquisition and usage. Together, brand attributes and the consequences of consuming these attributes are the *means* whereby people achieve valued *ends*.

**Values** represent those enduring beliefs people hold regarding what is important in life.<sup>31</sup> They pertain to end states that people desire in their lives, they transcend specific situations, and they guide selection or evaluation of behavior.<sup>32</sup> In general, values determine the relative desirability of consequences and serve to organize the meanings for products and brands in consumers' cognitive structures.<sup>33</sup>

Values represent the starting point, the catalyst, and the source of motivation for many aspects of human behavior. Consumer behavior, like other facets of behavior, involves the pursuit of valued states, or outcomes. Brand attributes and their consequences are not sought per se, but rather are desired as means to achieving valued end states. From the consumer's perspective, the *ends* (values) drive the *means* (attributes and their consequences). Let us now examine more fully the values that energize human behavior.

### 10-8a THE NATURE OF VALUES

Psychologists have conducted extensive research on values and constructed numerous value typologies. This chapter takes the view that 10 basic values adequately represent the important human values people in a wide variety of culturally diverse countries share. Table 10.1 lists these 10 values.<sup>34</sup> Research identified these values based on studies conducted in 20 culturally diverse countries: Australia, Brazil, Estonia, Finland, Germany, Greece, The Netherlands, Hong Kong, Israel, Italy, Japan, New Zealand, China, Poland, Portugal, Spain, Taiwan, the United States, Venezuela, and Zimbabwe. People in these countries shared the same values, each of which is now briefly described:<sup>35</sup>

1. *Self-direction*. Independent thought and action is the defining goal of this value type. It includes the desire for freedom, independence, choosing one's own goals, and creativity.
2. *Stimulation*. This value derives from the need for variety and achieving an exciting life.
3. *Hedonism*. Enjoying life and receiving pleasure are fundamental to this value type.
4. *Achievement*. Enjoying personal success through demonstrating competence according to social standards is the defining goal of this value type. Being regarded

**Values** Enduring beliefs people hold regarding what is important in life.

**Table 10.1** ▶ Ten Universal Values

1. Self-direction	6. Security
2. Stimulation	7. Conformity
3. Hedonism	8. Tradition
4. Achievement	9. Benevolence
5. Power	10. Universalism

Source: Shalom H. Schwartz, "Universals in the Content and Structure of Values: Theoretical Advances and Empirical Tests in 20 Countries," *Advances in Experimental Social Psychology* 25 (1992): 1–65. Reprinted with permission from Elsevier.

as capable, ambitious, intelligent, and influential are different aspects of the achievement value.

5. *Power*. The power value entails the attainment of social status and prestige along with control or dominance over people and resources (wealth, authority, social power, and recognition).
6. *Security*. The essence of this value type is the longing for safety, harmony, and the stability of society. This value includes concern for personal and family safety and even national security.
7. *Conformity*. Self-discipline, obedience, politeness, and, in general, restraint from actions and impulses that are likely to upset or harm others and violate social norms are at the root of this value type.
8. *Tradition*. This value encompasses respect, commitment, and acceptance of the customs that one's culture and religion impose.
9. *Benevolence*. The motivational goal of benevolence is the preservation and enhancement of the welfare of one's family and friends. It includes being honest, loyal, helpful, a true friend, and loving in a mature manner.
10. *Universalism*. Universalism represents individuals' motivation to understand, appreciate, tolerate, and protect the welfare of all people and of nature. It incorporates notions of world peace, social justice, equality, unity with nature, environmental protection, and wisdom.

### 10-8b WHICH VALUES ARE MOST RELEVANT TO ADVERTISING?

The 10 values just presented are apt descriptions of human psychology around the world. It is important to note, however, that they apply to *all* aspects of life and not to consumer behavior per se. Thus all 10 values may *not* be equally important to consumers or applicable to advertising campaigns.

If you are like us, you may have concluded that the first six values—self-direction through

security—apply to many advertising and consumption situations, whereas the last four are less typical drivers of much consumer behavior. These latter four values certainly are applicable under select advertising situations (e.g., advertising efforts by nonprofit organizations such as churches and charitable organizations) and perhaps even more so in the East than in the West. Our advertising applications in the next section will focus on the first six values—self-direction, stimulation, hedonism, achievement, power, and security—that drive the bulk of consumer behavior and ad objectives.

### 10-8c ADVERTISING APPLICATIONS OF MEANS-END CHAINS: THE MECCAS MODEL

Advertising is more effective when brand managers possess a clear understanding of what people value from product categories and specific brands. Because consumers differ in what they value from a particular brand, it is best for brand managers and their advertising to emphasize values at the target market or *segment* level. A formal model, called MECCAS—standing for means-end conceptualization of components for advertising strategy—provides a procedure for applying the concept of means-end chains to the creation of advertising messages.<sup>36</sup>

Table 10.2 presents and defines the various levels of the MECCAS model. Note that the components include a *value orientation*, *brand consequences* and *brand attributes*, and a *creative strategy and leverage point* that provide the structure for presenting the advertising message and the means for tapping into or activating the value orientation.<sup>37</sup> The *value orientation* represents the consumer value or end level on which the advertising strategy focuses and can be thought of as the *driving force* behind the

advertising execution. Every other component is geared toward achieving the end level, so this should be the starting point in ad strategy.

The following sections apply the MECCAS framework in analyzing five advertisements, one for five of the first six values shown in Table 10.1. These applications are the authors' post hoc interpretations. It is unknown whether the advertisers in these cases actually performed formal means-end analyses in developing their ads. Nonetheless, these analyses will provide an enhanced understanding of how the means-end logic (attributes → consequences → values) can be translated into the design of actual advertisements.

#### Self-Direction and Prius Automobiles

Self-direction includes the desire for freedom, independence, and choosing one's own goals. The value orientation serving as the driving force in the Prius advertisement (Figure 10.1) is an appeal to make getaways more thrilling and exciting in environmentally-focused cars, such as the Prius. The futuristic, mountain backdrop in the ad helps depict this and the leverage point is the redesigned car features (lower center of gravity, wider stance and suspension) allowing one to reach these thrilling and exciting locations.

#### Hedonism and Steak

Fundamental to the hedonism value is enjoying life and receiving pleasure. The ad in Figure 10.2 shows a mouth-watering photo of steak, a product much enjoyed by most nonvegetarians. The catchy headline—"There's no such thing as a chicken knife"—suggests that only steak, unlike chicken, is worthy of having a utensil named for it. The advertiser, The Beef Checkoff Program, is clearly appealing to people's desire to enjoy one of life's little pleasures.

**Table 10.2** ▶ A MECCAS Model Conceptualization of Advertising Strategy

COMPONENT	DEFINITION
<i>Value orientation</i>	The end level (value) to be focused on in the advertising; it serves as the driving force for the advertising execution.
↑ <i>Brand consequences</i>	The major positive consequences, or benefits of using the brand, that the advertisement verbally or visually communicates to consumers.
↑ <i>Brand attributes</i>	The brand's specific attributes or features that are communicated as a means of supporting the consequence(s) of using the brand.
↑ <i>Creative strategy and leverage point</i>	The overall scenario for communicating the value orientation and the manner (leverage point) by which the advertisement will tap into, reach, or activate the key value that serves as the ad's driving force.

Source: Adapted from Thomas J. Reynolds and Jonathan Gutman, "Advertising Is Image Management," *Journal of Advertising Research* 24 (February/March 1984): 27–36. Reprinted with permission from *Journal of Advertising Research*, © 1984, by the Advertising Research Foundation.





**Figure 10.1** ▶ MECCAS Illustration for Self-Direction Value

### Achievement and Home Depot

In an appeal to competence and accomplishment—the elements of achievement—the advertisement in Figure 10.3 tells a little story (recall the storytelling component of the SUCCEs framework) based on a typical customer’s triumph in remodeling her home. Amy, with the implied assistance of Home Depot’s personnel, proved “just how much she really can handle” and overcame others’ doubts that remodeling her home “would be too much for a single mom to handle.” This Home Depot ad represents an unmistakable appeal to the value consumers’ place on achieving home-improvement goals.

### Power and the BMW 7 Series

As a valued end state, power entails the attainment of social status and prestige along with control or dominance

over people and resources (e.g., authority, social power, and recognition). The ad claim in Figure 10.4 for the high-performance BMW 7 Series says, “To outrun bulls and bears, you need horses.” This claim, backed by a lighter carbon-core frame, yet with a 445-horsepower engine, provides the ad’s leverage point. The suggestion is that the BMW 7 Series vehicles are fast, innovative, and powerful and so are their owners. This ad subtly conveys to potential purchasers of the BMW Series 7 that they also will be perceived as hard-charging, tough, innovative, rigorous, and powerful individuals, and will attain status and prestige from their acquisition of this vehicle.

### Security and GSK Whooping Cough Vaccine

Personal and family safety are aspects of the security value pertinent to the purchase and use of many products and



The Beef Checkoff

**Figure 10.2** ▶ MECCAS Illustration of Hedonism Value

services. An advertisement for GlaxoSmithKline (GSK) in Figure 10.5 uses the Little Red Riding Hood and wolf metaphor to suggest that even a visit to a baby's grandparents might expose the baby to whooping cough disease unless properly vaccinated. The ad shows the baby dressed up as Little Red Riding Hood and looking up at the grandparents who are shown as wolves. The leverage point for the valued end state of security is apparent in this visual metaphor with the main ad claim cautioning "My, what a big whooping cough you have."

#### 10-8d IDENTIFYING MEANS-END CHAINS: THE METHOD OF LADDERING

Laddering is a research technique that has been developed to identify linkages between attributes (A), consequences (C), and values (V). The method is termed *laddering* because it leads to the construction of a hierarchy, or ladder, of relations between a brand's attributes and consequences (the means) and consumer values (the end). **Laddering** involves in-depth, one-on-one interviews that typically last 30 minutes to more than one hour. In contrast to surveys, laddering attempts to get at the root or

**Laddering** A marketing research technique that has been developed to identify linkages between attributes, consequences, and values; involves in-depth, one-on-one interviews that typically last 30 minutes to more than one hour.

deep reasons why individual consumers buy certain products and brands.<sup>38</sup>

An interviewer first determines which attributes the interviewee feels are most important in the product category and, from there, attempts to identify the linkages in the interviewee's mind from attributes to consequences and from consequences to abstract values. In conducting a laddering interview, the interviewer refers the interviewee to a specific attribute and then, through directed probes, attempts to detect how the interviewee links that attribute with more abstract consequences and how the consequences are linked with even more abstract values. After linkages for the first attribute are exhausted, the interviewer moves on to the next salient attribute and then the next, until all important attributes have been explored; this typically ranges from three to seven attributes. Probing is accomplished with questions such as the following:<sup>39</sup>

- Why is that particular attribute important to you?
- How does that help you out?
- What do you get from that?
- Why do you want that?
- What happens to you as a result of that?



The Home Depot

**Figure 10.3** ▶ MECCAS Illustration for Achievement Value



**Figure 10.4** ▶ MECCAS Illustration of Power Value

Let's illustrate the method of laddering with the advertisement for the Home Depot in Figure 10.3. Imagine that an interviewer asks a consumer why it is important to her to perform do-it-yourself household improvements. Her response is, "I don't want to have to depend on anyone." A follow-up probe by the interviewer ("How does that help you out?") results in this consumer claiming that "it is important that I have a nice home, and I can't afford to pay for someone else to repair it." In response to a prompt of "Why is that important to you?" she comments, "I want my parents to be proud of me. I want them to know that I can raise their grandchildren by myself and that I will provide a nice home for them." We see in this hypothetical description that doing her home improvements is ultimately linked to the achievement value and the resulting satisfaction from being a proud parent (and in making others proud of her too).

## 10-8e PRACTICAL ISSUES IN IDENTIFYING MEANS-END CHAINS

In conclusion, the important point to remember about the MECCAS approach is that it provides a systematic procedure for linking the advertiser's perspective (i.e., a brand with attributes that have desirable and undesirable consequences) with the consumer's perspective (the pursuit of products and brands to achieve desired end states or values). Effective advertising does not focus on product attributes and consequences per se; rather, it is directed at showing how the advertised brand will help them achieve what they most desire in life—self-determination, stimulation, hedonism, and the other values listed in Table 10.2. Also, means-end chaining (relying on consumer behavior) via laddering (based on marketing research) and its application in MECCAS (via advertising), offers a valuable inter-disciplinary approach among these related elements in helping meet consumer needs through advertising.

It should be cautioned that the means-end approach and the method of laddering are not without critics. The primary criticisms are several: First, some claim that the laddering method "forces" interviewees to identify hierarchies among attributes, consequences, and values that may actually not have existed before the interview and absent the interviewer's directive probes. Second, some suggest that consumers may possess clear-cut linkages between attributes and consequences, but not necessarily between consequences and values. Finally, some criticize laddering on grounds that the ultimate hierarchy constructed is a crude aggregation of  $A \rightarrow C \rightarrow V$  chains from multiple individuals into a single chain that is assumed to represent all consumers in the target audience.<sup>40</sup>

These criticisms are not unfounded, but the reality is that all methods for creative strategy development in advertising have their imperfections. The value of laddering is that it forces advertisers to identify how consumers relate product attributes to more abstract states such as benefits and values. This systematic approach thereby ensures that advertising emphasis will be placed on

These criticisms are not unfounded, but the reality is that all methods for creative strategy development in advertising have their imperfections. The value of laddering is that it forces advertisers to identify how consumers relate product attributes to more abstract states such as benefits and values. This systematic approach thereby ensures that advertising emphasis will be placed on



**MY, WHAT A BIG WHOOPING COUGH YOU HAVE.**

Understand the danger your grandchild faces from whooping cough. It's a highly contagious disease that can be especially serious—even fatal—for infants. Unfortunately, many people who spread it may not know they have it. If you have a new grandchild or one on the way, ask your doctor or pharmacist about ways you can help protect yourself and your family from whooping cough, including getting vaccinated.

The Centers for Disease Control and Prevention (CDC) recommends everyone, including those around babies, make sure their whooping cough vaccination is up-to-date.

**Ask your doctor or pharmacist if a whooping cough vaccination is right for you and your family.**

GSK ©2015 GSK group of companies. All rights reserved. Printed in USA. 3002980 June 2015

Visit [BigBadCough.com/ad](http://BigBadCough.com/ad) to learn more.

Source: GSK Group of Companies

**Figure 10.5** ▶ MECCAS Illustration of Security Value

communicating benefits and implying valued end states rather than focusing on attributes per se. It is likely for some product categories and particular brands that consumers do not possess clear linkages between brand consequences and values. So, although the means-end chain may entail only  $A \rightarrow C$  links rather than the full set of  $A \rightarrow C \rightarrow V$  links, the systematic laddering procedure serves its purpose by encouraging creative personnel to focus on product benefits rather than attributes.

## 10-9 Alternative Styles of Creative Advertising

By the very nature of advertising and the process that goes into message development, there are innumerable ways to devise creative advertisements.<sup>41</sup> Several relatively distinct creative styles have evolved over the years and represent the bulk of contemporary advertising.<sup>42</sup> Table 10.3 summarizes six styles and groups them into three categories:

**Table 10.3** ▶ Styles of Creative Advertising

CATEGORY-DOMINANCE ORIENTATION	FUNCTIONAL ORIENTATION	SYMBOLIC OR EXPERIENTIAL ORIENTATION
<ul style="list-style-type: none"> <li>• Generic</li> <li>• Preemptive</li> </ul>	<ul style="list-style-type: none"> <li>• Unique selling proposition (USP)</li> </ul>	<ul style="list-style-type: none"> <li>• Brand image</li> <li>• Resonance</li> <li>• Emotional</li> </ul>

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product category dominance, functionally oriented, and symbolically or experientially oriented.

You may recall the discussion of brand concept management in Chapter 2 in which distinctions were made among functional, symbolic, and experiential needs or benefits. These same distinctions are maintained in the present explanation of different styles of creative advertising. The *category-dominance strategies* (generic and preemptive in Table 10.3) do not necessarily use any particular type of appeal to consumers but are designed to achieve an advantage over competitors in the same product category. *Functionally-oriented* advertising appeals to consumers' needs for tangible, physical, and concrete benefits. *Symbolically or experientially oriented* advertising strategies are directed at psychosocial needs.

Finally, it is important to note that, as is the case with most categorization schemes, the alternative styles covered in the following sections sometimes have fuzzy borders, subtle distinctions, or multiple styles when applied to specific advertising executions. For example, a *positioning strategy* might use a combination of the unique selling proposition (USP) (with distinct benefits) to preempt competition, with such depictions labeled in a perceptual brand map.

### 10-9a GENERIC CREATIVE STYLE

The **generic style** or strategy uses a straightforward product claim with no assertion of brand superiority (e.g., “Soup is good food,” “Orange juice. It’s not just for breakfast anymore”). Thus, an advertiser employs a generic style when making a claim that any company that markets a brand in that product category could make. Again, the advertiser makes *no* attempt to differentiate its brand from competitive offerings or to claim superiority. This strategy is most appropriate for a brand that *dominates a product category*. In such instances, the firm making a generic claim will enjoy a large share of any primary demand stimulated by advertising.

For example, Campbell’s dominates the prepared-soup market in the United States, selling nearly two-thirds of all

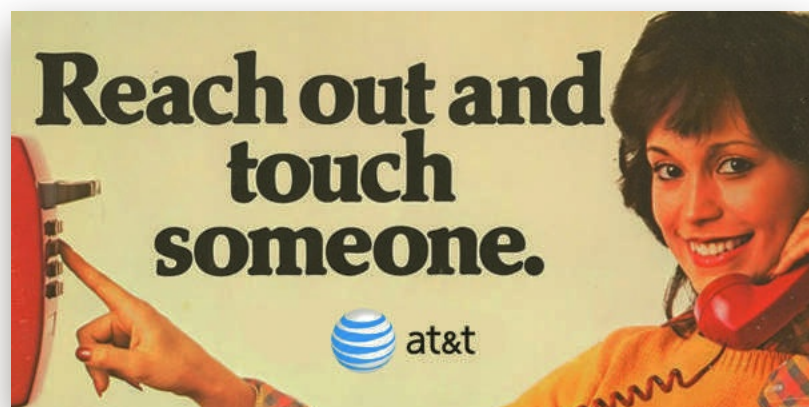
**Generic style** An ad strategy that uses a straightforward product claim with no assertion of brand superiority.

**Preemptive style** A second category-dominance technique, it is employed when an advertiser makes a generic-type claim but does so with an assertion of superiority.

soup. So, any generic advertising that increases overall soup sales naturally benefits Campbell’s. This strategy explains the “Soup is good food” campaign used by Campbell’s in years past. Campbell’s followed this campaign with another one that simply declared, “Never underestimate the power of soup.” Along similar lines, AT&T’s “Reach out and touch someone” campaign, which encouraged more long-distance calling, was a wise strategy in light of this company’s onetime grip on the long-distance telephoning market. (Intense competition weakened that grip, yet interestingly AT&T’s share of the wireless market continues to increase.)

### 10-9b PREEMPTIVE CREATIVE STYLE

The **preemptive style**, a second category-dominance technique, is employed when an advertiser makes a generic-type claim but does so with an *assertion of superiority*. This approach is most often used by advertisers in product or service categories where there are few, if any, functional differences among competitive brands. Preemptive advertising is a clever strategy when a meaningful superiority claim is made first and therefore precludes competitors from saying the same thing. Any branch of the military service could claim that they enable recruits to “be all you can be,” but no other branch could possibly make such a claim after the Army adopted this phrase as its unique statement. In another example, Sprint in a preemptive move invited Verizon, AT&T, and T-Mobile



Source: AT&amp;T

wireless customers to “cut their bills in half” by switching to Sprint. This creative (and color-coded) campaign had former Verizon, AT&T, and T-Mobile users using chainsaws and other cutting tools to splice apart their bills in half, which were color-coded to depict either Verizon (red), AT&T (blue), or T-Mobile (pink), and to switch to Sprint (yellow).<sup>43</sup>

In another instance, the maker of Visine eye-drops advertised that this brand “gets the red out.” All eyedrops are designed to get the red out, but by making this claim first, Visine made a dramatic statement that the consumer will associate only with Visine. No other company could subsequently make this claim for fear of being labeled a mimic. Another clever preemptive campaign was introduced by Nissan Motor with its preemptive claim touting the Maxima as the “four-door sports car.” Of course, all sedans have four doors, but Maxima preempted sports car status with this one clever claim. Its sales immediately increased by 43 percent over the previous year despite a price increase.<sup>44</sup>

### 10-9c UNIQUE SELLING PROPOSITION CREATIVE STYLE

With the **unique selling proposition (USP) style**, an advertiser makes a superiority claim based on a unique product attribute that represents a *meaningful, distinctive consumer benefit*. The main feature of USP advertising is identifying an important difference that makes a brand unique and then developing an advertising claim that competitors either cannot make or have chosen not to make. The translation of the unique product feature into a relevant consumer

#### Unique selling proposition (USP) style

An advertiser makes a superiority claim based on a unique product attribute that represents a meaningful, distinctive consumer benefit.

#### Brand image style

A symbolic or experiential orientation that involves *psychological* rather than physical differentiation.

benefit provides the USP. The USP approach is best suited for a company with a brand that possesses a relatively lasting competitive advantage, such as a maker of a technically complex item or a provider of a sophisticated service.

There are numerous examples of the USP style. The Gillette Sensor razor used a USP when claiming that it is “the only razor that senses and adjusts to the individual needs of your face.” Domino’s Pizza had a USP guarantee of “fresh hot pizza in 30 minutes or free.” FedEx’s USP positioned it for consumers as when you “absolutely, positively need to get it there next morning.” In

many respects, the USP style is *the* optimum creative technique, because it gives the consumer a clearly differentiated reason for selecting the advertiser’s brand over competitive offerings. If a brand has a truly meaningful advantage over competitive offerings, then advertising should exploit that advantage. The only reason USP advertising is not used more often is that brands in many product categories are pretty much at parity with one another. They usually do not have unique physical advantages to advertise and therefore are forced to use strategies favoring the more symbolic, psychological end of the strategy continuum.

### 10-9d BRAND IMAGE CREATIVE STYLE

Whereas the USP strategy is based on promoting physical and functional differences between the advertiser’s brand and competitive offerings, the **brand image style**, a symbolic or experiential orientation, involves *psychological* rather than physical differentiation. Advertising attempts to develop an image or identity for a brand by associating the brand with *symbols*. In imbuing a brand with an image, advertisers draw meaning from the culturally-constituted world (i.e., the world of artifacts and symbols) and transfer that meaning to their brands. In effect, the well-known properties of the everyday world come to reside in the unknown properties of the advertised brand.<sup>45</sup>

Developing an image through advertising amounts to creating a *distinct identity* or *personality* for a brand. This image is especially important for brands that compete in product categories in which (arguably) there is little physical differentiation and all brands are relatively similar (bottled water, gas-powered cars, soft drinks, blue jeans,



Source: Sprint

etc.). Thus, Pepsi at one time was referred to as the soft drink for the “new generation.” Mountain Dew (including “KickStart” <http://www.mountaindew.com>) has consistently presented itself as a “cool” brand for teens who favor a somewhat alternative lifestyle. Nissan has touted “innovation that excites” versus the others. Absolut vodka has regularly associated itself with positive images that serve to enhance the brand’s reputation for hipness.

Brand image advertising is *transformational* (versus informational) in character. That is, **transformational advertising** associates the experience of using an advertised brand with a unique set of psychological characteristics that typically would *not* be associated with the brand experience to the same degree without exposure to the advertisement. Such advertising is transforming (versus informing) by virtue of endowing brand usage with a particular experience that is different from using any similar brand. As the result of repeated advertising, the brand becomes associated with its advertising and the people, scenes, or events in those advertisements.<sup>46</sup>

Transformational advertisements contain two notable characteristics: (1) they make the experience of using the brand richer, warmer, more exciting, or more enjoyable than what would be the case based solely on an objective

**Transformational advertising** Brand image advertising that associates the experience of using an advertised brand with the unique set of psychological characteristics that typically would *not* be associated with the brand experience to the same degree without exposure to the advertisement.

**Resonant advertising** Symbolic- or experiential-oriented, it extends from psychographic research and structures an advertising campaign to pattern the prevailing lifestyle orientation of the intended market segment.

description of the brand and (2) they connect the experience of using the brand so tightly with the experience of the advertisement that consumers cannot remember the brand without recalling the advertising experience. E\*TRADE and the smart talking baby; Geico and the gecko; Progressive and “Flo”; Allstate and the “Mayhem Guy”; and Nike with its swoosh, sports celebrities, and cool college football uniforms are examples.

### 10-9e RESONANCE CREATIVE STYLE

When used in an advertising context, the term *resonance* is analogous to the physical notion of noise resounding off an object. In a similar fashion, an advertisement resonates (*patterns*) the audience’s life experiences. A **resonant advertising** strategy, one that is symbolic or experiential orientated, extends from psychographic research and structures an advertising campaign to pattern the prevailing lifestyle orientation of the intended market segment.

Resonant advertising does *not* focus on product claims or brand images, but rather seeks to present circumstances or situations that find counterparts in the real or imagined experiences of the target audience. Advertising based on this strategy attempts to match “patterns” in an advertisement with the target audience’s stored experiences. For

example, Unilever’s Dove brand of soap introduced a campaign that associated the brand with “real” women (e.g., Figure 10.6)—that is, actual women rather than models who are depicted in ads without any imperfections. The imperfections of real women resonate with the target audience, which better identifies with a few flaws because it is real and not manufactured.

### 10-9f EMOTIONAL CREATIVE STYLE

Emotional (or affective) advertising is the third form of symbolically or experientially-oriented advertising. Much contemporary advertising aims to reach the consumer at a visceral level through the use of emotional strategy. Many advertising practitioners and scholars recognize that products often are bought on the basis of emotional factors and that appeals to emotion can be very successful if used appropriately and with the right brands. The use of emotion in advertising runs the gamut of positive and negative emotions, including appeals to romance,



Source: Domino's



Source: FedEx



Source: Unilever

**Figure 10.6** ▶ Illustration of Resonance Creative Strategy

nostalgia, compassion, excitement, joy, fear, guilt, disgust, and regret. Chapter 11 treats several of these emotionally charged appeals in detail.

Although the emotional strategy can be used when advertising virtually any brand, emotional advertising seems to work especially well for product categories that naturally are associated with emotions (foods, beverages, jewelry, insurance, cosmetics, fragrances, fashion apparel, etc.). For example, a recent commercial for Coca-Cola (“Anthem”) features emotional depictions of life’s everyday moments—love, a first date, a first kiss, hanging out with friends, etc. (<https://www.youtube.com/watch?v=A3ez5Ck4fm4>). Yet, some nontraditional categories for emotional appeals have been appearing, including a VW ad (Figure 10.7) launched in Europe (following the emissions scandal) depicting a father keeping promises with his son.

### 10-9g SECTION SUMMARY

We have discussed six general creative styles and categorized them as category-dominance, functional, or symbolic/experiential oriented. These alternatives help to understand the different approaches available to advertisers and the factors influencing the choice of creative style. However, we should note that because there

is some unavoidable overlap, it is possible that an advertiser may consciously or unconsciously use two or more styles simultaneously. For example, a New York agency found that ads containing a combination of functional and psychological appeals outperformed the functional-only ads by a substantial margin.<sup>47</sup>

An important final take away is that the choice of creative strategy for advertising a particular brand is determined by three key considerations: (1) What are the target audience’s needs and motivations related to the product category? (2) What are the brand’s strengths and weaknesses relative to competitive brands in the category? and (3) How are competitors advertising their brands?



Source: Volkswagen

**Figure 10.7** ▶ Illustration of Emotional Creative Strategy



## 10-10 Corporate Image and Corporate Issue Advertising

The type of advertising discussed to this point is commonly referred to as *brand-oriented advertising*. Such advertising focuses on a specific brand and attempts ultimately to influence consumers to purchase the advertiser's brand.

Another form of advertising, termed *corporate advertising*, focuses not on specific brands but on a corporation's overall image or on economic or social issues relevant to the corporation's interests. This form of advertising is prevalent.<sup>48</sup> Consistent spending on corporate advertising can serve to boost a corporation's equity, much in the same fashion that brand-oriented advertising represents a deposit in the brand equity bank. Two somewhat distinct forms of corporate advertising are discussed in the following sections: (1) image advertising and (2) issue, or advocacy, advertising.<sup>49</sup>

### 10-10a CORPORATE IMAGE ADVERTISING

**Corporate image advertising** attempts to (1) increase a firm's name recognition, (2) establish goodwill for the company and its products, or (3) identify itself with some

#### Corporate image advertising

Advertising that attempts to (1) increase a firm's name recognition, (2) establish goodwill for the company and its products, or (3) identify itself with some meaningful and socially acceptable activity.

meaningful and socially acceptable activity. This type of corporate advertising is concerned with creating favorable images among audiences such as consumers, stockholders, employees, suppliers, and potential investors. Such advertising asks for no specific action from the target audience(s) other than a favorable attitude toward the corporation and passive approval for the company's activities.<sup>50</sup> For example, as shown in Figure 10.8, longtime Olympic sponsors, Coca-Cola and McDonald's, had a strong presence at the 2016 Rio Olympics. Interestingly, NBC provided 85 hours of virtual reality programming during



Source: The Coca-Cola Company

The screenshot displays the TechRadar India website interface. At the top, there are links for 'Login' and 'Register', and social media icons for Facebook, Twitter, and Google+. The main header features the 'techradar.india' logo with the tagline 'TECHNOLOGY TESTED'. Below the header is a navigation menu with categories: HOME, NEWS, REVIEWS, HOW TO, PHONES, WEARABLES, APPS, CAMERAS, LAPTOPS, TR PRO, and MORE. A prominent advertisement for HP Ink is visible, with the headline 'Reinvent Memories. Always Choose Original HP Ink.' and a 'Shop now' button. The main content area includes a 'TRENDING' section with articles such as 'Samsung Galaxy S8 may launch globally on April 21 without Bixby Voice feature', 'TodayInTech: Top tech stories of the day', 'Can new smartphone design and AI assistants transform smartphone experience?', 'Apple taking pre-orders of the (PRODUCT)RED iPhone 7 and 7 Plus in India', and 'Samsung Galaxy C7 Pro vs Galaxy A5 (2017): What's the difference?'. Another advertisement for Airtel broadband is shown, offering '60 GB DATA NOW AT JUST ₹999' with a 'Get now' button. The source 'Source: Samsung Group' is noted on the right side of the screenshot.

Figure 10.8 ▶ Illustrations of Corporate Image Advertising

the Rio Olympics—yet only to users of Samsung Galaxy smartphones and the Samsung Gear VR headset. Samsung was the official smartphone sponsor of the Olympics in Rio, and viewers needed Samsung devices and the NBC Sports app to view content.<sup>51</sup>

In general, research has found that executives regard name identity and image building to be the two most important functions of corporate advertising.<sup>52</sup> Corporate image advertising is directed at more than merely trying to make consumers feel good about a company. Companies are increasingly using the image of their firms to enhance sales and financial performance.<sup>53</sup> Research has shown that a positive corporate image can favorably affect consumers' product evaluations, especially when the purchase decision is risky.<sup>54</sup> Corporate advertising that does not contribute to increased sales and profits is difficult to justify in today's climate of accountability.

### 10-10b CORPORATE ISSUE (ADVOCACY) ADVERTISING

The other form of corporate advertising is issue, or advocacy, advertising. When using issue advertising, a company takes a position on a *controversial social issue of public importance* with the intention of swaying public

opinion.<sup>55</sup> It does so in a manner that supports the company's position and best interests while expressly or implicitly challenging the opponent's position and denying the accuracy of their facts.<sup>56</sup> Imagine, for example, a major petroleum company undertaking an advertising campaign that challenges the economic prudence and energy efficiency of the fledgling corn-based ethanol industry. Such advocacy would serve the corporation's purposes if it convinced the voting populace and their representatives that special funding to prop up the ethanol industry is unjustified. In 2010, British Petroleum (BP) was faced with a major environmental disaster, with the "Deepwater Horizon Oil Spill," releasing 4.9 million gallons of oil into the Gulf of Mexico that resulted in \$18.7 billion in fines against BP.<sup>57</sup> They did open lines of corporate communications on the issue via Twitter and Facebook, as depicted in Figure 10.9.

Issue advertising is a topic of considerable controversy.<sup>58</sup> Business executives are divided on whether this form of advertising represents an effective allocation of corporate resources. Critics question the legitimacy of issue advertising and challenge its status as a tax-deductible expenditure. Because further discussion of these points is beyond the scope of this chapter, the interested reader is encouraged to review the sources contained in the last endnote.<sup>59</sup>

Figure 10.9 ▶ Illustration of Corporate Issue Advertising

The figure displays two side-by-side screenshots of Twitter advertisements. The left advertisement is for BP America, featuring the BP logo and a tweet update: "Update: From midnight to noon on 6/22, approx. 8,195 barrels of oil collected and 5,045 barrels and 27.2M cubic ft of natural gas flared." Below the tweet is a link to a website: "http://bit.ly/21RYV". The right advertisement is for DeepwaterHorizon, featuring a tweet update: "Update: The Ongoing Administration-Wide Response to the Deepwater BP #OilSpill http://ht.ly/21ZAT". Below the tweet is a link to a website: "http://ht.ly/21ZAT". Both advertisements include a "Join today" call to action and a "Sign Up" button. The source is cited as www.twitter.com.

# Summary

This chapter examined creative advertising and presented a number of illustrations of creative advertising campaigns. An important initial question asked, what are the general characteristics of effective advertising? Discussion pointed out that effective advertising must (1) extend from sound marketing strategy, (2) take the consumer's view, (3) break through the competitive clutter, (4) never promise more than can be delivered, and (5) prevent the creative idea from overwhelming the strategy. Some qualities of successful advertising included newsworthiness, appeals to the rational stimulus ("reason why"), and emphasis of a single theme. A following section described three characteristics that advertisements must satisfy to be considered truly creative (connectedness, appropriateness, and novelty). This was followed by a discussion of the elements that advertisements must manifest in order to achieve "stickiness," that is, the ability to have lasting impact on consumers. These characteristics are simplicity, unexpectedness, concreteness, credibility, emotionality, and storytelling. The successive levels of ad impressions (brand name, "generics," feelings, commercial specifics, and specific sales message) were then presented. Next, the steps in advertising strategy and creative brief elements were discussed.

The chapter then turned to the concept of means-end chains and the MECCAS framework (means-end conceptualization of components for advertising strategy) that can be used in developing advertising and campaigns. Means-end chains and MECCAS models provide bridges between product attributes and the consequences to the consumer of realizing product attributes (the means) and the ability of these consequences to satisfy consumption-related values (the end). MECCAS models provide an organizing framework for developing creative ads that simultaneously consider attributes, consequences, and values.

The next major subject covered in this chapter was the alternative forms of creative advertising that are in wide use. Six specific creative styles—generic, preemptive, unique selling proposition, brand image, resonance, and emotional—were described and examples given.

The final subject discussed was corporate advertising. A distinction was made between conventional brand-oriented strategy and advertising that focuses on facilitating corporate goodwill, enhancing a corporation's overall image, and advocating matters of economic or social significance that are relevant to a corporation. Two forms of corporate advertising, image and issue (advocacy) advertising, were described.

## Discussion Questions

1. The *Marcom Insight* described the famous Macintosh computer advertisement and characterized it as perhaps the single greatest commercial in advertising history. Without using any of the examples presented in this chapter, identify several commercials that you regard as truly "great" advertising. Be sure to explain why you consider these commercials great.
2. Early in the chapter when discussing how effective advertising must take the consumer's view, the following quotation was presented: "Consumers don't want to be bombarded with ads—they want to be inspired by ideas that will change their lives. Ads create transactions. Ideas create transformations. Ads reflect our culture, ideas imagine our future." What, in your opinion, does this quote mean?
3. When discussing the concept of advertising novelty, the chapter stated that novelty is a necessary but insufficient condition for advertising creativity. Explain what this means.
4. In context of the section on "sticky" advertisements, provide three examples of advertisers' efforts to concretize their advertisements. Television commercials and online video ads would be good sources of ideas. Explain the specific elements in your chosen commercials that illustrate concreteness.
5. Analyze three online banner advertisements in terms of which of the SUCCEs elements each ad satisfies.
6. In your view, which of the SUCCEs elements are most important? Offer an explanation and then rank the six elements from most to least important in terms of their ability to achieve message stickiness.
7. When discussing the creative advertising style known as unique selling proposition, or USP, it has been claimed that in many respects the USP style is *the* optimum creative technique. Explain whether you agree or disagree with this assertion.
8. Several examples of brand image advertisements were offered in the chapter. Identify two additional

- examples of advertisements that appear to be using the brand image, or transformational, creative style.
9. One requirement for effective advertising is the ability to break through competitive clutter. Explain what this means, and provide several examples of advertising methods that successfully accomplish this.
  10. Select a magazine, online, or direct mail advertisement and apply the MECCAS model to interpret the ad. Describe what you consider to be the ad's value orientation, its leverage point, and so on.
  11. Explain the differences between the USP and brand image creative styles, and indicate the specific conditions under which each is more likely to be used. Provide one illustration of each creative style, using examples other than those used in the text.
  12. Select two advertising campaigns that have been on television for some time. Describe in detail what you think their creative message styles are.
  13. Using the laddering procedure that was described in the chapter, select a product category of your choice, interview one individual, and construct that person's hierarchical map, or ladder, for *two* product attributes that are important to that person. Use the types of probing questions listed in the chapter to see how this individual mentally connects the product attributes with consequences, and how, in turn, these consequences extend into valued end states. Be persistent!
  14. Some critics contend that advocacy, or issue, advertising should not be treated as a legitimate tax-deductible expenditure. Present and justify your opinion on this matter.

# CHAPTER 11

## Endorsers and Message Appeals in Advertising

### CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Describe the role of endorsers in advertising.
- 2 Explain the requirements and receiver processing modes for an effective endorser.
- 3 Appreciate the factors that enter into the endorser-selection decision.
- 4 Discuss the role of Q Scores in selecting celebrity endorsers.
- 5 Describe the role of humor in advertising.
- 6 Explain the logic underlying the use of appeals to fear in advertising.
- 7 Understand the nature of appeals to guilt in advertising.
- 8 Discuss the role of sex appeals, including the downside of such usage.
- 9 Explain the meaning of subliminal messages and symbolic embeds.
- 10 Appreciate the role of music in advertising.
- 11 Understand the function of comparative advertising and the considerations that influence the use of this form of advertising.

### Marcom Insight

#### When Celebrity Endorsers Go Bad

What happens when your celebrity endorser becomes embroiled in a major scandal or associated with negative publicity? For example, Jared Fogle, Subway's longtime endorser (since 1988) was arrested on child pornography charges in May 2015 and eventually sentenced to 15 years, 8 months in prison. Subway decided to terminate their relationship with him in June of that year when federal authorities raided his home. Jared's fame as an endorser originally was a result of losing 200 pounds when eating Subway sandwiches, and sales initially surged after he shared his stories in ads. Yet, Subway sales had declined recently due to competition (e.g., Taco Bell), and Jared's arrest and prison sentence certainly didn't help.

Other notable celebrities who have run into trouble with the immediate reaction of companies endorsing them:

- Donald Trump: (a) scandal: began his presidential bid by saying that Mexico is sending rapists to the United States; (b) immediate reaction: Macy's, the PGA, ESPN, and Univision brands fire (now President) Trump.



Ga Fuller/Shutterstock.com

- Ryan Lochte: (a) scandal: The 12-time Olympic medalist falsely claimed he and three other swimmers were pulled over and robbed by men posing as police at the 2016 Rio Olympics; (b) immediate reaction: Speedo and Ralph Lauren drop Lochte and the U.S. Olympic Committee and USA Swimming suspend him for 10 months.
- Paula Deen: (a) scandal: the butter-loving TV chef admits in 2013 that she has made racial comments and jokes; (b) immediate reaction: Walmart, Target, Smithfield Foods, Caesars Casinos, QVC, Novo Nordisk, and Home Depot all drop Deen.
- Lance Armstrong: (a) scandal: Tour de France champion cyclist finally admits in 2013 that he used performance-enhancing drugs; (b) Nike, Trek, RadioShack, Easton-Bell, Giro Helmets, 24-Hour Fitness, Honey Stinger, FRS, Oakley, and Anheuser-Busch all cut ties with Armstrong, although several maintain support for his Livestrong Foundation.
- Tiger Woods: (a) scandal: all-time leader in endorsement money and PGA golfer admits to cheating on his wife after a famous driveway confrontation at

his house; (b) immediate reaction: although Nike stays with Tiger, Accenture, AT&T, Gillette, and Tag Heuer drop the endorser; he picks up Rolex in place of Tag Heuer.

Research has shown that if there is a good fit between the endorser and brand, revoking the endorsement in light of negative information may not be the best strategy in its effect on brand attitude and intentions. However, as noted with Jared Fogle and Subway, there are some scandals from which the endorser may not recover. As will be discussed in the material in this chapter on source (e.g., celebrity) attractiveness and identification, its effects can be quite fleeting and temporary.

Source: Based on Courtney Fishman, “Past Celebrity Endorsers Who Ran into Trouble,” *Advertising Age*, June 13, 2015, 4; Maureen Morrison, “Jared or No, Subway Needs Fresh Start,” *Advertising Age*, June 13, 2015; François A. Carrillat, Alain D’Astous, and Josianne Lazure, “For Better or Worse? What to Do When Celebrity Endorsements Go Bad,” *Journal of Advertising Research* (March 2013): 15–30; Herbert C. Kelman, “Processes of Opinion Change,” *Public Opinion Quarterly* 25 (Spring 1961): 57–78; “Ryan Lochte hit with 10-month ban over false robbery claim, say reports,” *The Guardian*, September 8, 2016, <https://www.theguardian.com/sport/2016/sep/07/ryan-lochte-suspension-rio-2016-olympics-robbery>.

## 11-1 Introduction

In most viewing situations, in order to be effective, advertising must break through the clutter and motivate the audience to pay attention and engage in higher-order processing of ad messages. Effective advertising, as Chapter 10 notes, is usually creative, and such ads tend to be connected, appropriate, and novel (the CAN elements).

This chapter presents some of the common approaches used in creating advertising messages. The first major section examines the widespread use of endorsers in advertising. Then sections are devoted to five types of messages that are prevalent in advertising: (1) humor, (2) appeals to fear, (3) appeals to guilt, (4) sex appeals, and (5) subliminal messages. The chapter concludes with reviews of music’s role in advertising and the pros and cons of using comparative advertisements.

Where possible, an attempt is made to identify *generalizations* about the creation of effective advertising messages. Generalizations, however, are not the same as scientific laws or principles. Such generalizations (rather than laws or principles) are drawn because it is virtually impossible to identify advertising approaches that are effective across all products, services, and situations. Thus, the effectiveness of any message format depends on conditions such as the nature of the competition, the character of the product, the degree of brand equity and market leadership, the advertising context, and the extent of consumer involvement. Throughout the text, we emphasize

the importance of an “it depends” mind-set, and this way of thinking certainly applies to this chapter.

## 11-2 The Role of Celebrity Endorsers in Advertising

Advertised brands frequently receive endorsements from a variety of popular public figures. It has been estimated that approximately one-sixth of ads worldwide feature celebrities.<sup>1</sup> Interestingly, the use of celebrity endorsements is higher in the Asian Pacific and African countries than found in North America.<sup>2</sup> In addition to celebrity endorsements, products receive the explicit or tacit support of noncelebrities, also known as *typical-person endorsers*. The following discussion is limited to celebrity endorsers.

Television stars, movie actors, famous athletes, and even dead personalities are widely used to endorse brands. Advertisers and their agencies are willing to pay huge salaries to celebrities who are liked and respected by target audiences and who will, it is hoped, favorably influence consumers’ attitudes and behavior toward the endorsed brands. For the most part, such investments are justified. For example, stock prices have been shown to rise when companies announce celebrity endorsement contracts<sup>3</sup> and to fall when negative publicity reaches the media about a celebrity who endorses one of the company’s brands.<sup>4</sup> Although some research shows that celebrity endorsers produce an increase in readership of print ads



Source: Kia Motor Corporation

A Celebrity Endorsement: LeBron James and Kia

(i.e., 9.4 percent),<sup>5</sup> other research shows a negative shift on sales for TV ads containing celebrities (i.e., -1.4 percent).<sup>6</sup> The latter negative finding is argued to be driven by the use of celebrities on top of bad creative messages from advertisers and not the fault of celebrities per se.<sup>7</sup> Yet, lists of the “most negative” or “most annoying” celebrities abound, with some studies showing negative impacts on sales (“sink”) to range from -24 percent (Donald Trump) to -30 percent (Tiger Woods) in a given year.<sup>8</sup>

However, top celebrities continue to receive enormous payments for their endorsement services. For example, although his off-course troubles plagued golfer Tiger Woods and reduced his endorsement deals by \$40 million from 2007, he still earned \$45 million in 2016 from multiple companies, including Nike and Rolex. To put this amount of money in perspective, a person earning a not-so-paltry annual income of \$250,000 would have to work 240 years at that salary to earn as much as Tiger Woods received that year from his endorsement activities. On the other hand, endorsement spending (known as “demand creation cost” on income statements) has actually been declining for some companies, such as Nike, when expressed as a percentage of company sales (e.g., Nike is down to 10 percent).<sup>9</sup> Table 11.1 lists the endorsement incomes of the world’s top 20 endorsement-earning athletes.

### 11-3 Source Attributes and Receiver Processing Modes

Based on extensive research, and as presented by the social psychologist Herbert Kelman, three basic source attributes contribute to a source’s (e.g., an endorser’s) effectiveness: (1) *credibility*, (2) *attractiveness*, and (3) *power*.<sup>10</sup> Each attribute involves a different mechanism by which the source (e.g., endorser) affects consumer attitudes and behavior. As described in Table 11.2, credibility operates

through internalization, attractiveness via identification, and power through compliance.

#### 11-3a CREDIBILITY: THE PROCESS OF INTERNALIZATION

In its most basic sense, *credibility* refers to the tendency to believe or trust someone. When an information source, such as an endorser, is perceived as credible, audience attitudes are changed through a psychological process called *internalization*. (This process resembles the central route to persuasion studied in Chapter 7.) **Internalization**

occurs when the receiver accepts the source’s position on an issue as his or her own. An internalized attitude tends to be maintained even if the source of the message is forgotten or if the source switches to a different position.<sup>11</sup>

Two important dimensions of source credibility are expertise and trustworthiness. **Expertise** refers to the perceived knowledge, experience, or skills possessed by a source as they relate to the communications topic. Expertise is a perceived rather than an absolute phenomenon.

Whether a source is indeed an expert is unimportant; all that matters is how the target audience perceives the source. For example, an endorser who is perceived as an expert on a given subject is more persuasive in changing audience opinions pertaining to his or her area of expertise than an endorser who is not perceived as an expert.

Marketing communications use a variety of techniques in attempting to convey source expertise. Salespersons often receive extensive training so they are very knowledgeable of their company’s products. Some social media sites (e.g., LinkedIn) allow for personal recommendations for those seeking employment. Research also has shown that social media word-of-mouth (e.g., via Twitter) and number of followers can impact source credibility perceptions.<sup>12</sup> Advertisers frequently show products being used in situations

that imply that the product is technologically advanced or has superior quality or performance. Moreover, professional athletes are often used as brand spokespeople, such as LeBron James, Steph Curry, David Beckham, Serena and Venus Williams, Danica Patrick, Kevin Durant, Dwayne Wade, David Ortiz, Peyton Manning, and Aaron Rodgers. (Note: the Federal Trade Commission Guidelines for Advertising Endorsers, Testimonials, and Bloggers should be consulted.<sup>13</sup>)

**Trustworthiness** refers to the perceived honesty, integrity, and believability of a source. Although expertise and

#### Internalization

When an information source, such as an endorser, is perceived as credible, audience attitudes are changed through this psychological process; it occurs when the receiver accepts the source’s position on an issue as his or her own.

**Expertise** The knowledge, experience, or skills possessed by a source as they relate to the communications topic.

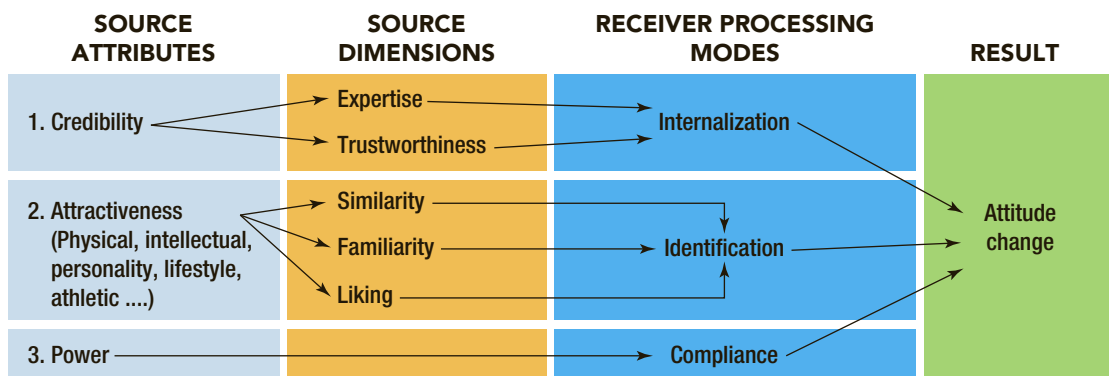
#### Trustworthiness

The perceived honesty, integrity, and believability of a source.

**Table 11.1** ▶ Top Endorsement Incomes of Athletes Worldwide, 2016

RANK	ATHLETE	SPORT	ENDORSEMENT EARNINGS
1	Roger Federer	Pro tennis (ATP)	\$60,000,000
2	LeBron James	NBA basketball	\$54,000,000
3	Phil Mickelson	Pro golf (PGA)	\$50,000,000
4	Tiger Woods	Pro golf (PGA)	\$45,000,000
5	Kevin Durant	NBA basketball	\$36,000,000
6	Rory McIlroy	Pro golf (PGA)	\$35,000,000
7	Novak Djokovic	Pro tennis (ATP)	\$34,000,000
8 (tie)	Rafael Nadal	Pro tennis (ATP)	\$32,000,000
8 (tie)	Jordan Spieth	Pro golf (PGA)	\$32,000,000
8 (tie)	Cristiano Ronaldo	Soccer (La Liga)	\$32,000,000
11 (tie)	Usain Bolt	Track	\$30,000,000
11 (tie)	Kei Nishikori	Pro tennis (ATP)	\$30,000,000
13	Lionel Messi	Soccer (La Liga)	\$28,000,000
14	Kobe Bryant	NBA basketball	\$25,000,000
15	Neymar	Soccer (La Liga)	\$23,000,000
16 (tie)	Maria Sharapova	Pro tennis (WTA)	\$20,000,000
16 (tie)	Serena Williams	Pro tennis (WTA)	\$20,000,000
18	James Harden	NBA basketball	\$17,000,000
19 (tie)	Andy Murray	Pro tennis (ATP)	\$15,000,000
19 (tie)	Peyton Manning	NFL football	\$15,000,000

Source: Adapted from Sam Weber, "Top 100 Highest-Paid Athlete Endorsers of 2016," *Opendorse*, accessed July 2, 2016, <http://opendorse.com/blog/2016-highest-paid-athlete-endorsers/>.

**Table 11.2** ▶ Kelman's Source Attributes and Receiver Processing Modes



trustworthiness are not mutually exclusive, often a particular source may be perceived as highly trustworthy, but not especially expert. The degree of honesty or trustworthiness of a source depends primarily on the audience's perception of the source's *intent*. If consumers believe that a source (e.g., an endorser) is motivated purely by self-interest, that source will be less persuasive than someone regarded as having nothing to gain by endorsing the brand.

A celebrity earns the audience's trust through the life he or she lives professionally (on the screen, on the sports field, in public office, etc.) and personally, as revealed to the general public via the mass media. Advertisers capitalize on the value of trustworthiness by selecting endorsers who are widely regarded as being honest, believable, and dependable people.<sup>14</sup> In general, endorsers must establish that they are not attempting to manipulate the audience and that they are objective in their presentations. By doing so, they establish themselves as trustworthy and, therefore, credible. Also, although this represents more of a peripheral effect, an endorser has a greater likelihood of being perceived as trustworthy the more he or she matches the audience in terms of distinct demographic characteristics.<sup>15</sup>

Advertisers have used “candid” interviews in ads with real (i.e., “everyday” or “typical”) spokespeople in order to increase trustworthiness. With the use of real or typical spokespeople, the audience is likely to perceive greater objectivity and less self-interest as the advertisers' intent. In fact, advertised products that match the consumers' actual (versus desired or ideal) self tend to have the greatest impact on emotional brand attachment.<sup>16</sup>

### 11-3b ATTRACTIVENESS: THE PROCESS OF IDENTIFICATION

Source **attractiveness** consists of three related dimensions: *similarity*, *familiarity*, and *liking*. That is, a source (e.g., an endorser) is considered attractive to receivers if they share a sense of similarity or familiarity with the source or if they like the source regardless of whether the two are similar in any respect. (For example, we like LeBron James and Dwyane Wade a lot, but we are very different. They are still “young,” wealthy, and incredibly talented basketball players. We are both over 40, not very wealthy, and have lost whatever little basketball talent we used to have.)

Persuasion occurs through the **identification** process when receivers find something in the source that they like and consider attractive. This does not mean simply physical attractiveness but includes any number of virtuous characteristics that consumers may perceive in an endorser: intellectual skills, personality properties, lifestyle characteristics, athletic prowess, and so on. When receivers perceive a source to be attractive, they are very likely to adopt the beliefs, attitudes,

behaviors, interests, or preferences of the source. For example, a tagline for a famous Michael Jordan Gatorade commercial, showing kids imitating his moves, said, “I want to be like Mike.” That is, when consumers perceive a celebrity endorser to be attractive, they identify with the endorser and are likely to adopt the endorser's attitudes, behaviors, interests, or preferences. Yet, these beliefs and attitudes are not as durable as found under credibility; that is, they are maintained only as long as the endorser maintains the beliefs or attitudes.

### 11-3c POWER: THE PROCESS OF COMPLIANCE

According to Kelman, the source attribute of **power** works through the psychological process of *compliance*. **Compliance** occurs when an individual is persuaded by an advertised source because they hope to achieve a favorable reaction or approval from this source. More specifically, this underlying process works through compliance with the *perceived* rewards and punishments from the source. Although this is not as likely to occur with mass-media advertising, such processes may take place through personalized direct advertising materials, personal selling appeals, and/or social media messages (e.g., with number of likes or followers). These perceptions are more likely when there is an imbalance of power: for example, when a small supplier wishing to work with a large, big-box retailer receives personal communication from the retailer.

### 11-3d PRACTICAL ISSUES IN SELECTING CELEBRITY ENDORSERS

Advertising executives use a variety of factors in selecting celebrity endorsers. The following appear to be the most important: (1) celebrity and audience matchup, (2) celebrity and brand matchup, (3) celebrity credibility, (4) celebrity attractiveness, (5) cost considerations, (6) a working ease or difficulty factor, (7) an endorsement saturation factor, and (8) a likelihood-of-getting-into-trouble factor.<sup>17</sup>

#### Celebrity and Audience Matchup

The first question a brand manager must pose when selecting an endorser is, “Will the target market positively relate to this endorser?” Steph Curry, LeBron James, Kevin Durant, Dwyane Wade, and other National Basketball Association (NBA) superstars who endorse basketball shoes are perceived as matching up well with the predominantly teenage audience who aspire to slam dunk, show off their euro-step, block shots, intercept passes, and sink 3-pointers. Yao Ming (a retired NBA basketball player) matches well with the growing number of Chinese youth who also aspire to basketball stardom. And Serena Williams (tennis star and fashion devotee) matches well with

**Attractiveness** An attribute that includes any number of virtuous characteristics that receivers may perceive in an endorser; consists of three related dimensions: *similarity*, *familiarity*, and *liking*.

**Identification** enhances the deceiver's self-concept via the association or identification with the source; the maintenance of the belief depends on the source's position.

**Power** the receiver complies with the source because the source has the power (legitimate or otherwise) to administer rewards and punishments.

**Compliance** Occurs when an individual is persuaded by an advertised source because they hope to achieve a favorable reaction or approval from this source.



Li-Ning Company Limited

young women of all races who admire an athlete who is both highly competent both on and off the court.

### Celebrity and Brand Matchup

Advertising executives require that the celebrity's behavior, values, appearance, and decorum be compatible with the image desired for the advertised brand. For example, the chief marketing officer at cosmetics firm Elizabeth Arden explained the choice of supermodel and actress Catherine Zeta-Jones in these terms: "Catherine has [a] great career and family, she's a mom, and she has a timeless beauty, which is exactly the image we want to project."<sup>18</sup>

If a brand has a competitive edge image in conveying that it overcomes all obstacles or limitations, then the celebrity endorser should personify this competitive strength. For example, athletic shoemaker Nike (and the Jordan brand) signed NBA players LeBron James, Kobe Bryant, Chris Paul, Kevin Durant, Carmelo Anthony, and Blake Griffin to endorse its brand because they all are competitive individuals with unmistakable talent. Comparatively, a brand intentionally casting itself with a "bad boy" image might select entirely different endorsers. Again using current and former NBA stars, some may argue that Draymond Green, Allen Iverson, and Vince Carter (and perhaps Dennis Rodman or even Kobe) might fit well with this latter image. Suppose a brand manager wished to enhance a brand's equity by portraying the brand as incomparable in terms of durability, dependability, and consistency. Who better to personify these characteristics than, say, Derek Jeter, the former New York Yankees baseball star who played in 2,747 games in his 20-year career. See the *Insights Online: Global Focus* in MindTap or discussion of why China's Li Ning Co., the leading Chinese athletic-shoe brand, chose NBA superstar Dwyane Wade to endorse Li Ning shoes.

insights  
online

To learn more about Dwyane Wade and Li Ning shoes, go to Insights Online in MindTap.

### Celebrity Credibility

A celebrity's credibility is a primary reason for selecting a celebrity endorser. People who are trustworthy and perceived as knowledgeable about the product category are best able to convince others to undertake a particular course of action. This partially explains why most products that had been recommended by Oprah Winfrey obtained success virtually overnight.

### Celebrity Attractiveness

In selecting celebrity spokespeople, advertising executives evaluate different aspects that can be lumped together under the general label

*attractiveness*. As discussed earlier, attractiveness is multifaceted and includes more than physical attractiveness. It also is important to note that advertising executives generally regard attractiveness as less important than credibility and endorser matchup with the audience and the brand. Even with a recent shift to a "Milk Life" theme, the popular ads for the "Got Milk?" campaign have utilized endorser "attractiveness" for many years (see examples later in this chapter).

### Cost Considerations

How much it will cost to acquire a celebrity's services is an important consideration but one that should not dictate the final choice. Everything else held constant, a less costly celebrity will be selected over a more costly alternative. Yet, brand managers must attempt to calculate the alternative returns on investment given multiple options of celebrities who would appropriately fit with a brand's desired image and its target market.

### Working Ease or Difficulty Factor

Some celebrities are relatively easy to work with, whereas others may be difficult—stubborn, noncompliant, arrogant, temperamental, inaccessible, or otherwise unmanageable. Brand managers and their advertising agencies would prefer to avoid the "hassle factor" of dealing with individuals who are unwilling to flex their schedules, hesitant to participate with a brand outside of celebrity-restricted bounds, or otherwise difficult. For example, jeanswear maker Tarrant Apparel Group filed a civil suit against pop singer Jessica Simpson on grounds that she "would not pose for photos nor provide photographs to promote" the line of apparel that carried her name.<sup>19</sup> Although Simpson matched well with the brand and with the brand's target market, it appears that the endorsement relationship failed due to a breakdown between the two parties.

### Saturation Factor

Another key consideration, certainly not as important as the previous factors but one that nonetheless has to be evaluated, is the number of other brands the celebrity is endorsing. If a

celebrity is overexposed—that is, endorsing too many products—his or her perceived credibility may suffer.<sup>20</sup> Tiger Woods, who may be the most impactful (and controversial) endorser in the history of advertising endorsements, at one time tried to intentionally limit the number of brands he endorsed (e.g., Nike and EA Sports).<sup>21</sup> However, he did approach the “saturation point” with advertising overexposure during a Screen Actors Guild strike a number of years ago.

### The Trouble Factor

The potential that a celebrity may get into trouble is a matter of considerable concern to brand managers and ad agencies. Suppose a celebrity is convicted of a crime or has his or her image blemished in some way during the course of an advertising campaign. What are the potential negative implications for the endorsed brand? Frankly, there are no simple answers to this provocative question, although researchers are beginning to explore the issue in a sophisticated fashion.<sup>22</sup>

Many advertisers and advertising agencies are reluctant to use celebrity endorsers. Their concern is not without justification, as we noted in the beginning *Marcom Insight* for this chapter. In addition to the misfortunes of Jared Fogle, Donald Trump, Ryan Lochte, Paula Deen, Lance Armstrong, and Tiger Woods discussed previously, consider some other celebrity-related incidents making news in the past: (1) Basketball player Kobe Bryant was convicted, although subsequently acquitted, of a rape charge in Colorado. Shortly thereafter, McDonald’s Corporation refused to renew Bryant as a spokesperson, as did a much smaller Italian company that makes Nutella chocolate-hazelnut spread. Bryant made a relatively swift comeback with endorsement income of \$16 million in 2007 and \$25 million in 2016 (fourteenth place in Table 11.1). (2) Track star Marion Jones’ reputation was tarnished by an investigation and subsequent conviction that she had used performance-enhancing drugs. (3) Record-setting home-run hitter Barry Bonds was accused of using performance-enhancing drugs (as were many other Major League Baseball players, including Alex Rodriguez, Miguel Tejada, Ryan Braun, Bartolo Colon, Melky Carbrera, and Manny Ramirez). (4) Boxer Mike Tyson—an active endorser before a series of mishaps—was convicted on a rape charge and served a prison sentence (not to mention the fact that he bit a chunk out of opponent Evander Holyfield’s ear during a match following his prison sentence). (5) Actress Cybill Shepherd had a lucrative endorsement deal with the beef industry, but embarrassed the industry by revealing to the press that she avoided eating beef. (6) Ex-football player and actor O. J. Simpson (a major Hertz endorser) was indicted for, but not convicted of, murder. (7) Britney Spears, Lindsey Lohan, Charlie Sheen, and Paris Hilton have frequently been in the news on charges of alcohol and drug abuse. (8) Professional quarterback Michael Vick was arrested, convicted, and imprisoned for participating in a dog-fighting ring. Although he had been reinstated in the NFL since his release, his endorsement

money level did not quite rebound from the \$7 million he earned in 2007. (9) More recently, Heisman trophy winning and ex-Cleveland Browns quarterback Johnny Manziel was involved in numerous off-field incidents, including several arrests and assault charges, and violated the NFL’s substance abuse policy. In 2016, Manziel’s marketing agency (LRMR) and his agent announced that they would no longer work with Manziel. (10) Barcelona and Argentine national team soccer star Lionel Messi was charged with tax fraud in 2016. He had been in thirteenth place in Table 11.1 earning \$28 million in endorsements in 2016.

Due to the risks of such incidents after the consummation of multimillion-dollar celebrity endorsement contracts, there has been increased scrutiny in selecting celebrity endorsers.<sup>23</sup> An alternative is to use the “endorsements” of celebrities who are no longer living (e.g., Jackie Robinson, Marilyn Monroe). Dead celebrities are well known and respected by consumers in the target audiences to whom they appeal, and their use in advertising is virtually risk free because they cannot engage in behaviors that will sully their reputations and brands they promote. Another risk-free option is the use of *spokescharacters* (Geico’s gecko, the Aflac duck, the Pillsbury Doughboy, M&Ms, etc.) in lieu of human endorsers who are susceptible to pratfalls that tarnish images of the brands with which endorsers are associated. Spokescharacters offer somewhat greater protection for the brand than just brand logos if negative information (e.g., negative corporate publicity) is associated with either the spokescharacter or logo.<sup>24</sup>

### 11-3e THE ROLE OF Q SCORES

The selection process of high-priced celebrities is facilitated with Performer Q Scores that are commercially available from a New York-based firm called Market Evaluations (also known as “The Q-Score Company,” [www.qscores.com](http://www.qscores.com)). For reasons that we will discuss shortly, the Q in Q Score signifies *quotient*.

Marketing Evaluations obtains Q Scores for over 1,800 public figures (e.g., entertainers, athletes, cartoon characters, celebrities) by mailing questionnaires to a representative national panel of 1,800 individuals. Participants are asked two straightforward questions for each public figure: (1) Have you heard of this person? (a measure of *familiarity*) and (2) if so, do you rate him or her poor, fair, good, very good, or one of your favorites? (a measure of *popularity*). The calculation of each performer’s Q score, or *quotient*, is accomplished by determining the percentage of panel members who respond that a particular performer is “one of my favorites” and then dividing that number by the percentage who indicate that they have heard of that person. In other words, *the popularity percentage is divided by the familiarity percentage, and the quotient is that person’s Q Score*. This rating simply reveals the proportion of a group that is familiar with a person and who regard that person as one of their favorites.

For example, in a study by Marketing Evaluations before the presidential debates began in 2015, it was reported that 78 percent of panel participants indicated that they were familiar with (now President) Donald Trump and that 6 percent considered him a favorite. Therefore, at the time of the study, Donald's Positive Q Score (which is expressed without a decimal point) was reported as 7 (i.e., 6 divided by 78 is roughly 7).<sup>25</sup> Comparatively, the average celebrity positive Q score is a 16. There also is a "negative Q score" calculated by the percentage of panel members rating the person as "fair or poor" divided by the percentage who are familiar with the person. Trump's negative Q Score was reported to be 45 percent, with the average celebrity posting an 18 percent negative Q score.<sup>26</sup>

Q Scores provide useful information to brand managers and advertising agencies, but there is more to selecting a celebrity to endorse a brand than simply scouring through the pages of Q Scores. Subjective judgment ultimately comes into play in determining whether a prospective celebrity endorser matches well with the brand image and its intended target market.

## 11-4 The Role of Humor in Advertising

Politicians, actors and actresses, public speakers, professors, and indeed all of us at one time or another try to use humor to create a desired reaction. Advertisers also turn to humor in the hopes of achieving various communication objectives—gaining attention, guiding consumer comprehension of product claims, influencing attitudes, enhancing recall, and, ultimately, creating customer action. The use of humor in advertising is extensive, representing approximately 50 percent of all television advertising in North America and 51 percent in Europe.<sup>27</sup>

A study based on a sampling of television advertisements from four countries (Germany, Korea, Thailand, and the United States) determined that humorous advertisements in all of these countries generally involve the use of *incongruity resolution*.<sup>28</sup> Humor in U.S. magazines and radio advertising also typically employs incongruity resolution.<sup>29</sup> Incongruity exists when the meaning of an ad is not immediately clear. Baffled by the incongruity, the consumer is provoked to understand the ad's meaning and resolve the incongruity. When the meaning is eventually determined—as, for example, when the humor

in an ad is detected—a feeling of surprise is experienced, and it is this sensation of surprise that generates a humorous response.<sup>30</sup> In turn, this humorous response can elicit a favorable attitude toward the advertisement and perhaps toward the advertised brand itself.<sup>31</sup>

The long-running Direct TV "Get Rid of Cable" commercials (see Figure 11.1 and <https://www.youtube.com/watch?v=s2WM0W1PPU0> and <https://www.youtube.com/watch?v=TFJAe9snWDg>) by Grey Advertising use dark humor and incongruous logic to convey that having cable inevitably leads to misery, self-destruction, and personal degradation. As the spots are explained in an *Adweek* review: "You lose everything and shave your head for money. You get beat up and left in a roadside ditch. You run into Charlie Sheen and re-enact scenes from *Platoon* with him. You fake your own death and attend your funeral in disguise."<sup>32</sup> The commercial narrative for this last idea and set of illogical connections are as follows:

*"When you wait forever for the cable guy, you get bored. When you get bored, you start staring out windows. When you start staring out windows, you see things you shouldn't see." (The ad's hero sees a body being loaded into a trunk.) "When you see things you shouldn't see, you need to vanish. When you need to vanish, you fake your own death." (He swims away from a boat on fire.) "When you fake your own death, you dye your eyebrows. And when you dye your eyebrows, you attend your own funeral as a guy named Phil Shifley. Don't attend your funeral as a guy named Phil Shifley."*<sup>33</sup>

The E\*TRADE commercial depicted in Figure 11.2 also illustrates the use of humor in television advertising. This commercial, that was part of a long-running campaign, uses a smart-talking baby to tell everyone that you need to take control of your finances with the online investment firm E\*TRADE. The incongruity is



Source: DirectTV

**Figure 11.1** ▶ The Use of Humor in Advertising



© E\*TRADE Financial Corporation

**Figure 11.2** ▶ The Use of Humor in Advertising

that the baby is dressed in golf attire in the clubhouse telling his golf partner Frank to take control of his finances (“Frank’s trying not to pay me my winnings from the skins beat down I just issued him because his 401k is tanking”). They also argue about the baby moving the ball on the course, but the implied point of the commercial is that investing with E\*TRADE to control your finances is so easy a baby could do it (<https://www.youtube.com/watch?v=JkpUKgfrPU>).<sup>34</sup>

Other incongruities in humorous TV commercials include (1) a seemingly nice father (Kevin Hart) who turns overly protective in using Hyundai’s car finder on his daughter’s first date ([https://www.youtube.com/watch?v=-R\\_483zeVF8](https://www.youtube.com/watch?v=-R_483zeVF8)), that a pig can get quicker insurance relief from hail damage with Geico than others can without it (<https://www.youtube.com/watch?v=scHL-HxXh5rE>), and that a guy would pick up a hitchhiker with Bud Light at night even though he has an ax (to the horror of his girlfriend) (<https://www.youtube.com/watch?v=z5uxs4wQAHI>).

Whether humor is generally effective and what kinds of humor are most successful are matters of some debate among advertising practitioners and scholars.<sup>35</sup> Advertising agency executives consider humor to be especially effective for purposes of *attracting attention* to an advertisement and *creating brand awareness*.<sup>36</sup> Some evidence indicates that humor serves to influence consumers’ attitudes toward advertisements positively, which, in turn, affects their attitudes favorably toward the advertised brands; however, this chain of influence (humor → attitude toward the advertisement → attitude toward the advertised brand) is most likely to occur only when consumers are weakly motivated to process the more substantive message points in the advertisement.<sup>37</sup> Research on the effects of humor leads to the following tentative generalizations (with noted cautions and exceptions below):<sup>38</sup>

- Humor is an effective method for attracting attention to advertisements.
- Humor can elevate consumers’ recall of message points in advertisements.<sup>39</sup> (Yet, caution is suggested

in situations in which receivers are laughing so hard that message points are forgotten.)

- Humor enhances liking of both the advertisement and the advertised brand.
- Humor does not necessarily harm comprehension and may in fact increase memory for advertising claims if the humor is relevant to the advertised brand.<sup>40</sup> (However, it has the same caution to not overrun the ad with humor so that the comprehension is lost.)
- Humor does not offer an advantage over nonhumor at increasing persuasion. (Yet, peripheral route persuasion under low involvement may occur.)
- Humor does not enhance source credibility. (However, as was the case with VW Beetle’s famous “Think Small” print ad campaign, making fun of one’s own brand may increase trustworthiness, a key dimension of source credibility.)
- The nature of the product affects the appropriateness of using humor. Specifically, humor is used more successfully with established rather than new products. Humor also is more appropriate for products that are more feeling oriented, or experiential, and those that are not very involving (such as inexpensive consumer packaged goods).

When used correctly, *and in the right circumstances* (as noted previously), humor can be an extremely effective advertising technique. A complication of using humor in advertising is that humorous appeals *vary in their effectiveness across demographic groups and even among individuals*. For example, men and women are not equally attentive to humorous ads.<sup>41</sup> In general, research has shown more aggressive (or violent) forms of humor are not received as well by women.<sup>42</sup> In addition to demographic differences, research evidence also shows that humorous ads are more effective than nonhumorous ads *only when consumers’ evaluations of the advertised brand are already positive*. When prior evaluations are negative toward the advertised brand, humorous ads have been shown to be less effective than nonhumorous ads.<sup>43</sup> This finding has a counterpart in interpersonal relations: when you like someone, you are more likely to consider his or her attempt at humor to be funny than if you do not like that person. Finally, research shows that individuals who have a higher *need for humor* (i.e., the tendency to seek out amusement, wit, and nonsense) are more responsive to humorous ads than are those with a lower need on this personality trait.<sup>44</sup>

In sum, humor in advertising can be an extremely effective device for accomplishing a variety of marketing communications objectives. Nonetheless, advertisers should *proceed cautiously* when contemplating the use of humor. First, the effects of humor can differ due to

differences in audience characteristics—what strikes some people as humorous is not at all funny to others.<sup>45</sup> Second, the definition of what is funny in one country or region of a country is not necessarily the same in another. Finally, a humorous message may be so distracting to an audience that receivers ignore the message content. Thus advertisers should carefully research their intended market segments before venturing into humorous advertising.

## 11-5 Appeals to Consumer Fears

Marketing communicators employ a variety of techniques to enhance consumers' information-processing motivation, opportunity, and ability. As would be expected, the appeal to fear is especially effective as a means of enhancing motivation. The unfortunate fact is that consumers live in a world where the threat of terrorism is ever present; natural disasters occur occasionally such as horrific tsunamis, hurricanes, and tornadoes; and crime and health-related problems abound. It is estimated that nearly 56 million Americans suffer from irrational fears and that anxiety disorders afflict approximately 18.1 percent of adults.<sup>46</sup>

Although there are ethical issues with its use, advertisers (and public health officials) attempt to motivate consumers to process information and to take action by appealing to their fears. Appeals to fears in marcom (e.g., with warnings) tend to identify the negative consequences of either: (1) *not using the advertised brand* or (2) *engaging in unsafe behavior* (such as drinking and driving, smoking, using drugs, eating unhealthy foods, driving without seat belts, text messaging while driving, and engaging in unprotected sex).<sup>47</sup>



### 11-5a FEAR APPEAL LOGIC

The underlying logic is that appeals to consumer fears will stimulate audience involvement with a message and thereby promote acceptance of message arguments. The appeal to consumer fears may take the form of *social disapproval* or *physical danger*. For example, mouthwashes, deodorants, toothpastes, and other products appeal to fears when emphasizing the social disapproval we may suffer if our breath is not fresh, our underarms are not dry, our teeth are not perfectly white, and so on. Smoke detectors, automobile tires, unsafe sex, driving under the influence of alcohol and other drugs, and being uninsured are a sampling of products and themes used by advertisers to induce fear of physical danger or impending problems. Health care ads frequently appeal to fears, and advertising agencies justify the use of these appeals with logic such as “Sometimes you have to scare people to save their lives.”<sup>48</sup>

According to the Protection Motivation Theory,<sup>49</sup> in addition to the *perceived threat* of the fear appeal and its *severity*, it is important to gauge the *perceived response efficacy* of the (marcom) action to reduce the negative behavior (i.e., is it perceived to work by the audience?). Also, the audience's *perceived self-efficacy* in taking the action can be just as essential (i.e., do they perceive that *they* [themselves] have the ability to take the action?). For example, research on the effectiveness of antismoking advertising indicates that social disapproval risks of smoking often resonate more strongly with adolescents than do long-term health consequences of smoking.<sup>50</sup>

### 11-5b APPROPRIATE INTENSITY

Aside from the basic ethical issue of whether fear should be used at all, the fundamental issue for advertisers is determining

*how intense* the threat should be. Should the advertiser employ a slight threat merely to get the consumer's attention, or should a heavy threat be used so the consumer cannot possibly miss the point the advertiser wishes to make? Early theoretical work proposed an inverted-U between fear intensity and persuasiveness—predicting the greatest persuasion under moderate threat levels.<sup>51</sup> However, this theory has *not* received consistent support.<sup>52</sup> Rather, considerable evidence suggests a positive linear relationship, with stronger levels of fear-arousing conditions associated with greater message acceptance.<sup>53</sup> In a review (i.e., a meta-analysis) of more than 100 fear appeal

articles, it was concluded that “the stronger the fear aroused by a fear appeal, the more persuasive it is.”<sup>54</sup>

In general, it appears that the degree of threat intensity that is effective in evoking fear in an audience depends in large part on (1) *how much relevance* a topic has for an audience and (2) whether there is an *objective solution* (i.e., “a way out”) for the fear created. Regarding the first issue, the greater the relevance, the lower the threat intensity that is needed to activate a response. In other words, people who are highly involved in a topic can be motivated by a relatively “light” appeal to fear, whereas a more intense level of threat is required to motivate uninvolved people.<sup>55</sup> In the case of the second point, fear appeals with a clear solution (e.g., a toll-free help line, online medical site) tend to lead to objective adaptive action taken, whereas increasing fear without a solution tends to lead to maladaptive outcomes (e.g., increase anxiety).<sup>56</sup> (Interestingly, for higher-anxiety individuals viewing fear appeals, humor has been shown as a means to cope and communicate.<sup>57</sup>)

To illustrate the relation between threat intensity and issue relevance, let us compare a low-threat advertising campaign for Michelin tires with the much more intense appeal of advertisements designed to discourage drinking and driving. A low level of threat to evoke fear, with a baby surrounded by tires, is all that is needed to create fear, because safety for their children is the most relevant concern for most parents. Yet, by comparison, more intense appeals to fear are needed to impress on high schoolers the risk in which they place themselves and their friends when drinking or text messaging and driving.<sup>58</sup> Similar results are found with tobacco warnings, as the more graphic the visual depiction on tobacco packages, the greater are smokers’ evoked fear and intentions to quit.<sup>59</sup>

### 11-5c THE RELATED CASE OF APPEALS TO SCARCITY

Advertisers and other persuasion agents appeal to scarcity when emphasizing in their messages that things become more desirable when they are in great demand but short supply.<sup>60</sup> Salespeople and advertisers use this tactic when encouraging people to buy immediately with appeals such as “Only a few are left,” “We won’t have any more in stock by the end of the day,” and “They’re really selling fast.”

The theory of **psychological reactance** helps explain why scarcity works.<sup>61</sup> This theory suggests that people react against any efforts to reduce their freedom or choices. Removed or threatened choices are perceived as even more desirable than previously. Of course, appeals to scarcity are not always effective. But, if the persuader is credible and legitimate, then an appeal may indeed be effective.

Perhaps nowhere in the world is scarcity more used as an influence tactic than in Singapore. In the Hokkien

dialect of Chinese, the word *kiasu* means the “fear of losing out.” Singaporeans, according to a lecturer in the philosophy department at National University, will take whatever they can secure, even if they are not sure they really want it.<sup>62</sup> Many Singaporeans apparently share a herd mentality—no one wants to be different. Marketers, needless to say, have exploited this cultural characteristic to sell all types of products. For example, a Singapore automobile dealership announced that it was moving its location and offered for sale 250 limited-edition BMW 316i models, priced at \$78,125 for a manual transmission and \$83,125 for an automatic. All 250 models were sold within four days, and the dealer was forced to order another 100, which were quickly sold even though delivery was unavailable for months.

## 11-6 Appeals to Consumer Guilt

Like appeals to fear, appeals to guilt attempt to trigger negative emotions. People feel guilty when they break rules, violate their own standards or beliefs, or behave irresponsibly.<sup>63</sup> Advertisers and other marketing communicators appeal to guilt and attempt to persuade prospective customers by asserting or implying that feelings of guilt can be relieved by using the promoted product.<sup>64</sup> An analysis of a broad spectrum of magazines revealed that about 1 of 20 ads contains an appeal to guilt.<sup>65</sup> Consider, for example, a magazine advertisement for Veterinary Pet Insurance, a company that sells insurance for the coverage of unexpected pet accidents or illness. The headline surrounding the photo of a sad-looking dog puts the pet owner on a guilt trip when stating, “[Your pet] will never know you can’t afford the treatment. But you will.” This advertisement represents an appeal to anticipatory guilt. If the ad works as designed, consumers will purchase pet insurance as a way of allaying guilt feelings.

Evidence, albeit limited, suggests that appeals to guilt are *ineffective* if advertisements containing guilt appeals *lack credibility* or advertisers are perceived as having *manipulative intentions*. When ads are perceived as lacking credibility or attempting to manipulate the receiver, feelings of guilt are mitigated rather than increased.<sup>66</sup> Yet, appeals to guilt can be effective in cases in which there is concern for how others judge or evaluate the person on the basis of his or her behaviors (e.g., smokers and secondhand smoke).<sup>67</sup>

**Psychological reactance** A theory that suggests that people react against any efforts to reduce their freedom or choices.

## 11-7 The Use of Sex in Advertising

Whereas the previous two sets of advertising appeals—to fear and guilt—are fundamentally negative (i.e., people generally avoid these two emotions), the use of sex in advertising appeals to something that people generally approach rather than avoid. Depending on the culture,

sex appeals in advertising are used frequently and with increasing explicitness. Whereas the use of such explicit sex was unthinkable not many years ago, it now represents part of the advertising landscape.<sup>68</sup> The trend is not restricted to the United States; indeed, sexual explicitness is more prevalent and more overt elsewhere—for example, in Brazil and certain European countries.

### 11-7a WHAT ROLE DOES SEX PLAY IN ADVERTISING?

Actually, it has several potential roles.<sup>69</sup> First, sexual material in advertising acts to attract and hold attention for a longer period, often by featuring attractive models in provocative poses.<sup>70</sup> This is called the *stopping-power role of sex*. An advertising campaign for Three Olives vodka typifies this role. Each execution in this campaign portrays an attractive, seductively posed female model in a huge martini glass. Placed conspicuously beside the model-filled martini glass is a rhetorical question (rhetorical questions may prompt MOA factors discussed in Chapter 7): “What’s in

your martini?” There is a clear double entendre in this question, on the one hand suggesting that Three Olives should be the vodka in your glass and on the other intimating that by drinking Three Olives one is likely to attract beautiful women.

A second potential role is to *enhance recall* of message points. Research suggests, however, that sexual content or symbolism will enhance recall *only if it is appropriate to the product category and the creative advertising execution*.<sup>71</sup> Sexual appeals produce significantly better recall when the advertising execution has an appropriate relationship with the advertised product.<sup>72</sup>

A third role performed by sexual content in advertising is to *evoke emotional responses*, such as feelings of arousal and even lust.<sup>73</sup> These reactions can increase an ad’s persuasive impact, with the opposite occurring if the ad elicits negative feelings such as disgust, embarrassment, or uneasiness.<sup>74</sup> The advertisement for the Three Olives brand of vodka described previously probably was designed to arouse feelings in the target audience of pre-

dominantly young and middle-aged men. The appeal to lust is typified by a Diet Coke television commercial that was aired in the 1990s in which a group of voyeuristic women is shown watching with pleasure from their office building a sexy worker at a nearby construction site taking off his shirt and then opening a Diet Coke.

Sexual content stands little chance of being effective unless it is directly relevant to an advertisement’s primary selling point. When used appropriately, and accounting for cultural and demographic differences, however, sexual content may be capable of eliciting attention, enhancing recall, and creating a favorable association with the advertised product.

### 11-7b THE POTENTIAL DOWNSIDE OF SEX APPEALS IN ADVERTISING

Evidence suggests that the use of explicit sexual illustrations in advertisements may interfere with consumers’ processing of message arguments and reduce message comprehension.<sup>75</sup> Moreover, many people can be offended by advertisements that portray women (and men) as brainless sex objects.

A TV advertisement for Miller Lite beer (dubbed “Catfight”) during NFL games several years ago perhaps typifies the questionable use of sexual content in advertising. The ad portrayed two attractive



Source: California Milk Processor Board





Source: California Milk Processor Board

women literally ripping each other's clothes off in a swimming pool and later in wet cement as they supposedly fought over whether Miller Lite beer was "better tasting" or "less filling." The ad certainly raised distinct ethical issues about advertising propriety. In general, the use of sex in advertising is a matter of concern to people and advertising regulators throughout the world.<sup>76</sup> As noted previously, its use can be demeaning and for this reason should be used cautiously.

### 11-8 Subliminal Messages and Symbolic Embeds

The word *subliminal* refers to the presentation of stimuli at a speed or visual level that is *below the conscious threshold of awareness*. One example is self-help audiotapes (such as tapes to help one quit smoking) that play messages at a

decibel level indecipherable to normal hearing. Stimuli that are imperceptible by the conscious senses may nonetheless be perceived subconsciously. This possibility has generated considerable concern from advertising critics and has fostered much speculation from researchers. Although it is highly unlikely that advertisers use subliminal methods, surveys have shown that a large percentage of Americans believe advertisers do use them.<sup>77</sup> Representatives of the advertising community strongly disavow using subliminal advertising.<sup>78</sup>

The original outcry concerning subliminal advertising began 60 years ago in response to a researcher who claimed to have increased the sales of Coca-Cola and popcorn in a New Jersey movie theater by using subliminal messages. At five-second intervals during the movie *Picnic*, subliminal messages saying "Drink Coca-Cola" and "Eat Popcorn" were said to have appeared on the screen for a mere 1/3,000 second. Although the naked eye could not possibly have seen these messages, the researcher, James Vicary, claimed that sales of Coca-Cola and popcorn increased 58 percent and 18 percent, respectively.<sup>79</sup> Although Vicary's research is not scientifically valid, because he failed to use proper experimental procedures, the study nonetheless raised public concerns about subliminal advertising and led to congressional hearings.<sup>80</sup> Federal legislation in the United States was never enacted, but since then subliminal advertising has been the subject of concern by advertising critics, a matter of embarrassment for advertising practitioners, and an issue of curiosity to advertising scholars.<sup>81</sup>

The fires of controversy were fueled again in the 1970s and 1980s with the publication of three provocatively titled books: *Subliminal Seduction*, *Media Sexploitation*, and *The Clam Plate Orgy*.<sup>82</sup> The author of these books, Wilson Key, claimed subliminal advertising techniques



Source: The Coca-Cola Company



Source: The Coca-Cola Company

are used extensively and have the power to influence consumers' choice behaviors. Some recent commercials (e.g., Sprite Sublymonal) have poked fun at subliminal advertising and actually have used it in their creative execution (<https://www.youtube.com/watch?v=ydVbrRhxnf8>).

### 11-8a WHY IT IS UNLIKELY THAT SUBLIMINAL ADVERTISING WORKS

Many advertising practitioners and marcom scholars discount Key's arguments and vehemently disagree with his conclusions. Part of the difficulty in arriving at clear answers as to who's right and who's wrong comes from the fact that commentators differ in what they mean by subliminal advertising. In fact, there are three distinct forms of subliminal stimulation. A first form presents *visual stimuli* at a very rapid rate by means of a device called a *tachistoscope* (say, at 1/3,000 second as in Vicary's research). A second form uses *accelerated speech in auditory messages*. The third form involves *embedding hidden symbols* (such as sexual images or words) in print advertisements.<sup>83</sup>

Is there evidence to support subliminal advertising (especially embedding)? Despite a few limited studies on the issue, a variety of practical problems prevent embedding from being effective in a realistic marketing context.<sup>84</sup> Perhaps the major reason why embedding in advertising has little effect is because the images have to be concealed to preclude consumers' detection. Because the majority of consumers devote little time and effort in processing advertisements, a weak stimulus means that most consumers would not be influenced much.<sup>85</sup>

Even if consumers do attend to and encode embeds under natural advertising conditions, there remains serious doubt that this information would have sufficient impact to affect brand choice behavior. Standard (supraliminal) advertising information itself has difficulty influencing consumers. How could subliminal information possibly be any more effective?

The following quote sums up the research evidence on subliminal advertising. Please note that the quote acknowledges that *subliminal perception* is a bona fide

phenomenon (i.e., research has demonstrated that people are capable of perceiving stimuli in the absence of conscious awareness of those stimuli), but the weak effects of subliminal stimuli are nullified under actual market circumstances where many brands compete for the consumer's attention at the point of purchase.

*A century of psychological research substantiates the general principle that more intense stimuli have a greater influence on people's behavior than weaker ones. While subliminal perception is a bona fide phenomenon, the effects obtained are subtle and obtaining them typically requires a carefully structured context. Subliminal stimuli are usually so weak that the recipient is not just unaware of the stimulus but is also oblivious to the fact that he/she is being stimulated. As a result, the potential effects of subliminal stimuli are easily nullified by other ongoing stimulation in the same sensory channel or by attention being focused on another modality. These factors pose serious difficulties for any possible marketing application.<sup>86</sup>*

From Timothy E. Moore, "Subliminal Advertising: What You See Is What You Get," *Journal of Marketing* 46, no. 2, 1982, 38–47.

### A Unique Situation Where Subliminal Stimuli May Influence Brand Choice

Much human behavior is *not* under conscious control, but rather occurs virtually *automatically* (i.e., without cognitive intervention). Capitalizing on this aspect of human psychology, communicators may be able to employ a technique called *subliminal priming* to affect consumers' brand choices. In brief, subliminal priming involves presenting people with single words or images at a speed that is below the conscious threshold. These words or images can activate, or prime, people's knowledge, beliefs, stereotypes, or other cognitions.

These cognitions, in turn, are capable of influencing individuals' behavior under the right conditions. In particular, for subliminal priming to be effective, the primed topic must be compatible with the individual's current need states, motivations, or goals. In other words, one cannot be subliminally induced to act in a certain way unless he or she has a need to act in that way.<sup>87</sup> For example, individuals who are primed with words such as *generous*, *help*, and *give*—all relating to generosity—will not automatically contribute money to a charitable cause unless they have an inherent desire to help others. (That is, are they in the "market to act"?) Moreover, a primed need does not remain an active driver of judgments and behavior over the long run, but is limited in its length of influence. Thus, point-of-purchase advertising (e.g., in-store radio programming) may provide an opportune (and perhaps unethical) medium for subliminally priming consumers into purchasing particular brands.

The foregoing discussion may have presented the reader with mixed signals: On the one hand, it was claimed that embeds in advertising likely are unable to influence consumer choice behavior. Then, on the other

hand, the previous discussion has suggested that the use of subliminal primes might work. As pointed out early in the chapter as well as elsewhere in the text, the only proper conclusion is that subliminal advertising probably is ineffective under most circumstances, although the possibility remains that it is capable of influencing consumer choice behavior under limited conditions of subliminal priming. *Insights Online* in MindTap describes a study that used subliminal priming and demonstrated that, in this limited context, it is capable of influencing brand choice.



To learn more about subliminal priming and brand choice, go to *Insights Online* in MindTap.

## 11-9 The Functions of Music In Advertising

Music has been an important component of the advertising landscape virtually since the beginning of recorded sound. Jingles, background music, popular tunes, and classical arrangements are used to attract attention, convey selling points, set an emotional tone for an advertisement, and influence listeners' moods. Well-known entertainers, nonvocal musical accompaniment, and unknown vocalists are used extensively in promoting everything from fabric softeners to automobiles. Recent examples of songs featured in commercials include DJ Khaled featuring Ludacris, Rick Ross, T-Pain and Snoop Dogg in "All I Do Is Win" for Coca-Cola; The Ramones' "Blitzkrieg Bop" for GoPro's Hero camera; BAHARI's "Summer Friends" for Pizza Hut; and LMFAO's "Party Rock Anthem" for the Kia Soul ("dancing hamsters") campaign.<sup>88</sup>

Many advertising practitioners and scholars regard music as capable of performing a variety of useful communications functions. For example, music (combined with creative material) can be so positive and addicting that viewers may be more than willing to share the ad virally with others—as was the case with over one million views of the Kia Soul commercial. Other functions include *attracting attention* to commercial messages, *putting consumers in a positive mood* while hearing or viewing these messages, making them *more receptive to message arguments*, and even *communicating meanings about advertised brands*.<sup>89</sup> Consider, for example, the use of music in a famous Pepsi advertisement. While the famous Hank Williams song, "Your Cheatin' Heart," plays in the background, a Coke deliveryman is seen approaching a Pepsi cooler that is adjacent to his own Coca-Cola cooler. The delivery man is shown sneaking a look at the Pepsi cooler, opening it, and then removing a can of Pepsi—at which time dozens of Pepsi

cans cascade to the floor with a huge noise, much to the deliveryman's embarrassment. The commercial's key point is that Pepsi is so good that even a Coke employee will switch loyalty.

A brief review for an important research study on the role of music demonstrates the influence it can have when placed in an advertising context.<sup>90</sup> This study used classical conditioning in an effort to influence study participants' preferences for a ballpoint pen.<sup>91</sup> As you may recall from a course in psychology or consumer behavior, an *unconditioned stimulus (US)* is something in the environment that naturally evokes pleasant feelings or thoughts in people. For example, babies, puppies, spring flowers, and the first snowfall of the season engender positive feelings in most people. A *conditioned stimulus (CS)* is one that is emotionally or cognitively neutral prior to the onset of a conditioning experiment. In simple terms, classical conditioning is achieved when the pairing of US and CS results in a transfer of feeling from the US (music in the present case) to the CS (the ballpoint pen).

Experimental participants in this study conducted in the United States were informed that an advertising agency was trying to select music for use in a commercial for a ballpoint pen. Participants then listened to music while they viewed slides of the pen. The positive US for half the participants was music from the movie *Grease*, and the negative US for the remaining participants was classical Asian Indian music. This research demonstrated that the simple association between the music and the pen influenced product preference: nearly 80 percent of the participants exposed to the *Grease* music chose the advertised pen, whereas only 30 percent of the participants exposed to the Asian Indian music chose the advertised pen.<sup>92</sup>

## 11-10 The Role of Comparative Advertising

The practice in which advertisers directly or indirectly compare their products against competitive offerings and claim superiority is called **comparative advertising**. Comparative ads vary both with regard to the explicitness of the comparisons and with respect to whether the target of the comparison is named or referred to in general terms.<sup>93</sup> In some countries (e.g., Belgium, Hong Kong, and Korea), it is illegal to use comparative advertising, and with the exception of the United States and Great Britain, advertising comparisons are used infrequently in those countries where they are legal.<sup>94</sup>

To better appreciate comparative advertising, it will be useful to examine a couple of examples. The ad in Figure 11.3 compares Pepsi directly to Coca-Cola, with the Pepsi can landing a decisive punch to the Coca-Cola can.

**Comparative advertising** The practice in which advertisers directly or indirectly compare their products against competitive offerings and claim superiority.



Source: PepsiCo, Inc.

**Figure 11.3** ▶ Illustration of a Direct Comparison Advertisement

Consider now the indirect comparison advertisement for Geico in Figure 11.4. Without mentioning any competitive brands, this ad shows graphically that Geico is the equivalent of three apples and “the other guy” is just a slice. The copy says, “The choice is yours, and it’s simple. Why enjoy just a slice of an apple when you can have the whole thing?” followed by supporting reasons above and below the claim.

to situation in terms of executional elements, audience demographics, media characteristics, and other factors.

### 11-10a IS COMPARATIVE ADVERTISING MORE EFFECTIVE?

In deciding whether to use a comparative advertisement or a more conventional noncomparative format, an advertiser must address questions such as the following:<sup>95</sup>

- How do comparative and non-comparative advertisements match up in terms of impact on brand awareness, consumer comprehension of ad claims, and credibility?
- Do comparative and noncomparative ads differ with regard to effects on brand preferences, buying intentions, and purchase behavior?
- How do factors such as consumer brand preference and the advertiser’s market share influence the effectiveness of comparative advertising?

- Under what specific circumstances should an advertiser use comparative advertising?

Researchers have performed numerous studies that have examined the processes by which comparative advertising operates, the results it produces, and how its effects contrast with those from noncomparative ads.<sup>96</sup> Findings are at times inconclusive, depending on the study context. Lack of definitive results is expected, however, because advertising is a complex phenomenon that varies from situation

Source: The Government Employees Insurance Company

**Figure 11.4** ▶ Illustration of an Indirect Comparison Advertisement



Image: Craig Andrews



Image: Craig Andrews

## 11-10b CONSIDERATIONS DICTATING THE USE OF COMPARATIVE ADVERTISING

### Situational Factors

Characteristics of the audience, media, message, company, and product all play important roles in determining whether comparative advertising will be more effective than noncomparative advertising. For example, comparative advertisements seem to be evaluated *less* favorably by people holding a prior preference for the comparison brand (the brand that the advertised brand is compared against) than by those without a prior preference for that brand. Also, receivers should be under relatively higher levels of involvement and thus paying attention to the ad. Otherwise, confusion between the two brands compared is likely.

### Distinct Advantages

Comparative advertising is particularly effective for promoting brands that possess distinct advantages relative to competitive brands.<sup>97</sup> When a brand has a distinct advantage over competitive brands, comparative advertising provides a powerful method to convey this advantage. The advertisement for Geico (Figure 11.4) typifies this situation. Relative to noncomparative advertising, comparative advertising has also been shown to increase the perceived similarity between a challenger brand in a product category and the category leader.<sup>98</sup> However, research also has demonstrated that indirect comparative advertisements can be more effective than direct comparative ads in certain circumstances. One study found that direct comparison ads are more effective

than indirect comparative ads in positioning a brand as superior to a *specific* competitive brand, but indirect comparative ads were better at positioning a brand as superior to *all brands in the category*.<sup>99</sup>

### The Credibility Issue

The effectiveness of comparative advertising increases when comparative claims are made to appear more credible. There are three ways to accomplish this: (1) have an independent research organization support the superiority claims, (2) present impressive test results to back up the claims, and/or (3) use a trusted endorser as the spokesperson.

### Assessing Effectiveness

Because comparative advertisements make claims for an advertised brand relative to another brand and because consumers encode this comparative information in a relative fashion, measurement techniques in assessing the effectiveness of comparative advertising are most sensitive when questions are *worded in a relative fashion*. That is, for maximal sensitivity, the question context, or wording, should match the consumer's encoding mind-set. For example, with reference to the "Joy of Pepsi" advertisement (Figure 11.3), two *alternative* questions could be framed to ascertain whether consumers prefer choosing Pepsi as a soft drink brand: (1) How likely is it that you would prefer Pepsi on your next soft drink purchase? (*nonrelative* framing) or (2) How likely is it that you would prefer Pepsi over Coca-Cola on your next soft drink purchase? (*relative* framing). Research has shown that relative framing does a better job of assessing consumers' beliefs after their exposure to comparative advertisements.<sup>100</sup>

# Summary

This chapter discussed two general topics. The first major section dealt with the role of endorsers in advertising. The Kelman source attribute model (credibility, attractiveness, power) provided an important framework for understanding how sources (such as endorsers) may or may not be effective through underlying processes, such as internalization, identification, and compliance. The following factors appear to be the most important ones brand managers use in actually selecting celebrity endorsers: (1) celebrity and audience matchup, (2) celebrity and brand matchup, (3) celebrity credibility, (4) celebrity attractiveness, (5) cost considerations, (6) working ease or difficulty factor, (7) endorsement saturation factor,

and (8) likelihood-of-getting-into-trouble factor. Discussion of celebrity endorsers indicates that endorsers have an influence on consumers via the attributes of credibility and attractiveness. Credibility functions via the process of internalization, whereas attractiveness operates through an identification mechanism.

Finally, several sections were devoted to a variety of message appeals in advertising. Widely-used advertising techniques discussed in this chapter include humor, appeals to fear, appeals to guilt, sex appeals, subliminal messages, the use of music, and comparative advertisements. Discussion covered empirical research and indicated the factors involved in selecting each of these message elements.

## Discussion Questions

- Using the concepts of attractiveness, expertise, and trustworthiness, explain what makes LeBron James an effective or ineffective endorser. Do the same for Steph Curry, Alex Rodriguez, Tom Brady, Colin Kaepernick, Aaron Rodgers, Derek Jeter, David Beckham, and Maria Sharapova. Do the same for the following celebrity endorsers: Beyonce, Mark Wahlberg, Kim Kardashian, DJ Khaled, Matthew McConaughey, Gwyneth Paltrow, and Jennifer Aniston. Describe how *non*-celebrity endorsers on social media might affect you and your friends.
- A famous quote from philosopher Alfred North Whitehead states, "Seek simplicity and distrust it." What does this quote mean in terms of the effectiveness of particular advertising appeals, such as the use of humor?
- Attractiveness as an attribute of endorsers includes but is not restricted to physical attractiveness. Many would regard British soccer star David Beckham (of *Bend It Like Beckham* fame) as attractive. In what ways, other than physical attractiveness, might he be considered attractive? Do the same for NASCAR driver Danica Patrick.
- Considering the likelihood-of-getting-into-trouble factor, identify three entertainment or sports celebrities that you, as a brand manager, would be reluctant to have endorse your brand for fear they would get into some sort of trouble.
- NBA superstar Michael Jordan for many years endorsed Hanes underwear, among many other brands. Suppose you were brand manager for Hanes and had to come up with a replacement for Mr. Jordan. Who would you select? Justify the rationale behind your choice.
- Infomercials are long commercials that generally last from 30 to 60 minutes. These commercials typically air during fringe times and frequently promote products such as diet aids, balding cures, and exercise products. These infomercials often use endorsements from physicians and other health professionals to buttress claims about the promoted brand's efficacy. Using concepts from this chapter, explain why health professionals are used in this form of advertising.
- You have probably seen a number of public service announcements along the lines of those described in the fear appeals section to discourage texting and driving. In your opinion, is this form of advertising effective in altering the behavior of people your age? Do the same for discouraging the use of tobacco products. Be specific in justifying your answer.
- The fear of getting STDs or AIDS should be relevant to many college students. Accordingly, would you agree that a relatively weak fear appeal should suffice in influencing students to either abstain from sexual relations or practice safe sex? If you disagree, then how can you reconcile your disagreement with the degree-of-relevance explanation?
- Identify three or four products for which you feel appeals to guilt might be a viable approach to persuading consumer acceptance of a brand. What

- kinds of products do not lend themselves to such appeals? Explain why you feel these products would be inappropriate.
10. Consumers occasionally find television commercials humorous and enjoyable. Some advertising pundits claim that such commercials may capture attention but are frequently ineffective in selling products. What is your viewpoint on this issue? Justify your position.
  11. Identify two or three YouTube videos with brands that you consider humorous. Is the use of humor appropriate for the brands advertised in these videos and given their likely target audiences? Justify your responses.
  12. Identify several TV commercials, online videos, or magazine ads that use sex appeal. Describe each advertisement and then explain whether an appeal to sex is appropriate or inappropriate for the brand.
  13. Comment on the following allegation: “There is too much use of sex in advertising.”
  14. The article titled “Understanding Jingles and Needle-drop: A Rhetorical Approach to Music in Advertising” (see endnote 89) suggests that music in commercials communicates specific meanings to listeners and viewers. In other words, music “speaks” to people by conveying a sense of speed, excitement, sadness, nostalgia, and so on. Identify two commercials in which music communicates a specific emotion or other state or action to consumers, and identify this emotion, state, or action.
  15. Save one or two examples of comparative advertisements from magazines or online banners. Analyze each ad in terms of why you think the advertiser used a comparative-advertising format and whether you think the advertisement is effective. Justify your position.

# Traditional Advertising Media

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

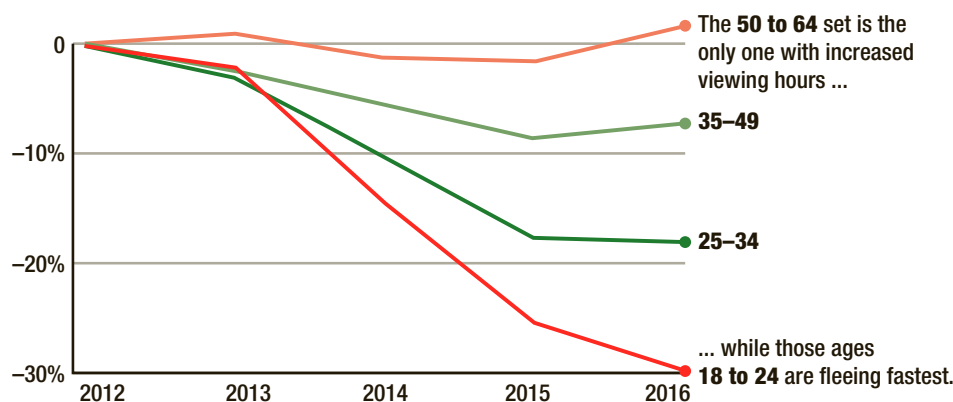
- 1 Describe the four major traditional advertising media (newspapers, magazines, radio, and television).
- 2 Discuss the strengths and weakness for each of the following major traditional advertising media: newspapers, magazines, radio, and television.
- 3 Describe how each of these traditional media choices has changed with the appearance of digital media options (e.g., social media, online advertising).
- 4 Appreciate the research methods that are used for each ad medium to determine the size of the audience exposed to advertising vehicles.

## Marcom Insight

Has Traditional Advertising Media Lost Its Effectiveness? The Rise of Cord Cutting, Ad Blocking, and the Video Streaming Revolution

### Millennial Exodus

The youngest viewers are fleeing traditional TV the fastest.\*  
Change in weekly time spent watching TV since 2012



\*Includes DVR viewing  
Source: Nielsen

THE WALL STREET JOURNAL.

Have you or any of your friends ever been “binge watching” an entire season of a program (e.g., “House of Cards,” Friends,” “Orange Is the New Black”) on commercial-free Netflix recently? If so, you are not alone, as streaming video now reaches 40 percent of American homes with services such as Netflix, Hulu, Amazon, and Apple TV, with many rapidly leaving traditional pay-TV services. In fact, the youth exodus

Wall Street Journal





Source: Wall Street Journal

from traditional TV has been dramatic, with viewers aged 18 to 24 spending almost 30 percent less time watching TV than in 2012 according to Nielsen. Network TV ratings have declined steadily from the mid-1990s, and many are simply cutting the cable-TV cord and spending more time on social media and with online video streaming.

So, is moving media money to digital platforms the answer to this shift? Digital ad spending is expected to reach \$77 billion and surpass that of TV in 2017. Yet, approximately 10 percent of desktop users in the United States have ad-blocking software installed and its use is rising on mobile devices. Also, many of the ads served up online are done programmatically. The issue is that consumers can now skip ads, block ads, and avoid ads altogether.

How has this affected media choice decisions for brands? One answer is experimentation with moving ad messages toward different and emerging venues. Sponsored content (also known as “native advertising,” “branded content,” or simply “content”) is more of a choice, with proactive material developed in-house, yet may blur the

lines between advertising and programs or news. For example, Pepsi recently developed a plotline featuring its products in the program “Empire” on Fox. Mondelez’s Stride gum is prominently featured in the skydiving special “Heaven Sent.” Mondelez also developed the “Twist, Lick, and Dunk” mobile app game for Oreos that has been downloaded seven million times. Others simply have featured news items about their brands, as native or content ads can have a 50 percent higher click-through rate than for banner ads for some

brands. Additional venues include the creative use of virtual reality technology, brand insertion in emerging social media (Snapchat), and the consideration that consumers may just be surfing apps (e.g., on Apple TV) in the not-too-distant future.

Others have argued that a better job of targeting consumers with relevant information is needed. For example, Johnson & Johnson has matched ad messages about their baby toiletries line with new moms who have visited their J&J Baby Center. Ads for J&J’s Neutrogena sunscreen line are sent out when UV levels are high and to consumers close to beaches and pools. In general, however, the key is in providing *relevant* content so that consumers are not running from ads—rather, they are engaging with them.

Sources: Suzanne Vranica, “Catch Me if You Can,” *Wall Street Journal*, June 22, 2016, R1, R2; Amol Sharma, “Big Media Needs to Embrace Digital Shift—Not Fight It,” *Wall Street Journal*, June 22, 2016; Joe Flint and Shalini Ramachandran, “Cord-Cutting Weighs on Pay TV,” *Wall Street Journal*, August 6, 2015, B1, B8; Norman Guadagno, “Ad Blocking: The Path We Have Chosen,” *Marketing News*, November 2015, 4–5.

## 12-1 Introduction

This chapter focuses on the four traditional mass advertising media: newspapers, magazines, radio, and television. (The next two chapters cover digital advertising media and social media.) Separate sections in the current chapter focus on each of these four major media, with primary emphasis devoted to exploring each medium’s strengths and limitations and to explaining the research methods

that are used for measuring the number of people who are exposed to advertising vehicles within each medium.

Measured media advertising in the United States in these four traditional media outlets reached approximately \$120.3 billion at the end of 2016. (If one includes all ad media and all marketing services [e.g., sales promotion, telemarketing, direct mail, events, directories, PR], this amount was approximately \$420.6 billion at the end of 2016.) For these four traditional media, television

commanded nearly 56 percent of these total expenditures, radio approximately 15 percent, newspapers about 15 percent, and magazines (including business-to-business) approximately 14 percent.<sup>1</sup> (Note: This does not include online advertising estimated at \$60 billion and expected to pass current TV advertising of \$67 billion in 2017.)

In terms of 2015 net U.S. media revenue (for the 200 leading media companies), broadcast TV and cable TV declined 1 percent and 1.2 percent from the previous year, respectively, radio rose 5.1 percent, whereas magazines declined 6.2 percent and newspapers were down 14.6 percent.<sup>2</sup> (Online search advertising increased 10.8 percent and outdoor advertising 3 percent.) A breakdown of U.S. media employment for 2015 shows 25.8 percent of the jobs in TV, 24.9 percent in newspapers, 24.4 percent in online media, 12.5 percent in radio, and 12.4 percent in magazines. In 2007, newspaper positions represented 38.8 percent of the total, whereas online media only 8.6 percent.<sup>3</sup> It should be cautioned, however, that most reportable media statistics are associated with “where an ad appears.” For example, newspaper digital advertising is often reported under “online or Internet media.”<sup>4</sup>

### 12-1a SOME PRELIMINARY COMMENTS

It is important to recognize that no advertising medium is always best. The value or worth of a medium depends on the circumstances confronting a brand at a particular time: consumer behavior, the advertising objective, the target market toward which this objective is aimed, and the available budget. An analogy will clarify this point. Suppose someone asked you, “What type of restaurant is best?” You likely would have difficulty offering a single answer because you would recognize that what is best depends on your particular needs on a specific occasion (e.g., speed of service—McDonald’s; ambiance—a classy Italian restaurant).

The same is true of advertising media. Which medium is “best” depends entirely on consumer preferences, the advertiser’s objectives, the creative needs, the competitive challenge, and the budget available. The best medium, or combination of media, is determined by conducting a careful examination of the advertised brand’s needs and resources.

The following presentation of ad media progresses in the following order: first covered are the two print media, newspapers and magazines. Then examined are the broadcast media, radio and television. TV receives the most in-depth treatment because it commands the greatest amount of advertising dollars at this point and because ongoing developments in this medium are the most dynamic.

## 12-2 Newspapers

Newspapers reach approximately 40 million U.S. households during the week and about 43 million on Sundays.<sup>5</sup> For either print or online versions, 69 percent of U.S.

adults read newspaper media content in a typical week or access it on mobile devices in a typical month, 41 percent of all adults in the United States read a daily newspaper, and about 46 percent read a Sunday newspaper.<sup>6</sup> Newspapers historically were the leading advertising medium, but television and radio both surpassed newspapers as mediums that receive the greatest amount of advertising expenditures. This is partially attributable to the fact that newspaper readership has been on a constant decline for years. However, many newspapers (e.g., *New York Times*) have attempted to expand their readership with digital subscriptions, with unlimited access to the newspaper’s website and applications (apps) for access on smartphones and tablets.<sup>7</sup> Print subscribers are offered online access to digital delivery as well.

Local advertising is clearly the mainspring of newspapers. However, newspapers have become more active in their efforts to increase national advertising. The Newspaper Advertising Association (NAA; [www.naa.org](http://www.naa.org)), a nonprofit sales and research organization representing over 2,000 newspapers in the United States and Canada, has facilitated these efforts. The NAA offers a variety of services that assist both newspapers and national advertisers by simplifying the task of buying newspaper space and by offering discounts that make newspapers a more attractive medium. (As an alternative, see Kantar Media’s SRDS Print Media Circulation, helping advertisers find the best markets for newspaper advertising.)



Laurens Smak/Alamy Stock Photo

### 12-2a BUYING NEWSPAPER SPACE

A major problem in the past when buying newspaper space, especially for advertisers that purchased space from newspapers in many cities, was that newspaper page size and column space varied, which prevented an advertiser from preparing a single advertisement to fit every newspaper. So, the advertising industry adopted a standardized system known as the **Standardized Advertising Unit (SAU) system**, which enables advertisers to purchase any one of 56 *standard ad sizes* to fit the advertising publishing parameters of all U.S. newspapers.

Under this system, advertisers prepare advertisements and purchase space in terms of column widths and depth in inches. There are six column widths:

1 column:	2 1/16 inches
2 columns:	4 1/4 inches
3 columns:	6 7/16 inches
4 columns:	8 5/8 inches
5 columns:	10 13/16 inches
6 columns:	13 inches

Space *depth* varies in size from 1 inch to 21 inches. Thus, an advertiser can purchase an ad as small as 1 inch by 2 1/16 inches or as large as 13 inches by 21 inches, with numerous in-between combinations of widths and depths. A chosen size for a particular advertisement can then be run in newspapers throughout the country. Space rates can be compared from newspaper to newspaper and adjusted for circulation differences. Consider a hypothetical example with the daily SAU column-inch rate for the “*City Times*” (circulation: 239,700) listed as \$640, whereas the same rate in the competitive “*City Tribune*” (circulation: 145,000) being \$435.<sup>8</sup> On the surface, the *Tribune* is cheaper than the *Times*, but when adjusted to a per-thousand-readers basis, the cost per thousand (CPM) of procuring a column inch in the *Times* is approximately

\$2.67 (i.e.,  $\$640 \div 239.7$ ), compared with a CPM of about \$3.00 (i.e.,  $\$435 \div 145$ ) for the *Tribune*. Hence, it is actually slightly cheaper, on a CPM basis, to advertise in the *Times*. Of course, the advertiser must observe audience characteristics, newspaper image, and other factors when making an advertising decision, rather than considering only cost.

The choice of an advertisement’s position must also be considered when buying newspaper space. Space rates apply only to advertisements placed ROP (*run of press*), which means that the ad appears in any location, on any page, at the discretion of the newspaper. Premium charges may be assessed if an advertiser has a preferred space positioning, such as at the top of the page in the financial section. Premium charges, if assessed, are negotiated between the advertiser and the newspaper.

### 12-2b NEWSPAPER ADVERTISING’S STRENGTHS AND LIMITATIONS

As with all advertising media, newspaper advertising has various strengths and limitations (see Table 12.1).

#### Newspaper Advertising’s Strengths

Because people read newspapers for news, they are in the *right mental frame to process advertisements* that present news of store openings, new products, sales, and so forth.

*Mass audience coverage*, or broad reach, is a second strength of newspaper advertising. Coverage is not restricted to specific socioeconomic or demographic groups but rather extends across all strata. However, newspaper readers on average are more economically upscale than television viewers. College graduates are more likely

to read a newspaper than the population at large. Because economically-advantaged consumers are comparatively light TV viewers, newspaper advertising provides a relatively inexpensive medium for reaching these consumers. Special-interest newspapers also reach large numbers of potential consumers. For example, the vast majority of college students read a campus newspaper. A recent

#### Standardized Advertising Unit (SAU) system

Enables advertisers to purchase any one of 56 standard ad sizes to fit the advertising publishing parameters of all U.S. newspapers.

**Table 12.1** ▶ Newspaper Advertising’s Strengths and Limitations

STRENGTHS	LIMITATIONS
Audience in appropriate mental frame to process messages	Clutter
Mass audience coverage	Not a highly selective medium (print)
Flexibility	Higher rates for occasional advertisers
Ability to use detailed copy	Average reproduction quality (print)
Timeliness	Complicated buying for national advertisers
	Changing composition of readers
	Declining readership

survey revealed that 93 percent of students with access to a paper at their school read the publication at some time. Sixty percent of readers prefer the print edition, while 24 percent favor print and digital versions equally, and 16 percent prefer the online edition.<sup>9</sup>

*Flexibility* is perhaps the greatest strength of newspapers. National advertisers can adjust copy to match the specific buying preferences and peculiarities of localized markets. Local advertisers can vary copy through in-paper inserts targeted to specific ZIP codes. In addition, advertising copy can be placed in a newspaper section that is compatible with the advertised product. Retailers of wedding accessories advertise in the bridal section, providers of financial services advertise in the business section, sporting goods stores advertise in the sports section, and so forth. A second facet of newspaper flexibility is that this medium enables advertisers to design ads of many different sizes (56 in total); few size or length options are possible in other mass media.

The *ability to use detailed copy* is another of newspaper advertising's strengths. Detailed product information and extensive editorial passages are used in newspaper advertising to an extent unparalleled by any other medium.

*Timeliness* is the final significant strength of newspaper advertising. Short lead times (the time between placing an ad and having it run) permit advertisers to tie in advertising copy with local market developments or newsworthy events. Advertisers can develop copy or make copy changes quickly and thereby take advantage of dynamic marketplace developments.

### Newspaper Advertising's Limitations

*Clutter* is a problem in newspapers, as it is in all of the other major media. A reader perusing a newspaper is confronted with many ads, all of which compete for the reader's limited time and only a subset of which receive the reader's attention. It is noteworthy, however, that a national survey of consumers revealed that they perceived newspapers as being significantly less cluttered with advertisements than television, radio, and magazines.<sup>10</sup>

A second limitation of newspaper advertising is that newspapers, at least in print editions, are *not a highly selective medium*. Newspapers are able to reach broad cross sections of people but, with few exceptions (such as campus newspapers), are unable to reach specific groups of consumers effectively. Media specialists consider newspapers to fare poorly in comparison to network television in efficiently targeting specific audiences.<sup>11</sup> Yet, digital newspaper formats are better suited for targeted audiences.

*Occasional users* of newspaper space (such as national advertisers who infrequently advertise in newspapers) pay higher rates than do heavy users (such as local advertisers) and have difficulty in securing preferred, non-ROP positions. In fact, newspapers' price lists (called *rate cards*) show higher rates for national than local advertisers.

In print form, newspapers generally offer *average reproduction quality*. Although color photos, etc., have been incorporated, in a relative sense, newspapers are not generally known to enhance a product's perceived quality, elegance, or snob appeal, as can magazines and television.

*Buying difficulty* is a particularly acute problem in the case of the national advertiser who wishes to secure newspaper space in multiple markets. On top of the high rates charged to national advertisers, each newspaper must be contacted individually. Fortunately, as mentioned previously, the NAA has made great strides toward facilitating the purchase of newspaper space by national advertisers.

Another problem with newspaper advertising involves the *changing composition of newspaper readers*. Although almost everyone used to read a daily newspaper, readership has declined progressively during the past generation. The most faithful print newspaper readers are individuals aged 45 and older, but the large and attractive group of consumers aged 30 to 44 are reading daily newspapers less frequently than ever. Yet, of those 18 to 24, 59 percent read newspaper content in print or online in a typical week.<sup>12</sup>

Perhaps the major problem is that *readership of printed newspapers has declined substantially*. However, it is noteworthy that all major newspapers have created online sites that have attracted readers who do not pay for printed newspapers. Thus, actual readership of newspapers—the combination of electronic and print readership—can be considerably higher than many reported circulation levels for printed newspapers. Newspaper companies are increasing their advertising revenues by including search engines on their online sites and then charging for advertisements that pop up alongside search results.<sup>13</sup>

## 12-3 Magazines

Although considered a mass medium, there are literally thousands of special-interest magazines, both consumer- and business-oriented, that appeal to audiences that manifest specific interests and lifestyles. In fact, Standard Rate and Data Service (now known simply as SRDS Media Solutions), a company that tracks information for the magazine industry (as well as for most other media), identifies well over 3,000 consumer print magazines (and 5,000 digital ones) in dozens of specific categories, such as automotive (e.g., *Motor Trend*); general editorial (e.g., *New Yorker*); sports (e.g., *Sports Illustrated*); and women's fashions, beauty, and grooming (e.g., *Glamour*). In addition to consumer magazines, thousands of other publications are classified as business magazines. Advertisers obviously have numerous options when selecting magazines to promote their products either to consumers or to businesspeople. Advertisers and media planners turn to SRDS (<http://next.srds.com/home>) to obtain information on standardized ad rates, contact information, reader



AP Images/Paul Sakuma

profiles, and other information, which facilitates media planning and buying. Also, OpenX Ad Exchange (via Kantar Media's SRDS service) offers the largest programmatic digital ad exchange for over 1,200 publications.

### 12-3a BUYING MAGAZINE SPACE

A number of factors influence the choice of magazine vehicles in which to advertise. Most important is selecting magazines that reach the type of people who constitute the advertiser's target market. However, because the advertiser typically can choose from several alternative vehicles to satisfy the target market objective, cost considerations also play an extremely important role.

Advertisers interested in using the magazine medium can acquire a wealth of demographic data about the composition of a magazine's readership. This information is provided in each magazine's *media kit* that is made available to ad agencies and prospective advertisers. Media kits can be found online for many magazines. For example, Figure 12.1 presents the demographic profile for *Golf Digest* magazine based on data presented by Condé Nast, which is the owner of this magazine and many others. The median age of *Golf Digest's* readership is 51.5 with a median household income of \$96,921 and 78 percent of readers are male. It is apparent that this magazine has its greatest appeal among older, mostly male, and economically prosperous consumers.

Also presented in Figure 12.1 are specific breakdowns by age, education, occupation, and household income. For each demographic grouping, the first column contains audience size expressed in thousands, the second column presents percentage breakdowns for each demographic subgroup that represent that subgroup's composition of *Golf Digest's* total audience, and the last column indexes each percentage against that group's proportionate population representation. For example, 18 percent of *Golf Digest's* readers fall in the age group of 35 to 44, 46 percent have graduated college, 29 percent are employed in professional and managerial positions, and 46 percent

have household incomes of \$100,000 or more. As mentioned, the last column in Figure 12.1 indexes each subgroup's composition of *Golf Digest's* readership against that group's proportionate population representation. For example, the 18 to 34 age group composes only 23 percent of *Golf Digest's* total audience, which is substantially below that group's proportionate representation in the total population. This underrepresentation is reflected in the 18 to 34 age group having an index of only 74. Comparatively, the 65+ age group (i.e., retirees who have a lot of time to play golf and read golf magazines) constitutes 21 percent of *Golf Digest's* total audience, but the high index of 123 reflects that this age group reads this particular magazine disproportionately more than its population representation.

Media kits also provide prospective advertisers with pertinent cost information in the form of *rate cards*. A partial rate card for *Sports Illustrated* magazine is presented in Figure 12.2. This card includes advertising rates for different page sizes (full page, two-thirds page, half page, one-third page, etc.), and for four-color and black-and-white (B&W) ads. For example, an advertiser would pay \$446,200 to place a full-page, four-color ad in *Sports Illustrated* on a onetime (open) rate basis. However, as is typical in magazines' price policies, cumulative discounts are available based on the number of pages advertised in *Sports Illustrated* during 12 consecutive months. Cumulative quantity discounts provide clear incentives for advertisers to remain with a particular magazine.

Although every magazine has its own media kit, advertisers and their agencies do not have to contact each magazine to obtain them. SRDS compiles media kits and then makes them available (of course, for a fee) to advertisers and their agencies. Also, rate cards can be obtained online by simply conducting a search such as inputting "Sports Illustrated rate card" into Google. Information for each magazine (or *book* as they are referred to in the advertising industry) includes editorial features, rates, readership profiles, circulation, and contact information.

Advertisers use the CPM measure (i.e., cost to reach 1,000 readers of an issue) to compare different magazine buys. (See also Chapter 16 for CPM calculations. The "M" in CPM is the Roman numeral for a thousand.) CPM information for each magazine is available from two syndicated magazine services: GfK Mediamark Research Inc. (MRI) and Experian Simmons (formerly Simmons Market Research Bureau, SMRB, or simply "Simmons"). These services provide CPM figures for general reader categories (e.g., total men) and also break out CPMs for subgroups (e.g., men aged 18 to 49, male homeowners). These more specific subgroupings enable the advertiser to compare different magazine vehicles in terms of cost per thousand for reaching the target market (CPM-TM) rather than

**Figure 12.1** ▶ *Golf Digest's Demographic Profile*

	AUDIENCE (IN THOUSANDS)	COMPOSITION (%)	INDEX
<b>Total Audience</b>	6,245	100%	100
<b>Age</b>			
18–34	1,405	23%	74
35–44	1,096	18	98
45–54	1,190	19	98
55–64	1,262	20	132
65+	1,291	21	123
Median Age	51.5		
<b>Education</b>			
Graduated College+	2,874	46%	169
Attended College+	4,659	75	135
<b>Occupation</b>			
Top Management	973	16%	177
Professional/Managerial	1,797	29	128
<b>Household Income (HHI)</b>			
\$100,000+	2,861	46%	182
\$ 75,000+	3,907	63	161
\$ 50,000+	5,060	81	140
Median HHI	\$96,921		

Source: *Golf Digest*—Media Kit Print | Condé Nast, accessed July 01, 2016, [http://m.condenast.com/sites/all/files/pdf/media\\_kit\\_print\\_3351.pdf](http://m.condenast.com/sites/all/files/pdf/media_kit_print_3351.pdf)

**Figure 12.2** ▶ Partial Rate Card for *Sports Illustrated* (Rate base × 3,000,000)

	FOUR-COLOR	B&W
Full Page	\$446,200	\$290,100
2/3 Page	\$371,900	\$241,800
1/2 Page	\$312,400	\$203,100
1/3 Page	\$200,800	\$130,600
Second Cover Spread	\$1,003,900	N/A
Third Cover	\$490,000	N/A
Back Cover	\$602,400	N/A

Source: "Sports Illustrated Group Media Kit," last modified January 28, 2016, accessed July 01, 2016, <http://www.simediakit.com/home/magazine/rates/>.

only in terms of gross CPMs. Cost-per-thousand data are useful in making magazine vehicle selection decisions, but many other factors must be taken into account.

### 12-3b MAGAZINE ADVERTISING'S STRENGTHS AND LIMITATIONS

Magazine advertising too has both strengths and limitations, depending on the advertisers' needs and resources (see Table 12.2).

#### Magazine Advertising's Strengths

Some magazines reach *very large audiences*. For example, magazines like *Better Homes & Gardens*, *Reader's Digest*, *Sports Illustrated*, and *Time* have total audiences that exceed 16 million print readers, and an even larger audience if one includes digital subscriptions.

However, the ability to pinpoint specific audiences (termed *selectivity*) distinguishes magazine advertising from other media. If a potential market exists for a product, there most likely is at least one periodical that reaches that market. Selectivity enables an advertiser to achieve effective, rather than wasted, exposure. This translates into more efficient advertising and lower costs per 1,000 target customers.

Magazines are also noted for their *long life*. Unlike other media, magazines often are used for reference and kept for weeks around the home (and in barber shops, and beauty salons, and dentists' and doctors' offices, etc.). Magazine subscribers sometimes pass along their copies to other readers, further extending a magazine's life.

In terms of qualitative considerations, magazines as an advertising medium are exceptional with regard to elegance, quality, beauty, prestige, and snob appeal. These features result from the *high level of reproduction quality* and from the surrounding editorial content that often transfers to the advertised product. For example, food items advertised in *Bon Appétit* always look elegant, furniture items in *Better Homes & Gardens* look tasteful, and clothing items in *Cosmopolitan* and *Gentlemen's Quarterly* (GQ) appear especially fashionable.

Magazines are also a particularly good source for providing *detailed product information* and for conveying this information with a *sense of authority*. That is, because the editorial content of magazines often includes articles that themselves represent a sense of insight, expertise, and credibility, the advertisements carried in these magazines convey a similar sense of authority, or correctness.

A final and especially notable feature of magazine advertising is its creative ability to get consumers *involved in ads* or, in a sense, to attract readers' interest and to engage them to think about the advertised brands. This ability is due to the self-selection and reader-controlled nature of magazines compared with more intrusive media such as radio and television. For example, issues of *Runner's World* routinely offer novice runners tips for steadily increasing their mileage and not giving up, yet also provide experienced marathoners details on the right marathons to enter to qualify for the Boston Marathon.

#### Magazine Advertising's Limitations

Several limitations are associated with magazine advertising (see Table 12.2). First, unlike TV and radio, which by their very nature infringe on the attention of the viewer and listener, magazine advertising is *not intrusive*; readers control their exposure to a magazine ad.

A second limitation is *long lead times*. In newspapers, broadcast, and digital media, it is relatively easy to change ad copy on fairly short notice and in specific markets. Magazines, by comparison, have long closing dates that require advertising materials to be on hand for weeks in advance of the actual publication date. For example, for four-color ads the closing dates for the following sampling of magazines are shown in parentheses: *Better Homes & Gardens* (10 weeks), *Cosmopolitan* (10 weeks), *Sports Illustrated* (5 weeks), and *Time* (4 weeks).<sup>14</sup>

As with other advertising media, *clutter* is a problem with magazine advertising. In certain respects clutter

**Table 12.2** ▶ Magazine Advertising's Strengths and Limitations

STRENGTHS	LIMITATIONS
Some magazines reach large audiences	Not intrusive
Selectivity	Long lead times
Long life	Clutter
High reproduction quality	Somewhat limited geographic options (print)
Ability to present detailed information	Variability of circulation patterns by market
Ability to convey information authoritatively	
High involvement potential	

is a worse problem with magazines than, say, television, because readers can become engrossed in editorial content and skip over advertisements.

Magazine advertising also provides *fewer geographic options* (in print) than do other media, although some large circulation magazines such as *Sports Illustrated* provide considerable selectivity. For example, *Sports Illustrated* offers advertising rates for the top 30 metropolitan areas in the United States. An advertiser could choose to advertise in *Sports Illustrated* only for these top 30 markets, say, and in so doing pay \$310,800 for a full-page, four-color ad. Comparatively, the same ad in the remainder of the metro markets in the United States would cost \$177,900.<sup>15</sup>

A final limitation of magazine advertising is *variability in circulation patterns* from market to market. *Rolling Stone* magazine, for example, is read more in metropolitan than rural areas. Hence, advertisers who are interested, say, in reaching young men would not be very successful in reaching nonmetropolitan readers. This would suggest placing ads in one or more magazines other than *Rolling Stone*, which would up the total cost of the media buy. Radio, TV, or both might better serve the advertiser's needs and provide more uniform market coverage.

### 12-3c MAGAZINE AUDIENCE MEASUREMENT

When selecting magazine vehicles, it is important for advertisers to know the audience size candidate magazines reach. Determining the size of a particular magazine's readership might seem a simple task that merely involves tallying the number of subscribers to a magazine. Unfortunately, it is more complicated than this because several factors make subscription counting an inadequate way of determining a magazine's readership: First, magazine subscriptions are collected through a variety of intermediaries, making it difficult to obtain accurate lists of who subscribes to which magazines. Second, magazines often are purchased from newsstands, supermarkets, and other retail outlets rather than through subscriptions, thus completely eliminating knowledge of who purchases which magazines. Third, magazines that are available in public locations such as doctors' offices, barber shops, and beauty salons are read by numerous people and not just the subscriber. Finally, individual magazine subscribers often share issues with other people.

For these reasons, the number of subscriptions to a magazine and the number of people who actually read the magazine are not equivalent. Fortunately, two previously mentioned services—MRI and Simmons—specialize in measuring magazine readership and determining audience size. These companies offer very similar, yet competitive, services.

In brief, both services take large, national probability samples and query respondents to identify their media consumption habits (e.g., which magazines they read) and determine their purchase behaviors for an extensive variety of products and brands. Statisticians then employ inference procedures to generalize sample results to the total population. Advertisers and media planners use the readership information along with detailed demographic and product and brand usage data to evaluate the absolute and relative value of different magazines.

Advantages aside, not all is perfect in the world of magazine audience measurement due to three notable problems: (1) respondents to readership surveys are asked to rate numerous magazines (as well as many vehicles in other media), which can lead to fatigue and hasty or faulty responses; (2) sample sizes often are small, especially for small-circulation magazines, which leads to high margins of sampling error when generalizing to the total population; and (3) sample composition may be unrepresentative of audience readership.<sup>16</sup> Also, because these two readership services use different research methods, their results often are discrepant. Consider, for example, Simmons' versus MRI's estimates for the following large-circulation magazines: *Better Homes & Gardens* (43.69 million readers estimated by Simmons versus 39.26 million readers estimated by MRI), *Cosmopolitan* (20.90 million versus 18.45 million), and *National Geographic* (44.75 million versus 30.88 million).<sup>17</sup> In percentage terms and using the smaller estimate as the base, these differences are 11.3, 13.3, and 44.9 percent, respectively. Media planners thus confront the challenge of determining which service is right or whether both are wrong in their estimates of audience size.<sup>18</sup>

### 12-3d USING SIMMONS AND MRI REPORTS

Despite these problems, media planners must make the most of the audience estimates and readership profiles Simmons and MRI generate. Both companies produce annual reports of product and brand usage data and provide detailed media information. Using imported beer/ale as an illustration, Table 12.3 provides a pared-down report that will be useful for explaining the construction and interpretation of Simmons and MRI reports.<sup>19</sup> Your library may subscribe to a digital version of either a Simmons or MRI database. If so, you should access a recent report and inspect the vast amount of information that is provided in these reports.

MRI and Simmons reports are structurally equivalent to the data contained in Table 12.3. Each of the detailed tables in these reports present cross-tabulations of demographic segments by product or brand usage. Table 12.3 presents usage of imported beer/ale delineated by age groupings, educational status, geographic region, and Internet and TV quintiles (which will be explained



**Table 12.3** ▶ Illustration of a MRI Report for Imported Beer/Ale (based on all adults indicating whether they have drunk imported beer/ale within the last six months)

	TOTAL '000	A PROJ '000	B % ACROSS	C % DOWN	D INDEX
Total	228,112	45,910	20.1	100.0	100
Age 18–24	28,815	5,898	20.5	12.8	102
Age 25–34	40,710	10,503	25.8	22.9	128
Age 35–44	41,552	10,241	24.6	22.3	122
Age 45–54	44,605	9,078	20.4	19.8	101
Age 55–64	34,456	6,522	18.9	14.2	94
Age 65+	37,973	3,668	9.7	8.0	48
Educ: graduated college plus	61,723	17,899	29.0	39.0	144
Educ: attended college	63,819	12,254	19.2	26.7	95
Educ: graduated high school	70,358	11,252	16.0	24.5	79
Educ: did not graduate HS	32,211	4,505	14.0	9.8	69
Educ: postgraduate	21,647	6,550	30.3	14.3	150
Educ: no college	102,570	15,757	15.4	34.3	76
Census Region: Northeast	41,697	10,902	26.1	23.7	130
Census Region: South	84,310	13,905	16.5	30.3	82
Census Region: Midwest	50,012	8,555	17.1	18.6	85
Census Region: West	52,092	12,547	24.1	27.3	120
TV (total) Quintile I (Heavy)	45,631	6,566	14.4	14.3	71
TV (total) Quintile II	45,623	8,507	18.6	18.5	93
TV (total) Quintile III	45,605	10,387	22.8	22.6	113
TV (total) Quintile IV	45,628	10,336	22.7	22.5	113
TV (total) Quintile V (Light)	45,626	10,113	22.2	22.0	110
Internet Quintile I (Heavy)	45,635	10,905	23.9	23.8	119
Internet Quintile II	45,621	11,439	25.1	24.9	125
Internet Quintile III	45,618	10,948	24.0	23.8	119
Internet Quintile IV	45,619	6,939	15.2	15.1	76
Internet Quintile V (Light)	45,618	5,678	12.4	12.4	62

Source: MRI Reporter.

subsequently). (For simplicity, all subsequent references to imported beer/ale will be shortened to imported beer.) The table is to be interpreted as follows:

1. The first row (*Total*) shows the occurrence of imported beer purchases in the total U.S. population. Thus, of the 228,112,000 adults living in the United
2. States at the time of data collection, 45,910,000 (see column A), or 20.1 percent (see column B, *% Across*), drank imported beer at least once within the last six months.

States at the time of data collection, 45,910,000 (see column A), or 20.1 percent (see column B, *% Across*), drank imported beer at least once within the last six months.

Each set of detailed entries shows the estimate in four different ways (denoted as columns A, B, C, and D)

for the product category (imported beer in this case) and the specified population grouping:

- a. *Column A* presents the estimate of *total product users* (expressed in thousands). Note carefully that Table 12.3 presents data in thousands, shown as '000, so the value of 45,910 in the top row stands for 45,910,000 drinkers of imported beer. Of the 45,910,000 total drinkers of imported beer, 5,898,000 are in the 18 to 24 age category, 10,503,000 in the 24 to 34 age group, and so on.
- b. *Column B (% Across)* reflects each subgroup's proportionate representation with respect to the total number of product users in the product category. For example, of the 28,815,000 people in the 18 to 24 age group (see the value under the Total column), MRI estimates that 5,898,000 in that subgroup are imported beer drinkers. Thus, the percent across values in Column B (20.5 percent in this case) simply represents the proportionate representation of each value under column A compared with its corresponding value under the Total column.
- c. *Column C (% Down)* represents the percentage of product users in each demographic subgroup compared with the total number of product users. For example, 5,898,000 of the 45,910,000 total drinkers of imported beer are in the 18 to 24 age group. This age group thus represents 12.8 percent of the total number of imported beer drinkers. Note that each value in column C (*% Down*) is calculated by dividing the column A value for a particular row by the total value in column A (i.e., 45,910,000).
- d. *Column D (Index)* is a measure of a particular demographic group's proportionate product consumption compared with the total population's proportionate product consumption. For example, 20.1 percent of all American adults are at least occasional imported beer drinkers. Comparatively, 20.5 percent of consumers in the 18 to 24 age group are imported beer drinkers (these two figures, 20.1 and 20.5 percent, respectively, are shown in Column B, *% Across*). The index values in Column D reflect this relationship. Hence, the index value for consumers aged 18 to 24 is calculated as follows:  $(20.5 \div 20.1) \times 100 = 102$ . This index indicates that people in the 18 to 24 age group are 2 percent *more likely* than the general population to drink imported beer. Comparatively, older consumers in the 55 to 64 age group with an index of 94  $[(14.2 \div 18.9) \times 100 = 94]$  are 6 percent *less likely* than the general population, with an index of 100, to drink imported beer. All in all, the index numbers for age groups indicate that imported beer consumption generally declines with increasing

age. Similarly, the index numbers based on educational attainment (see Table 12.3) indicate that people who have graduated college and those with postgraduate degrees are disproportionately more likely to drink imported beer. Comparatively, individuals with high school degrees and those who did not graduate high school are disproportionately less likely to drink imported beer.

Does this mean that imported beer marketers should cater only to younger consumers and those with higher education and neglect the others? Probably not. For example, although people aged 45 to 54 (index = 101) are proportionately less likely than the younger age groups to consume imported beer, there are, nonetheless, a total of approximately nine million people in this age group who do consume imported beer. It thus would make little sense to disregard such a large number of consumers simply because the index number is only slightly more than 100. Although prudent imported beer marketers would not neglect these older consumers, the index numbers in Table 12.3 suggest that less media emphasis, or weight, should be directed at older consumers than the weight targeted at the younger consumers.

Turning to the Internet and TV data in Table 12.3, notice under the Total column that the total number of American adults (228,112,000) has been divided into five basically equal-sized groups (quintiles) based on their Internet and TV usage. Hence, Quintile I represents the heaviest Internet users and the heaviest TV viewers, whereas Quintile V represents the lightest Internet users and lightest TV viewers. Column D in Table 12.3 reveals that heavier Internet users are more likely to be drinkers of imported beer (index numbers of 119 and 125 for Quintiles I and II) and that imported beer consumption declines in the lighter Internet quintiles (Quintiles IV and V). Conversely, heavy TV viewers (Quintiles I and II) are disproportionately less likely than the lighter viewer quintiles to consume imported beer. How might an advertiser use these data?

In using media data supplied in MRI and Simmons reports, the advertiser must weigh various pieces of information to make intelligent use of these reports. Evidence indicates that media planners too often use MRI and Simmons data in a simplistic manner that fails to utilize fully all information provided by these reports.<sup>20</sup> The tendency is to focus excessively on the index numbers contained in Column D. Although the index numbers reflect a subgroup's proportionate product-usage representation compared with the total population's product usage, the index numbers fail to tell the whole story.

It is important to go beyond the index numbers and consider each demographic subgroup's total size and potential for growth in using the product category. Thus, for example, although Americans who have only a high school education drink imported beer proportionately less than those who have graduated college (index numbers of 79 for high

school grads versus 144 for college grads; see Table 12.3), the number of high-school-only grads (70,358,000) is considerably larger than the number of college grads (61,723,000). Thus, an imported beer advertiser should not neglect people who have not graduated college, but rather might cultivate this market by developing advertisements that appeal to their lifestyles and advertising in media vehicles that are particularly effective in reaching them.

### 12-3e CUSTOMIZED MAGAZINES

Discussion to this point has focused on magazines that are published by companies whose primary business is creating and distributing magazines (i.e., magazine publishers). However, there has been a major development in recent years wherein marketers of specific brands are developing newsletters and magazines that focus on their brands and issues related to these brands and the interests of brand purchasers. These customized magazines are distributed free of charge to brand users either online in electronic form (“e-zines”) or in printed form. Some recent examples of print magazines for brands are *Rhapsody* (United), *Pineapple* (Airbnb), *The Furrow* (John Deere), *Porter* (Net-a-Porter), *Asos* (ASOS), *The Red Bulletin* (Red Bull), and *Colors* (Benetton).<sup>21</sup>

One of the primary purposes for brand marketers to create customized magazines is to reach out to existing brand users and to create a bond that will result in increased levels of *customer loyalty*. For example, *Beyond* (formerly *Lexus Magazine*) is distributed to owners of Lexus automobiles. The magazine, both in printed and digital forms, provides useful and entertaining information related to travel, insider tips about the Lexus, and other topics and achieves

a high level of readership. This customized magazine is distributed throughout the world, with the North American version alone having a circulation of 800,000 per issue.<sup>22</sup>

Customized publishing is definitely on the rise and is capturing a growing percentage of many companies’ marcom budgets. In fact, one survey revealed that customized publishing accounts for nearly one-fourth of the total money that companies allocate for marketing, advertising, and communications.<sup>23</sup> Customized magazines thus represent a valuable marcom tool for reaching and maintaining the loyalty of a brand’s existing customers. Customized magazines do not replace advertisements placed in traditional (i.e., noncustomized) magazines, because advertisements placed in traditional magazines reach prospective customers as well as current brand users. Nonetheless, customized magazines have a unique role in a brand’s overall marcom program, especially as a means of maintaining a continuous dialogue with current brand users.

One other change has been linking magazine content to tablets (e.g., iPad, Kindle, Nook) and mobile devices.<sup>24</sup> Although ensuring reader engagement has been an issue with digital delivery of content, many reported deals (e.g., with *Sports Illustrated*, *Time*, *Fortune*), as well as the Audit Bureau of Circulation, have recognized that digital subscriptions will count to the subscriber base.<sup>25</sup>

### 12-4 Radio

Radio is a nearly ubiquitous medium: there are 11,390 commercial AM and FM radio stations in the United States, not including 4,099 FM educational stations



Source: Lexus, a Division of Toyota Motor Sales, U.S.A., Inc.

(colleges, public, religious) and 1,565 low-power FM stations.<sup>26</sup> Radio access in the United States reaches slightly over 93 percent of all people aged 12 or older.<sup>27</sup> These impressive figures indicate radio's strong potential as an advertising medium. Although radio has always been a favorite of local advertisers, regional and national advertisers have increasingly recognized radio's advantages as an ad medium.

#### 12-4a BUYING RADIO TIME

Radio advertisers are interested in reaching target customers at a reasonable expense while ensuring that the station format is compatible with a brand's image and its creative message strategy. Several considerations influence the choice of radio vehicle. *Station format* (classical, urban, rock, country, top-40, tejano, news/talk, etc.) is a major consideration. Certain formats are obviously most appropriate for particular products and brands.

A second consideration is the *choice of geographic areas to cover*. National advertisers buy time from stations whose audience coverage matches the advertiser's geographic areas of interest. This typically means locating stations in preferred metropolitan statistical areas (MSAs) or in so-called areas of dominant influence (ADIs), which number approximately 200 in the United States and correspond to the major television markets.

A third consideration in buying radio time is the *choice of daypart*. Radio dayparts include the following:

Morning drive:	5 A.M. to 10 A.M.
Midday:	10 A.M. to 3 P.M.
Afternoon drive:	3 P.M. to 7 P.M.
Evening:	7 P.M. to Midnight
Late night:	Midnight to 7 A.M.

Rate structures vary depending on the attractiveness of the daypart; for example, morning and afternoon drive times are more expensive than midday and late-night dayparts. Information about rates and station formats is

available in Spot Radio Rates and Data, a source published by SRDS Media Solutions.

#### 12-4b RADIO ADVERTISING'S STRENGTHS AND LIMITATIONS

This section examines the advantages and also explores some of the problems with radio advertising (see the summary in Table 12.4).

##### Radio Advertising's Strengths

The first major strength of radio is that it is second only to magazines in its *ability to reach segmented audiences*. An extensive variety of radio programming enables advertisers to pick specific formats and stations to be optimally compatible with both the composition of their target audience and their creative message strategies. Radio can be used to pinpoint advertisements to specific groups of consumers: teens, Hispanics, sports fanatics, news addicts, jazz enthusiasts, political conservatives, and so on. As noted earlier, there are 11,390 commercial radio stations in the United States, and these stations are formatted to cater to special listening interests.

A second major advantage of radio advertising is its *ability to reach prospective customers on a personal and intimate level*. Local store merchants and radio announcers can be extremely personable and convincing. Their messages sometimes come across as if they are personally speaking to each audience member. A top-level advertising agency representative metaphorically described radio as a "universe of private worlds" and a "communication between two friends."<sup>28</sup> In other words, people select radio stations in much the same way that they select personal friends. Therefore, it has a real potential to increase consumers' engagement with advertisements placed in this medium.

*Economy* is a third advantage of radio advertising. In terms of target audience CPM, radio advertising is considerably cheaper than other mass media. Over the past several decades, radio's CPM has increased less than any other advertising medium.

Another relative advantage of radio advertising is a *short lead time*. Because radio production costs are

**Table 12.4** ▶ Radio Advertising's Strengths and Limitations

STRENGTHS	LIMITATIONS
Ability to reach segmented audiences	Clutter
Intimacy	No visuals
Economy	Audience fractionalization
Short lead times	Buying difficulties
Transfer of imagery from TV	
Use of local personalities	

typically inexpensive and scheduling deadlines are short, copy changes can be made quickly to take advantage of important developments and changes in the marketplace (e.g., a sudden weather change and weather-related products, changing inventory levels, special events, and holidays).

A very important advantage of radio advertising is its *ability to transfer images from television advertising*. A memorable television advertising campaign that has been aired frequently produces a mental association for consumers between the sight and sound elements in the commercial. This mental image (i.e., imagery) can then be transferred to a radio commercial that uses the TV sound or some adaptation of it.<sup>29</sup> For example, Corona beer's TV commercial with a couple relaxing with the sounds of the ocean nearby is easily transferable to radio. Also, the advertiser effectively gains the advantage of TV advertising at the lower cost of radio. By using a combination of TV and radio advertising, the advertiser is able to achieve higher levels of reach and frequency than would be achieved if the entire budget were invested exclusively in television advertising.

A final strength of radio advertising is its ability to avail itself of the reputations and the sometimes bigger-than-life persona of *local personalities*. Radio personalities in local markets are often highly respected and admired, and their endorsement of, say, a retail establishment can serve to enhance that establishment's image and drive purchases to the store.

### Radio Advertising's Limitations

Radio's foremost limitation, one it shares with other ad media, is that it is *cluttered* with competitive commercials and other forms of noise, chatter, and interference. Radio listeners frequently switch stations, especially on their car radios, to avoid commercials.<sup>30</sup> The irritation of having to listen to one commercial after another partially explains why many people have turned to streaming music services or online radio with few commercial interruptions (e.g., Spotify, Pandora, Sound Cloud, TuneIn Radio). Among those 18 to 29, smartphone use of online music services reached 87 percent, yet only 41 percent for those over age 50.<sup>31</sup>

A second limitation is that radio is the only major medium that is *unable to employ visualizations*. However, radio advertisers attempt to overcome the medium's visual limitation by using sound effects and choosing concrete words to conjure up mental images in the listener. It is important to note that many advertising campaigns use radio as a supplement to other media rather than as a stand-alone medium. This reduces radio's task from creating visual images to reactivating images that already have been created by ads placed in visual media—television, the Internet, and magazines. In contrast, information-based advertising campaigns do not necessarily require visualizations, and radio under such circumstances is fully capable of delivering brand-based information—for example, a

mortgage company's interest rate, a special sale at a local department store, or the location of an automobile repair shop.

A third problem with radio advertising results from a high degree of *audience fractionalization*. Selectivity is a major advantage of radio advertising, but at the same time the advertiser is unable to reach a diverse audience because each radio station and program has its own unique set of audience demographics and interests.

A final limitation is the *difficulty of buying radio time*. This problem is particularly acute in the case of the national advertiser that wishes to place spots in different markets throughout the country. With 11,390 commercial radio stations operating in the United States, buying time is complicated by unstandardized rate structures that include a number of combinations of fixed and discount rates. One prospect that may offset this problem is the growth of the satellite radio industry, with arrangements with major automakers, and including services such as live traffic, weather, and data. Companies such as Sirius XM Satellite Radio can broadcast nationally (and internationally) and thus offer advertisers an opportunity to reach large audiences and pay a single rate for the purchased airtime. As of 2016, Sirius XM had a total of over 30 million subscribers.<sup>32</sup>

### 12-4c RADIO AUDIENCE MEASUREMENT

Radio audiences are measured both nationally and locally. Nielsen Audio (formerly Arbitron) is the major service at both the national and the local levels involved with measuring radio listenership and audience demographics. At the *national level*, Nielsen Audio owns a service that goes by the acronym RADAR, which stands for Radio's All Dimension Audience Research. The RADAR service produces radio-listening estimates by recruiting 395,000 individuals aged 12 and older, who, during a one-week period, make diary entries that identify their daily listening behavior, including the radio stations they listened to, the time of day they listened to each station, and their location when they listened (e.g., in the car, at home, or at work). RADAR's research provides ratings estimates for network radio programming and audience demographic characteristics (see [my.arbitron.com](http://my.arbitron.com)). Advertisers use this information to select network programming that matches their intended target audiences.<sup>33</sup>

At the *local level*, Nielsen Audio measures (via their Nationwide service) listening patterns in over 294 markets located throughout the United States. Data in each designated market area (DMA) from over 350,000 randomly selected individuals age 12 or older is collected. Respondents are compensated for maintaining *diaries* of their listening behavior for a seven-day period. Subscribers to the service (thousands of radio stations, advertisers, and agencies) receive reports that detail people's listening patterns (cumulative and average quarter-hour audiences),



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station preferences, and demographic breakdowns. This information is invaluable to advertisers and their agencies for purposes of selecting radio stations whose listener compositions match the advertiser's target market.

Arbitron is in the process of attempting to get away from the paper-diary method of data collection by having people carry pager-like meters throughout the day that pick up inaudible codes in broadcast signals. This data-collection method, called the *Portable People Meter*, currently is being deployed in the top 48 radio markets in the United States.<sup>34</sup>

## 12-5 Television

Television is practically ubiquitous in the United States and throughout the rest of the industrialized world. Television sets are present in approximately 95.2 percent of all American households, which amounted to 116.4 million TV households in the United States as of the 2015–2016 season.<sup>35</sup> As an advertising medium, television is uniquely personal and demonstrative, yet it is also expensive and subject to considerable competitive clutter. Consumers consider television the most cluttered of all ad media.<sup>36</sup>

Before elaborating on television's specific strengths and weaknesses, it first will be instructive to examine two specific aspects of television advertising: (1) the different programming segments, or so-called dayparts, and (2) the alternative outlets for television commercials (network, spot, syndicated, cable, and local).

### 12-5a TELEVISION PROGRAMMING DAYPARTS

Advertising costs, audience characteristics, and programming appropriateness vary greatly at different times of the day. As with radio, these times are referred to as *dayparts*.

There are seven TV dayparts, with the following shown for Eastern Standard Time:

Early morning:	5 A.M. to 9 A.M.
Daytime:	9 A.M. to 4 P.M.
Early fringe:	4 P.M. to 7 P.M.
Prime access:	7 P.M. to 8 P.M.
Prime time:	8 P.M. to 11 P.M.
Late fringe:	11 P.M. to 2 A.M.
Overnight:	2 A.M. to 5 A.M.

The three major dayparts are daytime, fringe time, and prime time, each of which has its own strengths and weaknesses.

#### Daytime

The period that begins with the early morning news shows and extends to 4:00 P.M. is known as *daytime*. Early daytime appeals first to adults with news programs and then to children with special programs designed for them. Afternoon programming—with its special emphasis on soap operas, talk shows, and financial news—appeals primarily to people working at home, retirees, and, contrary to the stereotype, even young men.<sup>37</sup>

#### Fringe Time

The period preceding and following prime time is known as *fringe time*. Early fringe starts with afternoon reruns and is devoted primarily to children but becomes more adult oriented as prime time approaches. Late fringe appeals chiefly to young adults.

#### Prime Time

The period between 8:00 P.M. and 11:00 P.M. (or between 7:00 P.M. and 10:00 P.M. in some parts of the United States) is known as prime time. The best and most expensive programs are scheduled during this period. Audiences are largest during prime time. Table 12.5 indicates the average prime-time audience size for the six major U.S. networks at the end of 10 weeks in the fall of 2015. The audience sizes range from 8.68 million viewers on average for NBC down to 1.02 million average viewers for The CW Network. Interestingly, the total audience size these six major networks garnered during this one week is approximately 28.4 million; comparatively, the total audience size during 1994 and 1995 was over 62 million. This decline reflects the continuing trend wherein network TV is capturing smaller audiences, cable TV's audience base continues to grow somewhat, and many are simply going to on-demand streaming services such as Netflix.<sup>38</sup>

The networks naturally charge the highest rates for prime-time advertising. Popular prime-time programs sometimes reach as many as 20 million U.S. households.

**Table 12.5** ▶ Average Prime-Time Audience (in millions) for Six Major Networks

NETWORK	ESTIMATED VIEWERS (IN MILLIONS)
NBC	8.68
CBS	6.65
FOX	5.32
ABC	4.23
Univision	2.51
CW	1.02
Total	28.41

Source: "NBC Is Number One Among Adults 18–49 and with Total Viewers in Week 52 Ending September 20, 2015," accessed July 01, 2016, <http://tvbythenumbers.zap2it.com/2015/09/22/nbc-is-number-one-among-adults-18-49-and-with-total-viewers-in-week-52-ending-september-20-2015>.

Advertisers pay dearly to reach the large numbers of households highly popular prime-time programs deliver. For example, the long-time successful *Sunday Night Football* program for the NFL had charged advertisers well over \$600,000 for a single 30-second commercial. The 10 highest-priced programs for the Fall 2015 television season are shown in Table 12.6, where it can be seen that the cost for a single 30-second commercial placed on these programs ranges from a low of \$234,371 (*The Voice*) to a high of \$637,330 (*Sunday Night Football*). Note that these advertising prices are for just the 10 most expensive TV programs. Most 30-second commercials broadcast on prime-time TV during the fall 2015 season were in the range of \$50,000 to \$200,000, with the same programs priced higher for the spring 2016 season.

#### 12-5b NETWORK, SPOT, SYNDICATED, CABLE, AND LOCAL ADVERTISING

Television messages are transmitted by local stations, which are either locally owned cable television systems or affiliated with the five commercial networks (ABC, CBS, NBC, Fox, Univision, and The CW) or with an independent cable network (such as TBS, the Turner Broadcasting System). This arrangement of local stations and networks allows for different ways of buying advertising time on television.

**Table 12.6** ▶ The 10 Highest-Priced TV Programs Fall 2015 (price per 30-second commercial)

PROGRAM	NETWORK	PRICE
<i>Sunday Night Football</i>	NBC	\$637,330
<i>Empire</i>	FOX	\$521,794
<i>The Walking Dead</i>	AMC	\$502,500
<i>Thursday Night Football</i>	CBS	\$462,622
<i>Fear the Walking Dead</i>	AMC	\$395,000
<i>Monday Night Football</i>	ESPN	\$388,176
<i>The Big Bang Theory</i> (Monday)	CBS	\$289,621
<i>The Big Bang Theory</i> (Thursday)	CBS	\$266,163
<i>Modern Family</i>	ABC	\$236,296
<i>The Voice</i>	NBC	\$234,371

Source: Brian Steinberg, "TV Ad Prices: Football, 'Empire,' 'Walking Dead,' 'Big Bang Theory' Top The List," *Variety*, September 29, 2015, <http://variety.com/2015/tv/news/tv-advertising-prices-football-empire-walking-dead-big-bang-theory-1201603800>.

### Network Television Advertising

Companies that sell products nationally often use network television to reach potential customers throughout the country. The advertiser, typically working through an advertising agency, purchases desired time slots from one or more of the networks and advertises at these times on all local stations that are affiliated with the network. The cost of such advertising depends on the time of day when



American Idol 2012/Getty Images Entertainment/Getty Images

an ad is aired, the popularity of the television program in which the ad is placed, and the time of year. The average cost for a 30-second prime-time television commercial for 2015 was \$112,000, up from \$110,000 the previous year.<sup>39</sup>

Network television advertising, although expensive in terms of per-unit cost, can be a cost-efficient means to reach mass audiences. Consider a 30-second commercial that costs \$400,000 and reaches 15 percent of the 116.4 million American TV households, or about 17.46 million households. Although \$400,000 is a lot to pay for 30 seconds of commercial time, reaching 17.46 million households means that the advertiser would have paid approximately only \$22.91 to reach every 1,000 households. Given a \$35 cost to reach a 1,000 viewers of in-stream video ads on Hulu, or \$750,000 for a Snapchat “brand story,” the \$22.91 cost may not be so bad.<sup>40</sup>

Network advertising is inefficient, and in fact unfeasible, if the national advertiser chooses to concentrate efforts only on select markets. For example, some brands, although marketed nationally, are directed primarily at consumers in certain geographic locales.

### Spot Television Advertising

The national advertiser’s alternative to network advertising is *spot advertising*. As the preceding discussion suggests, this type of advertising is placed (spotted) only in selected markets.

Spot advertising is particularly desirable when a company rolls out a new brand market by market before it achieves national distribution, when a marketer needs to concentrate on particular markets due to poor performance in these markets or aggressive competitive efforts, or when a company’s product distribution is limited to one or a few geographical regions. Also, spot advertising is useful even for those advertisers who use network advertising but need to supplement the national coverage with greater amounts of advertising in select markets that have particularly high brand potential.

### Syndicated Advertising

Syndicated programming occurs when an independent company—such as Disney-ABC Domestic Television Company and Sony Pictures Television—sells a TV show to as many network-affiliated or cable television stations as possible. Because an independent firm markets syndicated programs to individual television stations, the same syndicated program will appear on, say, NBC stations in some markets and on ABC or CBS stations in other markets. Syndicated programs are either original productions (e.g., *Curb Your Enthusiasm*, *Entourage*) or shows that first appeared on network television and are subsequently shown as reruns (e.g., *Friends*, *Seinfeld*, *Judge Judy*, *Wheel of Fortune*).

### Cable Advertising

Unlike network television, which is free to all TV owners, cable television requires users to subscribe (pay a fee) to a cable service and have their sets specially wired to receive signals via satellite or other means. Although cable television

has been available since the 1940s, advertisers turned to cable as a valuable advertising medium only in the last few decades. Although most major national companies advertise on cable TV, many consumers have “cut the cord” in favor of online streaming sites, as noted in the *Marcom Insight*. Cable television’s household penetration of 87 percent of all households in 2010 has decreased today to a current level of about 83 percent of U.S. households with television sets.<sup>41</sup> Interestingly, advertising spending on cable TV is climbing steadily, with a 6.9 percent increase reported for 2014.<sup>42</sup>

Cable advertising is attractive to national advertisers for several reasons. First, because cable networks focus on narrow areas of viewing interest (so-called *narrow casting*), advertisers are able to reach more finely targeted audiences (in terms of demographics and psychographics) than when using network, syndicated, or spot advertising. Indeed, cable stations are available to reach almost any imaginable viewing preference. A brand marketer can select cable stations that appeal to a variety of specific viewing interests such as cooking and eating (Food Network); golfing (Golf Channel); sports in general (ESPN, ESPN2, and Fox Sports Network); music entertainment (Country Music Television, MTV, and VH1); nature, science, and animal life (Animal Planet, Discovery Channel, and National Geographic Channel); general education (the History Channel and Travel Channel); and so forth.

A second reason that cable advertising appeals to national advertisers is that high network advertising prices and declining audiences have compelled advertisers to experiment with media alternatives such as cable. A third factor behind cable advertising’s steady growth is the demographic composition of cable audiences. Cable subscribers are more economically upscale and younger than the population as a whole. By comparison, the heaviest viewers of network television tend to be somewhat economically downscale. It is little wonder that the relatively upscale characteristics of cable viewers have great appeal to many national advertisers. Yet, the younger characteristics (i.e., millennials 18 to 34) of traditional “cord cutters” not paying for TV is a cause for concern for advertisers.<sup>43</sup>

### Local Television Advertising

National advertisers historically dominated television advertising, but local advertisers have turned to television in ever-greater numbers. Local advertisers often find that the CPM advantages of television, along with the ability to demonstrate products, justify the TV medium. Many local advertisers are using cable stations to an unprecedented degree. In fact, the growth rate in local cable advertising is faster than other ad media.<sup>44</sup>

## 12-5c TELEVISION ADVERTISING’S STRENGTHS AND LIMITATIONS

Like the other forms of media, advertising on television has a number of strengths and limitations (see the summary in Table 12.7).



**Table 12.7** ▶ Television Advertising's Strengths and Limitations

STRENGTHS	LIMITATIONS
Demonstration ability	Rapidly expanding cost
Intrusion value	Erosion of viewing audiences
Ability to generate excitement	Audience fractionalization
One-on-one reach	Zipping and zapping
Ability to use humor	Clutter
Effective with sales force and trade	Cord cutting
Ability to achieve impact	

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### Television Advertising's Strengths

Beyond any other consideration, television possesses the unique capability to *demonstrate a product in use*. No other medium can reach consumers simultaneously through auditory and visual senses. Viewers can see and hear a product being used, identify with the product's users, and imagine using the product.

Television also has *intrusion value* unparalleled by other media; that is, television advertisements engage one's senses and attract attention even when one would prefer not to be exposed to an advertisement. In comparison, it is much easier to avoid a magazine or newspaper ad by merely flipping the page, or to avoid a radio ad by changing channels. But, it is often easier to sit through a television commercial rather than attempting to avoid it either physically or mentally. Of course, as will be discussed shortly, remote controls and digital video recorders have made it easier for viewers to avoid television commercials via zipping and zapping, or even going commercial-free altogether with on-demand streaming.

A third relative advantage of television advertising is its combined *ability to provide entertainment and generate excitement*. Advertised products can be brought to life or made to appear even bigger than life. Products advertised on television can be presented dramatically and made to appear more exciting and less mundane than perhaps they actually are.

Television also has the unique ability to *reach consumers one on one*, as is the case when a spokesperson or endorser touts a particular product. Like a sales presentation, the interaction between spokesperson and consumer takes place on a personal level.

More than any other medium, television is able to *use humor* as an effective advertising strategy. As discussed in Chapter 11, many of the most memorable commercials are those using a humorous format.

In addition to its effectiveness in reaching ultimate consumers, television advertising also is *effective with a company's sales force and its retailers* (a.k.a., "the trade").

Salespeople find it easier to sell new or established brands to the trade when a major advertising campaign is planned. The trade has added incentive to increase merchandise support (e.g., through advertising features and special display space) for a brand that is advertised on television.

The greatest relative advantage of television advertising, however, is its *ability to achieve impact*, that is, to activate consumers' awareness of ads and enhance their receptiveness to sales messages.

### Television Advertising's Limitations

As an advertising medium, television suffers from several distinct problems. First, and perhaps most serious, is the *rapidly escalating advertising cost*. The cost of network television advertising has more than tripled over the past two decades. A dramatic illustration of this is the increasing cost of buying advertising time during the Super Bowl. In 1975, a 30-second commercial cost \$110,000. By 2017, the average price for placing a 30-second ad on Super Bowl 51 (LI) was at least \$5.0 million! (For more on Super Bowl advertising, see the *Insights Online* in MindTap.) In addition to the cost of buying airtime, it is costly to produce television commercials. The average cost of making a national 30-second commercial was \$112,000 in a recent year.<sup>45</sup>



The Rising Cost of Super Bowl Advertising in MindTap

A second problem is the *erosion of television viewing audiences*. Streaming video-on demand (e.g., Netflix), syndicated programs, cable television, the Internet, and other leisure and recreational alternatives have diminished the number of people viewing network television. The five major networks' share of television audiences during prime time fell from over 90 percent around 1980 to less than 60 percent today. Program ratings have consistently

fallen over the past 40 years. Whereas the most popular programs used to have ratings in the 50s (meaning that more than 50 percent of all television households were tuned in to these programs), the top-rated programs now rarely obtain a rating of 10 or higher. It has been estimated that Netflix caused half of the 3 percent decline in traditional (“linear”) TV viewing in 2015, and has surpassed the TV viewing audiences of the major broadcast networks (ABC, CBS, NBC, Fox) in 2016.<sup>46</sup>

Today it is uncommon for a show to have a rating above 10. For example, the 10 top-rated programs during the entire 2015 season are shown in Table 12.8. The highest-rated program, *NBC Sunday Night Football* had a rating of 7.8, and the last-ranked program in the top 10 (*Dancing with the Stars*) had a rating of only 4.9.<sup>47</sup> Ratings on network television continue to slide.

There also has been substantial *audience fractionalization*. Advertisers cannot expect to attract large homogeneous audiences when advertising during any particular program due to the great amount of program selection now available to television viewers.

Fourth, when watching TV programs, viewers spend much of their time *switching from station to station*, zapping or zipping commercials. (In the future, this may be from app to app.) **Zapping** occurs when viewers switch to

another channel when commercials are aired. Research reveals that perhaps as much as one-third of the potential audience for a TV commercial may be lost to zapping.<sup>48</sup> Although zapping is extensive, one intriguing study presented evidence suggesting that commercials that are zapped are actively processed prior to being zapped and may have a more positive effect on brand purchase behavior than commercials that are not zapped.<sup>49</sup>

In addition to zapping, television viewers also engage in zipping. **Zipping** takes place when ads that have been recorded along with program material using a *digital video recorder* (of the TiVo variety) are fast-forwarded (zipped through) when the viewer watches the prerecorded material. Research has shown that zipping is extensive.<sup>50</sup> DVRs from companies such as TiVo allow viewers to fast-forward past commercials by simply pushing a skip button that fast-forwards in 30-second intervals, which, by no coincidence, is the standard length of a TV commercial.

It is now estimated that current DVR penetration in U.S. households is 50 percent, which means that over 158 million households had DVRs as of 2016.<sup>51</sup> Yet, the availability of streaming video-on-demand (SVOD) programming (Netflix, Hulu Plus, Amazon Prime) is now equal to DVR penetration—also at 50 percent of

**Zapping** When viewers switch to another channel when commercials are aired.

**Zipping** When ads that have been recorded along with program material using a *digital video recorder* are fast-forwarded (zipped through) when the viewer watches the prerecorded material.

**Table 12.8** ▶ Top-10 Prime-Time Broadcast TV Programs

RANK	PROGRAM	NETWORK	RATING **	VIEWERS (000) ***
1	<i>Sunday Night Football</i>	NBC	7.8	22,292
2	<i>The Big Bang Theory</i>	CBS	7.1	21,065
3	<i>NCIS</i>	CBS	7.1	20,913
4	<i>The Walking Dead</i>	AMC	6.6	19,669
5	<i>Empire</i>	FOX	6.0	17,747
6	<i>Thursday Night Football</i>	CBS	6.0	17,665
7	<i>NCIS: New Orleans</i>	CBS	5.8	17,316
8	<i>Sunday Night NFL Pre-Kickoff</i>	NBC	5.8	17,084
9	<i>Blue Bloods</i>	CBS	5.1	14,974
10	<i>Dancing with the Stars</i>	ABC	4.9	14,555

\*Based on household rating percentage from Nielsen NNTV Program Report with data from 1/1/2015 to 11/08/2015 and Live+7 days.

\*\*Ratings are the percentage of TV homes in the United States tuned into television.

\*\*\*Total viewers include all persons over the age of two.

Source: “Top 10 Primetime TV Programs of 2015—Regularly Scheduled,” Nielsen Media Research, accessed July 9, 2016, <http://www.nielsen.com/us/en/insights/news/2015/tops-of-2015-tv-and-social-media.html>.

U.S. TV households—and is growing at a faster rate than DVR penetration.<sup>52</sup> As to DVR use, one study found that nearly 60 percent of male viewers skip commercials and an even greater percentage of female viewers, nearly 70 percent, do the same.<sup>53</sup> Fast-forwarding through commercials is particularly high (upward of 75 percent) when programs are prerecorded for later viewing; however, fast-forwarding of commercials drops considerably (to below 20 percent) when people watch live programs.<sup>54</sup> Yet, Nielsen counters that in homes that have DVRs, and among young viewers (18- to 49-year-olds), ratings for prime-time commercials rise by 44 percent when playback within three days or seven days is counted (i.e., “C3 ratings,” standing for “commercial live + 3 days” or “C7 ratings” for “commercial live + 7 days”).<sup>55</sup>

Moreover, research from Procter & Gamble suggests that consumers fast-forwarding through ads with DVRs recall those ads at about the same level as do people who see the ad at normal speed in real time.<sup>56</sup> Nonetheless, other indicators of advertising effectiveness (feelings of warmth, likability, overall persuasion) may be negatively affected when fast-forwarding, such that “TiVo-ing” is likely to diminish commercial effectiveness.

Finally, whereas DVRs allow consumers to *time-shift* their TV viewing—that is allowing people to record programs and view them whenever convenient—there is another technology that provides consumers with further *control* over TV viewing. In particular, the *Slingbox* enables individuals to *place-shift* their viewing of live TV programs. This technology is described in the *Insights Online: Global Focus* in MindTap.

insights  
online

Global Focus: Place Shifting TV  
Viewing in MindTap

**Infomercial** A form of television advertising that serves as an innovative alternative to the conventional, short form of television commercial; full-length commercial segments that typically last 28 to 30 minutes and combine product news and entertainment.

*Clutter* is a fifth serious problem with television advertising. Clutter refers to the growing amount of non-program material, including public service messages and promotional announcements for stations and programs, but especially commercials. In fact, out of every broadcast hour of prime-time television, non-program content ranges slightly over 15 minutes among the major TV networks, or more than 25 percent of the time.<sup>57</sup> As noted earlier, consumers perceive television to be the most cluttered of all major advertising media. Clutter has been created by the network’s increased use of

promotional announcements to stimulate audience viewing of heavily promoted programs and by advertisers’ increased use of shorter commercials. Whereas 60-second commercials once were prevalent, the duration of the vast majority of commercials today is only 30 or 15 seconds.<sup>58</sup> The effectiveness of television advertising has suffered from the clutter problem, which creates a negative impression among consumers about advertising in general, turns viewers away from the television set, and perhaps reduces advertising recognition and recall.<sup>59</sup>

*Cord-cutting* is the ultimate problem facing television advertising. Those escaping traditional pay-TV (“cord-cutters”) and embracing streaming video-on-demand (SVOD), such as Netflix, tend to be much younger (18 to 34) and make up a far greater percentage of households (42.4 percent) than overall for their age group (22.9 percent).<sup>60</sup> As noted in the *Marcom Insight* at the beginning of this chapter, advertisers have become more creative and focus more on offering relevant content to consumers to help overcome the movement to commercial-free SVOD.

## 12-5d INFOMERCIALS

Introduced to television in the early 1980s, the long commercial, or **infomercial**, is an alternative to the conventional, short form of television commercial. By comparison, infomercials are full-length commercial segments that typically last 28 to 30 minutes and combine product

news and entertainment. Infomercials account for nearly one-fourth of the programming time for most cable stations. Marketers’ increased use of infomercials extends from two primary factors: First, technologically complicated products and those that require detailed explanations benefit from the long commercial format. Second, the infomercial format is in lockstep with increasing demands for marketing accountability insofar as most orders obtained from

The advertisement for ShamWow! features a man in a blue shirt holding a yellow towel and a sponge. The text reads: "ShamWow! IT'S LIKE A CHAMOIS, A TOWEL, A SPONGE". Below this, it says "Official ShamWow Website" and "Works Wet or Dry". A red badge says "AS SEEN ON TV". At the bottom, it says "RATED #1 INFOMERCIAL OF ALL TIME BY CNBC" and "ORDER NOW".

Courtesy of Square One Entertainment, Inc.

infomercials occur within 24 hours or so after an infomercial is aired.<sup>61</sup>

In the early years, infomercials were restricted primarily to unknown companies selling skin-care products, balding treatments, exercise equipment, and other such products. However, the growing respectability of this form of advertising has encouraged a number of consumer goods companies to promote their brands via infomercials. Well-known infomercial users over the years include Avon, Braun, Clairol, Chrysler, Eastman Kodak, Estée Lauder, Hoover, Pioneer, Procter & Gamble, and Sears.

Numerous advertisers have found infomercials on television to be an extremely effective tool for moving merchandise. This long-form commercial is apparently here to stay. Although consumers have complaints with infomercials (e.g., that some make false claims and are deceptive),<sup>62</sup> this form of long commercial appears to be especially effective for consumers who are brand and price conscious and who highly value shopping convenience.<sup>63</sup> Recent success stories for brands on infomercials and direct response TV ads include Rosetta Stone, ShamWow, Flex Seal, Snuggie, Proactiv, Time-Life, Swivel Sweeper, PedEgg, and Nutrisystem, among others, especially during recessionary periods.<sup>64</sup>

### 12-5e BRAND PLACEMENTS IN TELEVISION PROGRAMS

Brand managers and network television executives have responded to consumers' zipping, zapping, and ad blocking behavior by borrowing from the movie industry and finding a way to circumvent TV viewers' fondness for avoiding commercials. Have you noticed brands appearing more often in television programs? This is not by chance; rather, brand managers are paying to get prominent placements for their brands, precisely as they have done in placing their products in movies (e.g. *Talladega Nights*). Recently, Mercedes was able to integrate its brand into top box office movies, such as *Jurassic World* and *Furious 7*. The long-running *Survivor* program epitomizes the use of product placements, perhaps to the point where TV viewers now realize that the brands placed in *Survivor* episodes are little more than thinly-disguised commercials. The ever-present display of Coca-Cola on the set of *American Idol* is yet another instance of brand placement as commercial message.

Compared with movie placements, brand appearances in TV programs have the advantages of (1) much larger audiences; (2) more frequent exposure; and (3) global reach, especially when programs are rerun around the world under syndication.<sup>65</sup>

Brand placements on TV can be very effective provided the brand is displayed in a context that appropriately matches the brand's image. The downside with placements in TV programs is that brand managers relinquish the full

control available to them by comparison when providing the final approval for TV commercials. Interestingly, the more people feel a sense of connection with a TV program—that is, they identify with a program's characters, issues, and images—the higher their recall of brands that are placed in that program.<sup>66</sup> This obviously implies that TV programs that create a heightened sense of connectedness among their audiences are more effective vehicles in which to place brands in comparison to programs that fail to achieve high levels of connectedness.

### 12-5f RECENT DEVELOPMENTS IN TV ADVERTISING

In combating declines in ratings, and movement of ad dollars online and to social media, the television industry has been rolling out *addressable ads* and *interactive TV*. Addressable ad technology allows TV commercials to be targeted to individual homes (i.e., to the *audience* rather than to the program) and was projected to total \$1.5 billion in 2015.<sup>67</sup> In the setup for DIRECTV, the advertiser specifies what homes they would be interested in by demographic choices (e.g., income, gender, geography). The household's DIRECTV set-top box will then "vote" (i.e., match) the most appropriate commercial for that household. In soliciting household data from third parties, households will be assigned a code (as opposed to the set-top box ID). Yet, addressable ads and interactive ads (enabling viewers to request more information) face challenges of a wide range of cable, satellite, and telecom providers, as well as many different set-top boxes, etc.<sup>68</sup>

A variation on addressable ads is *dynamic ad insertion* in which broadcasters can create individualized ad streams tailored to the interests of the TV viewer either via online screens or through TV set-top boxes.<sup>69</sup> Currently, Google is working with DoubleClick to make this happen, as well as working on better matching ad breaks with program content (e.g., having the right ads for children's shows).

### 12-5g TELEVISION AUDIENCE MEASUREMENT

As noted earlier, a 30-second commercial on prime-time television for national airing can cost as much as \$5,000,000 (for a Super Bowl spot in 2017) or less than \$100,000. Of course, the cost of advertising on spot television (i.e., non-national) is considerably cheaper because the market covered is much smaller. Also, advertising on cable stations and syndicated programs typically is cheaper than on network TV, again due to smaller audience sizes. Whatever the case, the reason for the disparity in commercial costs is *ratings*. Generally speaking, higher-rated programs command higher prices. Because prices and ratings go hand in hand, the accurate measurement of program audience size—the basis on which ratings are

determined—is a critically important, multimillion-dollar industry. Advertising researchers continually seek ways to measure more accurately the size of TV program audiences. The following discussion will distinguish network (national) and local audience measurement. Inherent in this distinction is whether audience-size data are collected via electronic technology (i.e., with people meters) or paper diaries.

### National (Network) Audience Measurement: Nielsen's People Meter Technology

The people meter, by Nielsen Media Research, represents perhaps the most important and controversial research innovation since the advent of television audience measurement.<sup>70</sup> Nielsen uses the people meter technology by outfitting a national sample of households with TV set-top boxes that require consumers to punch a button to record their viewing. Twenty-six thousand households (of 116.4 million TV households in the United States as of 2016) are currently included in Nielsen's sample. The box has eight buttons for family members and two additional buttons for visitors (see Figure 12.3). A family member (or visitor) is requested to push his or her designated numerical button each time he or she selects a particular program. The meter automatically records which programs are being watched, which family members are in attendance, and how many households are watching. These data are then statistically extrapolated to all households to arrive at estimates of each program's ratings on a given occasion, such as *Sunday Night Football*. Information from each household's people meter is fed daily to Nielsen, although

typically only about 80 percent of the 26,000 households actually transmit data to Nielsen.<sup>71</sup> This viewing information is then combined with each household's demographic profile to provide a single source of data about audience size and composition.

You might be wondering, why would anyone take the time to push a button on every occasion they sit down to watch TV? In actuality, some portion of the participating households and household members probably are *not* especially faithful in pushing their button(s) to identify they are viewing TV (e.g., children). However, because Nielsen compensates participating households—up to \$600 for a two-year period—many participants feel obligated to perform the task.

People meters likely are here to stay in one form or another, and probably so is the controversy surrounding their use. The major networks, which pay Nielsen more than \$10 million annually for its data, are growing increasingly critical of Nielsen's data. They claim that Nielsen undercounts major segments of the population, especially young people and viewers watching TV outside the home.

### Local Audience Measurement

The 26,000 households on which Nielsen's network audience measurement is based are scattered around the United States. For example, in the city where both of the authors has lived (Columbia, South Carolina—a metropolitan area with over 810,000 residents, 396,170 TV households [0.35 percent of the United States], and the number 78th TV market in the United States<sup>72</sup>), there may be only 91 or fewer households that are included in Nielsen's national sample. Obviously, there are many more

households represented in much larger markets (New York City, Los Angeles, Chicago, etc.), but fewer in smaller markets. Considering just Columbia, South Carolina, for illustration, it should be obvious that the estimated 91 or so households included as part of Nielsen's national people meter sample are far too few to draw statistically reliable estimates of TV viewing in the Columbia market.

Given this statistical fact, Nielsen has used four different data collection procedures for estimating TV program ratings in 210 local, designated market areas (DMAs), depending on their size.<sup>73</sup> For the top 25 DMAs, *local people meters* (LPDs) are used, as done with the national sample. For DMAs 26 through 56, samples of 400 to 800 homes are recruited in each market and *set meters* are installed in these homes that resemble the



Nielsen Media Research

Figure 12.3 ▶ Nielsen People Meter

people meters, but only the sets are metered, not individuals. These “viewer assignment” homes use the household meter data and the national people meter as the basis for the ratings. In DMAs 57 through 70, a “code reader” is now used (replacing the paper diaries described next) and is a passive meter (without button pushing requirements) and with an easier installation process than the set meters. Finally, for DMAs 71 through 210, the *paper diaries* (used since the 1950s) are filled out by a sample of households (at one time 375,000) from these remaining local markets throughout the United States. Each of these households completes a 20-page diary four times a year—February, May, July, and November, which are the months known in the TV industry as “sweep” periods. Randomly-selected households in these smaller markets throughout the United States fill out the diaries, which are delineated for each day of the week into 15-minute chunks. Participating households identify which household member(s) watch which TV programs during each 15-minute chunk.<sup>74</sup>

You might be thinking who would take the time to record their viewing behavior faithfully in a diary? Needless to say, this measurement system is being phased out by Nielsen and can be imperfect because some participating households do not carefully record who watched what. Further, over 10 percent of households return diaries with substantial sections blank or containing illegible entries due to poor handwriting. With multiple networks and numerous cable stations, the diary method of recording TV viewing has outlived its original purpose. In markets where people meters are available, it has been shown that more young adults (18- to 34-year-olds) view TV than the diary method indicates. This is because young adults are too busy to fill out paper diaries as conscientiously as older adults.<sup>75</sup>

### Measuring Away-from-Home Viewers (and Listeners)

As you likely are aware, much radio listening and TV viewing occurs outside the home. For example, millions of college students listen to radio and stream TV online in their dorms, but the traditional Nielsen Audio (Arbitron) and Nielsen TV measuring systems had not included this group in their samples. Recently, however, Nielsen has unveiled its first results on viewership of TV shows on streaming services, such as Netflix. For example, Netflix’s

“Orange Is the New Black” was watched by 6.7 million in the United States, putting it on par with HBO’s “Game of Thrones.”<sup>76</sup> Likewise, people often consume radio and TV while at bars and restaurants; when they are exercising in gyms; while working in offices, stores, and factories; and so on. Yet, the traditional Nielsen Audio (Arbitron) (radio) and Nielsen (TV) systems miss these out-of-home listening and viewing experiences. It is for this reason that Arbitron and Nielsen undertook a collaborative effort starting in 2005 to measure people’s radio listening and television viewing when they are away from home.<sup>77</sup> As previously mentioned, this data was captured by the portable people meter—a pager-like device that can detect embedded codes in radio and TV programs at any location. Unfortunately, the collaborative effort was discontinued by Nielsen for TV in 2006.<sup>78</sup>

### Challengers to Nielsen

Nielsen is often criticized for its monopoly powers because it has been the only major service involved with estimating national and local TV audiences. However, a company called TNS Media Research (now part of Kantar Media) started competing with Nielsen in 2008. TNS had collected viewing data from 100,000 set-top boxes that were available from subscribers to DIRECTV.<sup>79</sup> This much larger sample of households in comparison with Nielsen’s sample size at the time was expected to yield estimates of TV viewing that were more statistically reliable. Moreover, TNS’s set-top box data provided second-by-second information about TV viewing (compared with Nielsen’s minute-by-minute data) and included data pertaining to TV commercial viewing as well as program viewing. Kantar Media collects TV viewing data in over 40 countries at this time.

Another recent competitor is Rentrack and its “TV Everywhere” service that also uses TV set-top boxes to collect TV ad viewing from 16 million households.<sup>80</sup> Most recently, GroupM, the largest buyer of commercial time, is planning measurement of commercial viewership across media platforms over seven days (C7).<sup>81</sup> The downside is that a company’s commercials need to be consistent (i.e., remain the same) over that period. These alternatives to Nielsen offer an exciting prospect for some advertisers who have doubts about the accuracy of Nielsen’s estimates of TV program and commercial viewing.

# Summary

Excluding out-of-home advertising (covered in Chapter 22), digital media: online and mobile advertising (covered in Chapter 13), and social media (covered in Chapter 14), there are four major media available to media planners: newspapers and magazines (print media), and radio and television (broadcast media). Each medium has unique qualities with strengths and weaknesses. This chapter provided a detailed analysis of each medium. Newspapers provide mass audience coverage and reach readers who are in the appropriate mental frame to process messages. But, newspapers suffer from high clutter, limited selectivity, and declining readership, among other limitations. Magazines enable advertisers to reach selective audiences and to present detailed information in an involving manner. This medium lacks intrusiveness, however, and also experiences considerable clutter. Radio also has the ability to reach segmented audiences and is economical. Clutter and the lack of visuals are notable weaknesses. Finally, television is an intrusive

medium that is able to generate excitement, demonstrate brands in use, and achieve impact. Television advertising suffers from clutter, consumers moving to video-on-demand without commercials, audience fractionalization, and high cost.

In addition to examining each medium's strengths and limitations, the chapter also examined how media space and time are purchased. Another major focus was the measurement of audience size and composition for each medium. Specific coverage included Mediamark Research Inc. and the Simmons Market Research Bureau for magazine measurement, the Nielsen Audio (Arbitron) service for radio audience measurement (and portable people meters [PPMs]), and Nielsen Media Research for TV audience measurement. Detailed discussion of Nielsen's people meter system—including their use for national audience measurement and use of the local people meters (LPMs)—was provided, along with its historical paper diary method for measuring local audiences.

## Discussion Questions

1. What are the advantages and disadvantages of cable television advertising? Why are more national advertisers turning to cable television as a viable advertising medium, when “cord cutting” has increased? How is social media (Twitter, Facebook, etc.) becoming integrated into TV viewing?
2. Assume you are brand manager for a new product line of book bags designed for college students. These bags come in each university's school colors and are imprinted with the school's mascot. Assume you have \$5 million to invest in a two-month magazine advertising campaign (July and August). Which magazines would you choose for this campaign? Justify your choices.
3. Assume you are a manufacturer of various jewelry items. Graduation rings for high school students are among the most important items in your product line. You are in the process of developing a media strategy aimed specifically at high school students. With an annual budget of \$10 million, what media and specific vehicles would you use? How would you schedule the advertising over time?
4. Examine the most recent Spot Radio Rates and Data available in your library (or online if available), and compare the advertising rates for three or four of the radio stations in your hometown or university community.
5. Pick your favorite clothing store in your university community (or hometown) and justify the choice of one radio station that the clothing store should select for its radio advertising. Do not feel constrained by what the clothing store may be doing already; focus instead on what you think is most important. Be certain to make explicit all criteria used in making your choice and all radio stations considered.
6. Magazine A is read by 11,000,000 people and costs \$52,000 for a full-page, four-color advertisement. Magazine B reaches 15,000,000 readers and costs \$68,000 for a full-page, four-color advertisement. Holding all other factors constant, in which magazine would you choose to advertise and why?
7. Go online and see if you can locate a current (as of January of the present year) rate card for your favorite magazine. Carefully study this rate card and summarize your observations regarding price differentials for, say, black-and-white ads versus four-color ads of the same page size. (If you cannot locate a rate card for your favorite magazine, find one for your next favorite, and so on.)

8. Radio is the only major medium that is nonvisual. Is this a major disadvantage? Thoroughly justify your response.
9. In your opinion, will streaming music services on smartphones eventually replace radio?
10. One marketer made the following assertion: “Infomercials are junk. I wouldn’t waste my money advertising on this medium.” What is your response to her contention?
11. Members of the advertising community often claim that people meters are flawed. What are some of the reasons why people meters may not yield precise information about the number of households tuned into a specific television program or provide accurate demographic information of the people who actually do view a particular program?
12. Locate a recent SMRB or MRI publication in your library and select a product large numbers of consumers use (soft drinks, cereal, candy bars, etc.). Pick out the index numbers for the 18–24, 25–34, 35–44, 45–54, 55–64, and 65 and older age categories. Show how the index numbers were calculated. Also, identify some magazines that would be especially suitable for advertising to the heavy users of your selected product category.
13. With the following data, fill in the empty blanks:
 

	Total '000	A '000	B %Across	C %Down	D Index
All Adults	218,289	35,144	16.1	100.0	100
Age 18–24	28,098	6,285	_____	_____	_____
Age 25–34	39,485	10,509	_____	_____	_____
14. Based exclusively on the data in question 13, if you were an advertiser deciding whether to advertise your brand just to people aged 18 to 24, just to the 25-to-34 age group, or to both age groups, what would be your decision? Provide a detailed rationale for your decision.
15. Why, in your opinion, is viewership of cable TV growing slightly better than that of network TV? Why are both suffering at the expense of on-demand streaming services, like Netflix?
16. What effect, in your view, will time shifting (with recorders of the TiVo variety) have on television advertising effectiveness, say, 5 years from now?
17. Discuss how multitasking among TV viewing (e.g., smartphones, social media) has affected how people watch program content. How can this best be measured?
18. What are your thoughts about brand placements in TV programs? Do you find these placements irritating or do you accept them as simply part of the programming landscape? Do you think they influence your attitudes toward advertised brands and purchase behavior?
19. Offer your thoughts about the likelihood that portable people meters (PPMs) will serve to track people’s listening and viewing behaviors effectively when they are away from home. Should Nielsen have taken advantage of this technology for measuring TV viewing?



# CHAPTER 13

## Digital Media: Online, Mobile, and App Advertising

### CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Appreciate the magnitude, nature, and growth potential for digital media, including online, mobile, and app advertising.
- 2 Discuss how the online advertising process works.
- 3 Describe the various forms of digital media for advertising online: search engine advertising, display advertising (e.g., banner ads, rich media, online video), websites and sponsorships, blogs and podcasts, e-mail advertising, mobile and app advertising, and programmatic advertising via behavioral targeting.
- 4 Describe the nature of mobile advertising: its forms (e.g., short message services, location-based services, use of apps), benefits and costs, and strategies.
- 5 Understand the issues associated with online behavioral targeting, programmatic advertising, and privacy.
- 6 Appreciate the importance of measuring online advertising effectiveness and the various metrics used for this purpose.

### Marcom Insight Mobile Headache? The Excitement and Challenges of Mobile Advertising

A recent interview with five advertising executives revealed that although mobile advertising can be challenging (some calling it a “mobile headache”), its allure is overwhelming based on its growth, global reach, integration, and consumer utility. In fact, ad spending on mobile in the United States currently is at \$42 billion and is expected to grow to over \$50 billion by 2017. As noted by the executives, mobile advertising is an excellent media choice to aid horizontal IMC (e.g., moving from short message service [SMS] texts to the Web to applications [apps] to games to social media and back to building brands, such as Coca-Cola, Hewlett Packard, Walmart). It also provides an excellent international platform in helping with revenue growth, cost reduction, and customer satisfaction. For example, Hewlett Packard’s mobile effort is in over 120 countries with important devices, such as the ePrint app allowing one to print from a mobile phone in other countries. Consumer utility also is enhanced with mobile marketing by providing an “answer in their hand” in the form of store maps, deals, shopping lists, meal planners, etc.



Source: Apple Inc.

Yet, the headaches are many: the screens are small and limiting; the appeals must not be interrupting and opt-in is needed; if one is using apps, they need to offer utility; and one needs to fully consider the entire marketing strategy and effect on the brand. Also, the industry execs readily acknowledge that *more* mobile apps (e.g., a new “Angry Birds” or “Pokemon Go” game) do not necessarily represent *better* apps, as they may not fit into a consumer’s lifestyle or a company’s IMC strategy. Moreover, a corporate “cookie cutter” approach is not likely to work in every country, as there are many different intermediaries and carriers from country to country. Many execs also point out that this is not an IT-driven media (with long, 3-year lead times on programs). Rather, there are rapid, 30-day program cycles, often driven by consumer desires and marketing initiatives. Finally, many note that to move into the mobile space means that they have to make difficult decisions in moving money from other traditional areas (e.g., newspapers, magazines).

To help, *Advertising Age* made three important suggestions to maximize retail mobile marketing. First, companies should make their website “mobile friendly.”

Most consumers seek out brand information from websites, not from apps. Yet, 79 percent of Google’s largest advertisers do not have a mobile optimized site (e.g., with Quick Response or other bar coding). Second, *Advertising Age* suggests to watch out for “scan and scam shoppers”; that is, shoppers who scan barcodes in stores, but make purchases elsewhere. One way to combat this activity is to match competitor prices in the stores. Finally, *Advertising Age* recommends having a tablet-optimized app or site. Companies should develop high-quality, catalog-type efforts that allow consumers to drag and drop items directly into an online shopping cart. So, from the above discussion, it can be seen that mobile advertising represents an exciting, but ever-changing and challenging option for many advertisers.

Sources: Maureen Morrison, “No, Seriously. It’s Really the Year of Mobile,” *Advertising Age*, February 22, 2016, 10–12; “Marketing Fact Pack 2016,” *Advertising Age*, December 21, 2015, 20; Kunur Patel, “Mobile Headaches: Execs Tackle Difficult but Enticing Medium,” *Advertising Age*, October 3, 2011, 36; “Mobile Marketing 2011,” *Advertising Age*, Digital Issue (Fall), September 19, 2011, section pullout; Kathryn Koegel, “Three Tips to Maximize Retail Mobile Marketing,” *Advertising Age*, November 28, 2011, 4.

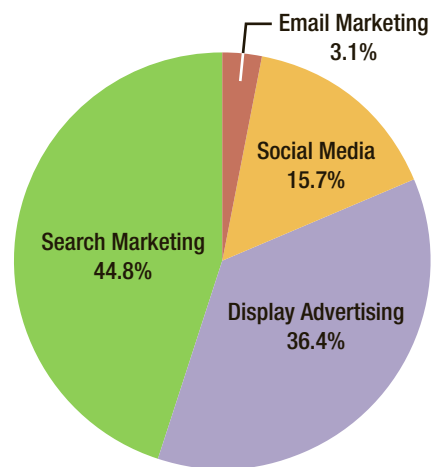
### 13-1 Introduction

**Digital** (online) **media** represents the fastest-growing media choice today, predicted to reach \$85.93 million and 32 percent of all ad spending in 2017.<sup>1</sup> Incredibly, although its precipitous growth is slowing a bit, it has overtaken television advertising in 2016 as the leading media choice in ad spending.<sup>2</sup> However, this chapter is *not* about digital marketing or e-commerce in general, but rather is restricted to *digital media* choices in advertising online, including special cases of *mobile advertising* and *app* (application) *advertising*. (Chapter 14 will explore social media.) The digital media advertising breakdown estimated for 2017 by Forrester Research, Inc. appears in Figure 13.1, with *search engine advertising* leading the way with 44.8 percent of the total, followed by *display advertising* at 36.4 percent. In turn, the display advertising breakdown for 2017 estimated at \$31.28 million appears in Figure 13.2, with online video representing 30 percent of the total and “rich media” (e.g., pop-ups, interstitials) accounting for almost 25 percent of the total.

One very important caution in a consideration of using digital media to advertise is based on our discussion of integrated marketing communications (IMC) in Chapter 1. That is, one’s media selection should be fully integrated and relevant in trying to solve customer problems.<sup>3</sup> So the “answer” may not always be “digital,” “online,” or “mobile”; rather, it is more about trying to use and integrate the most relevant combination of IMC elements to best appeal to your target market. For example, a recent

**Figure 13.1** ▶ U.S. Digital Media Advertising Breakdown—2017

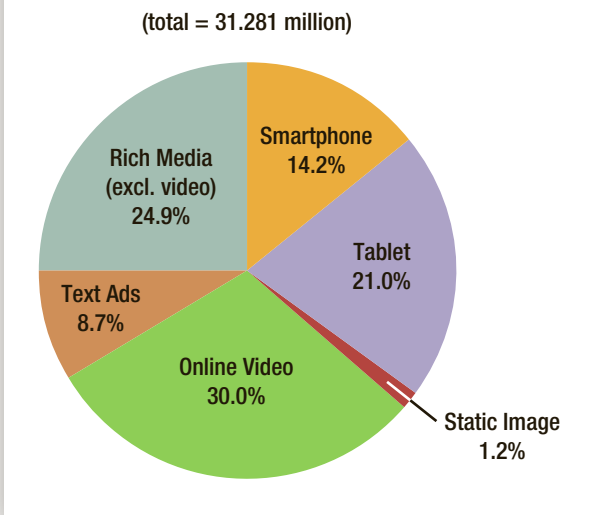
(total = \$85.928 million; 32% of all ad spending)



Source: Forrester Research, Inc.

research study pitted online versus regional versus national advertising data from over 600 manufacturers in its relationship with firm performance.<sup>4</sup> The findings indicated that although each advertising type had a positive and significant effect on firm performance, the choice

**Figure 13.2** ▶ U.S. Display Advertising Breakdown—2017



Source: Forrester Research, Inc.

of one type served to weaken the effect of the other two (e.g., a 1% increase in online advertising increased firm performance by 0.32%, but weakened the effectiveness of national [−0.15%] and regional [−0.03%] ad effectiveness). The conclusion from the researchers was the need to strategically integrate each ad type to maximize their combined effectiveness rather than treating each separately. That is, achieving synergy among the ad elements in speaking with one voice in meeting customer needs should take precedence.

### 13-1a ONLINE ADVERTISING: BENEFITS AND COSTS

Several benefits or key features of online (digital) advertising include individualization, interactivity, immediate publishing, and cost efficiency.<sup>5</sup> *Individualization* refers to the fact that the online user has control over the flow of information. This feature leads, in turn, to the ability to target advertisements and promotions that are relevant to the consumer. *Interactivity*, which is intertwined with individualization, allows for users to select the information they perceive as relevant and for brand managers to build relationships with customers via two-way communications. For example, as found with YouTube ad videos, the user can choose to devote 1 second or 15 minutes to a message or access more information. In fact, content often is generated by the user in initiating a “conversation” with the company, brand, or commercial message. A request for additional information occurs with the push of a button, the touch of a screen, or the click of a mouse.<sup>6</sup> Another benefit or feature is the *immediate publishing* of information and content, not limited by geography

or time, as found with other media choices. It also tends to be a very *cost-efficient* media choice. For example, the minimum charge to advertise based on keyword searches on Google is a cost per click (CPC) of 0.01, or a cost to reach one thousand views (or impressions) (CPM) of 0.25, both requiring just a minimum \$10 payment to begin.<sup>7</sup>

Advertising online is not without its disadvantages. Some of these include potential user distraction or interruptions, an extremely wide range of choices, international coordination, rapid change, very short lead times, and making tough IMC choices internally. For example, whereas the TV viewer is casually watching TV programs and advertisements in a relaxed mood (leaning back, so to speak), the online user is goal-driven usually and on a mission to obtain information (leaning forward). Thus, banner ads, pop-ups, mobile app ads and unsolicited e-mail or text messages may simply represent a *distraction or interruption* to what the user is trying to do online.<sup>8</sup> Also, the Internet as a medium for advertising is *not* homogeneous; rather, there are a *wide variety of different choices* of online advertising. These can range from e-mail and display or banner advertisements, which typically offer relatively little opportunity or desire for interaction, to ads encountered when one actively searches a topic (e.g., search engine ads that appear as sponsored links when one conducts a Google search; or an online video ad search on YouTube), which generate more interaction. As noted in the *Marcom Insight*, the *coordination of international online ad placement* (e.g., with mobile advertising) can be a “headache,” as one is dealing usually with a multitude of providers, carriers, and consumer devices. Next, obviously, this medium is undergoing *rapid change*. Some areas are cooling off (e.g., e-mail advertising is predicted to stay a steady percentage of online advertising), whereas other areas continue at a breakneck speed (e.g., amount spent on mobile advertising or online video).<sup>9</sup> As also noted in the *Marcom Insight*, extremely short lead times (e.g., 30-day program cycles) can arise for online ad placement often driven by short-term consumer desires. Finally, many companies are making tough IMC choices internally in the movement of ad dollars from more traditional media areas (with vested interests internally) to online ad formats. This also has required new thinking on adjusting traditional tradeoffs for media planning, such as reach and frequency, as online strategy may be more about optimizing frequency over time with more targeted placement efforts online.<sup>10</sup>

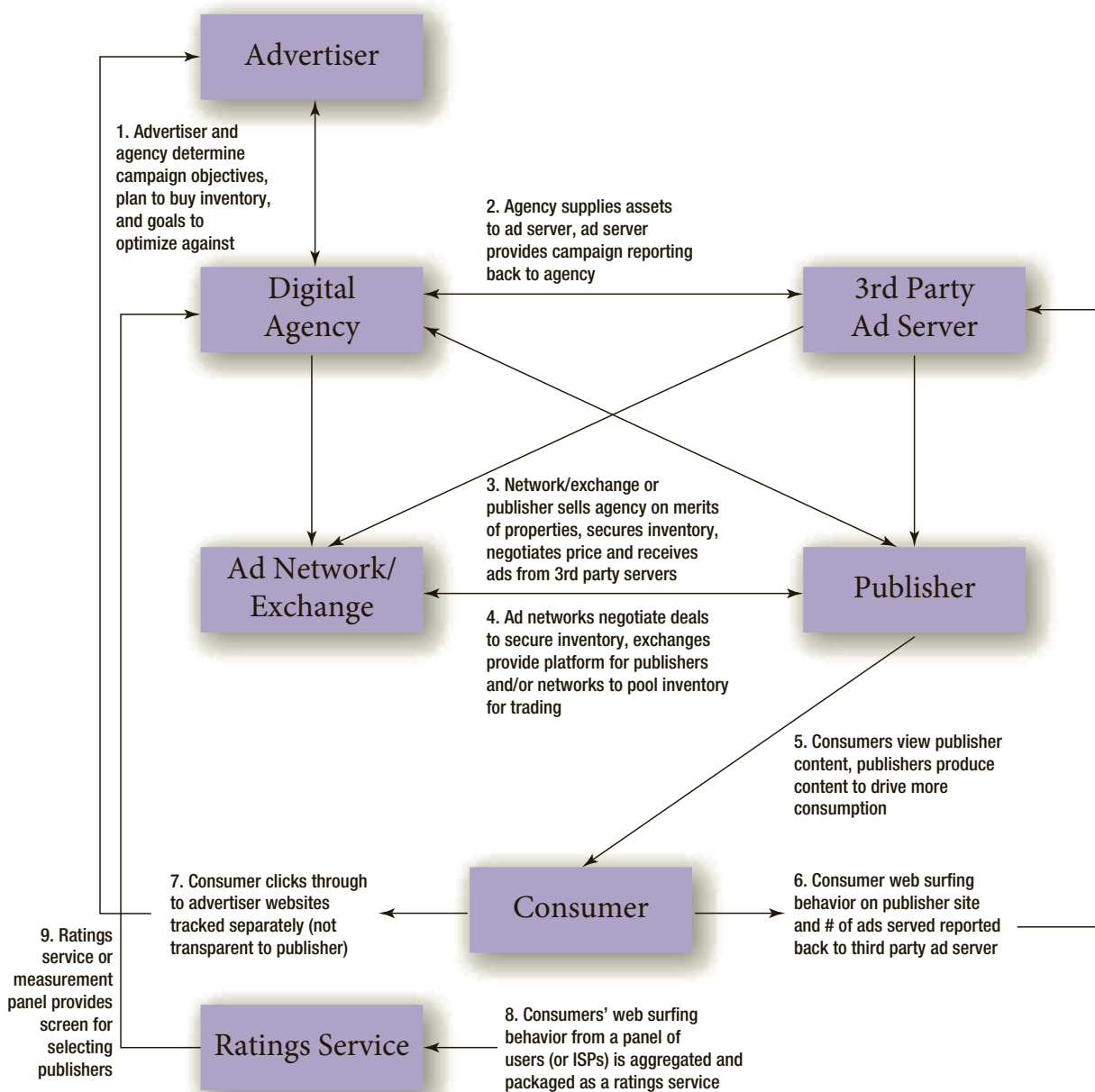
From the above discussion, it should be obvious that no medium is perfect for all purposes. Rather, it is very important to figure out what the consumer needs and/or problems first, and then apply the right mix of IMC elements to the issues. Finally, as you may recall from Chapter 1, all marketing communications should be (1) directed to a particular *target market*, (2) clearly *positioned*, (3) created to achieve a *specific objective*, and (4) undertaken to accomplish the objective *within budget constraint*.

### 13-1b THE ONLINE ADVERTISING PROCESS

Many parties are involved in online advertising process, from the advertiser to the final consumer viewing the ad online, and to the ratings services measuring the impact of the ad. Figure 13.3 depicts the process flows in an illustration of the online advertising process. (You may recall this figure from Chapter 5 that we used for the purposes of discussing online behavioral targeting.)

For illustration, the process might begin with an advertiser (California Travel & Tourism Commission) contacting a digital agency (e.g., R/GA, AKQA, 360i, Razorfish, Tribal Worldwide) with the campaign objectives and a plan to buy ad inventory online. Next, the agency might supply the ad materials (online video, banners, etc.) to a third-party server (e.g., Facebook's Atlas, Google's DoubleClick) who either contacts a publisher directly (e.g., Lonely Planet, Travel Channel) or works

**Figure 13.3** ▶ The Online Advertising Process



Source: DeSilva + Phillips, LLC, "Online Ad Networks: Monetizing the Long Tail," March 2008, accessed July 24, 2011, <http://www.desilvaphillips.com/PDF/DeSilva+Phillips%20Ad%20Networks%20White%20Paper%203%2008.pdf>, 1–15. Used with permission.

with an ad network/exchange (e.g., Google, Microsoft, Time Warner). The ad network is an intermediary between the publisher and advertiser or ad agency that helps to sell inventory, especially to small- to mid-sized publishers.<sup>11</sup> These ad networks are important, as the top 100 publishers sell only 40 percent of inventory through direct means.<sup>12</sup> Also, it is argued that total campaign costs are better managed with the use of ad networks.<sup>13</sup> In the balance of ad objectives (e.g., page views per CPM, CPC, or cost-per-order or cost-per-action [CPA]) versus cost, the advertiser or agency will use a service such as ComScore or Nielsen Monitor-Plus to screen potential publisher outlets against demographics or other aspects of the target audience. The delivery of the actual ads to viewers may be based on the *content* of the ad visited (e.g., delivered via Google AdSense) or based on *behavior* (from cookie tracking files for sites visited on the computer) delivered by services such as AOL or Revenue Science.<sup>14</sup> This latter approach allows for an advertiser to target individual computers (as a proxy for people). (This topic is discussed further in the section on privacy.) Of course, the advertiser (California Travel & Tourism Commission) could work directly with social media sites as well (e.g., Facebook, YouTube, Instagram, Twitter).

### 13-1c ONLINE ADVERTISING FORMATS

Online advertisers use a variety of advertising formats with unique characteristics. Table 13.1 lists the various forms of online advertising that are described in this chapter. Of course, all forms of online advertising are not equal in terms of ad expenditures, nor are all forms equally effective.<sup>15</sup> The major form of digital or online advertising is search engine advertising (SEA) commanding 44.8 percent of all advertising online; whereas e-mail advertising represents only 3.1 percent.<sup>16</sup> However, the fastest-growing is mobile advertising, projected to increase 165 percent from 2014 to 2017.<sup>17</sup>

The following sections examine the major forms of online advertising. It should be noted that any sweeping and definitive claims would be inappropriate, because online advertising and its subcategories (e.g., mobile advertising, apps) are changing almost daily!

## 13-2 Search Engine Advertising

In general, search engine advertising (SEA) refers to a method of placing online advertisements on Web pages that show results from search engine queries.<sup>18</sup> Search advertisements usually are targeted to match key search terms (called *keywords*) entered on search engines, such as Google, Yahoo!, Bing, Yelp!, or Baidu (in China). Forrester Research, Inc.—one of the leading publishers of data, analysis, and insights on digital marketing—has estimated

**Table 13.1** ▶ Online Advertising Formats

- Search Engine Advertising
  - Keyword-Matching Advertising
  - Content-Targeted Advertising
- Display Advertising
  - Static Banner Ads
  - Rich Media
    - Pop-Ups
    - Interstitials
    - Superstitials
  - Online Video Ads
- Mobile Advertising and Apps
- Websites and Sponsored Sites
- Blogs and Podcasts
  - Blogs
  - Podcasts
- E-mail Advertising
  - Opt-in versus Spam
  - E-zines
- Programmatic Advertising via Behavioral Targeting
- Social Media (Chapter 14)

**Keywords** A feature of search engine advertising (SEA), these are specific words and short phrases that describe the nature, attributes, and benefits of a marketer's offering.

that by 2017, search engine advertising will grow to \$38.5 billion from \$35 billion currently.<sup>19</sup>

It should be noted that SEA is realizing that online search engines include a variety of well-known services that people use when seeking information as they perform what can be referred to as *organic (or natural) searches*—for example, one enters the expression “streaming music” when searching online for such a service.

Google, Yahoo!, and Bing (Microsoft) are the best known and most frequently used search engines. Google is far and away the most dominant search engine, with over 64 percent of U.S. searches and almost the same worldwide.<sup>20</sup>

Another element of SEA is that this form of advertising attempts to place messages in front of people precisely when their organic search efforts indicate they apparently are interested in buying a particular good or service. In this context, an insightful statement in media planning is that advertising achieves its effectiveness “through a chance encounter with a ready consumer.”<sup>21</sup>

One important feature of SEA is keywords. **Keywords** are specific words and short phrases that describe the nature, attributes, and benefits of a marketer's offering. For example, suppose a consumer was performing an online search to locate a really specific product such as a navy blue sports coat. In performing an organic search for

such an item, one consumer might input the expression “navy blue sports coat,” another consumer may simply input “blue blazer,” yet another may enter “dress jacket.” In other words, there are many ways to search for the same item. If we enter “navy blue sports coat” into the Google search line, about 8,350 matches are returned. Of most relevance to the present discussion, the top of the Google results page lists four highlighted *sponsored* links and four sponsored links on the right side of the page. These links are for companies that pay Google to advertise their websites (i.e., *paid search*). For example, two of the links are for well-known retailers, Jos. A. Bank ([www.josbank.com](http://www.josbank.com)) and Macy’s ([www.macys.com](http://www.macys.com)). Clicking through to the websites for these two companies reveals that both retailers offer multiple products for sale, of which navy blue sports coats are just one of many. Note that a future attempt to repeat this search would undoubtedly yield different results. The order in which search results are returned is based on both relevance and company payment.

Now, from the perspective of a company that sells sports coats, it would be useful to have an ad for its product appear whenever consumers enter into a search engine any expression that might relate to navy blue sports coats. In other words, when organic search results are returned by Google, Yahoo!, Bing, or any other search engine, companies would like to have their websites listed as sponsored links. In our previously mentioned example of “navy blue sports coat,” nearly 8,350 results were returned. Each Google page lists only 10 links and most people will look at maybe only five pages. This means that thousands of potential items—including your company’s listing—would never be seen unless it appeared somewhere on the first five pages of search results. Because advertising is all about increasing the odds that ready consumers will have a “chance encounter” with your ad (not just any ad), your task as an online advertiser is to increase these odds. Sponsored links to organic searches serve beautifully to accomplish this objective. The foregoing description can be summarized in the series of steps listed in Figure 13.4.

### 13-2a PURCHASING KEYWORDS AND SELECTING CONTENT-ORIENTED WEBSITES

There actually are two forms of search engine advertising available to online advertisers. One form, as described already, is *keyword search* (also called *keyword matching*), and the other involves placing ads on content-oriented websites that provide appropriate contexts in which to advertise a particular type of product. Each form of SEA is described using Google’s advertising services. Google is selected for illustration because it is by far the leading search engine and commands over 64 percent of all online searches.<sup>22</sup>

#### Keyword-Matching Advertising

To become a sponsored link to online shoppers’ search results, interested advertisers must bid for and purchase keywords from search engine services such as Google. As noted previously, the obvious keywords that a sports coat advertiser might employ to attract consumers to its website would include terms and phrases such as “sports coats,” “blazers,” “blue blazer,” “blue sports coat,” “blue sports jacket,” “wool sports coat,” “moderately priced blazers,” and so forth.

Google’s keyword advertising program is called AdWords. (Interested students can learn more about AdWords by reviewing its demonstration at <http://adwords.google.com>.) In AdWords, prospective advertisers bid for keywords by indicating how much they are willing to pay each time an online shopper clicks on their website when it appears as a sponsored link. Also, the cost per click (CPC) varies by country. In the United States, the cost ranges from one penny per click to as much as advertisers are willing to pay as a function of keyword quality. The higher an advertiser’s bid, the more prominent the placement of the advertiser’s sponsored link. That is, the highest bidder per keyword receives the top placement; the second-highest bidder, the second placement; and so on. However, recent research suggests that although click-through rate (CTR) is best with top placement, greater purchase intentions (i.e., conversion rates) tend to occur

**Figure 13.4** ▶ The Role of Keywords in Increasing the Odds That Consumers Will Encounter Your Ad

- Step 1: Prospective purchasers of a specific good or service perform organic search using one or more search engines to locate that item.
- Step 2: Matches to online shopper’s search are generated by Google or another search engine.
- Step 3: Alongside the matches are sponsored links that correspond to the keyword(s) entered by the shopper.
- Step 4: These sponsored links appear because companies offering the searched item purchased corresponding keywords from the search engine company.
- Step 5: Shoppers may click through to a sponsored website and purchase a desired item or, at least, consider this website for future purchases.

with a *lower* placement, suggesting a recency bias.<sup>23</sup> Similarly, searchers of *less* popular keywords are associated with a greater number of clicks per search and a larger number of sponsored clicks. The reasoning is that those consumers who search for less (versus more) popular keywords tend to exert more effort in their search and are closer to making a purchase, thereby becoming more attractive for sponsored search ads.<sup>24</sup>

When purchasing keywords, advertisers can also indicate the top amount they are willing to budget each day. So, for example, if an advertiser is willing to pay only 20 cents per CPC for a particular keyword and specifies a daily budget limit of \$300, then that advertiser could receive a maximum of 1,500 click-throughs to its website on a given day for just that one keyword. The most expensive keywords to purchase based on CPC are “insurance” (CPC = \$54.91), “mortgage” (CPC = \$47.12), “attorney” (CPC = \$47.07), “claim” (CPC = \$45.51), and “loans” (CPC = \$44.28).<sup>25</sup> Readers will notice these words are all about money!

The keyword advertiser also can specify the country where ads are to be sponsored and particular local areas where ads are to be targeted. For example, advertisers of services provided in local communities are interested in reaching only people located in particular communities and surrounding areas. Google’s AdWords program also provides advertisers with performance reports that indicate which keywords are generating the most click-throughs and how much each keyword costs on average. Advertisers can then decide to drop usage of underperforming keywords or rebid how much they are willing to pay to use these words or phrases.

### Content-Targeted Advertising

In addition to its AdWords service, Google has another program called AdSense. With this program, Google enables online advertisers to run ads on websites other than Google’s own site. Advertisers specify the sites on which they want their ads to appear rather than picking keywords that are tied to online surfers’ organic search

The image shows a Google search results page for the query "learn programming". The search bar at the top shows the query and the Google logo. Below the search bar, there are navigation tabs for "All", "Videos", "Apps", "News", "Shopping", "More", and "Search tools". The search results indicate "About 270,000,000 results (0.44 seconds)".

The first four search results are highlighted with a red rectangular box and labeled "Paid Ads" in red handwritten text with a red arrow pointing to the box. These results are:

- Learn Programming - Expert Programming Video Tutorials** (www.lynda.com/Programming) with a 4.5-star rating for lynda.com. Description: Java, PHP, C#, CSS, Ruby and More!
- Greenville Code Boot Camp - theironyard.com** (www.theironyard.com/greenville) with a phone number (854) 605-3976. Description: Learn how to code in 12 weeks. Find a coding job in Greenville. Get more information - Classes enrolling now. Greenville location - JavaScript course - Python coding course.
- Learn Programming - digitalcrafts.com** (www.digitalcrafts.com). Description: Software Development School in ATL. Learn To Code in 16 Wks, Get A Job. Ongoing Career Support - Learn 2 Full Web Stacks - 11 Student Avg Class.
- Free Coding From Scratch - codercamps.com** (www.codercamps.com/free-coding-camp). Description: Learn the basics of coding to start to reprogram your career.

Below the sponsored ads, there are organic search results:

- learn programming - Reddit** (https://www.reddit.com/r/learnprogramming/). Description: Chat on our official IRC at #learnprogramming on Freenode using a client or webchat! No Rewards: LearnProgramming does not condone monetary or other ... New - Learnprogramming - Faq - Online courses and tutorials.
- Codecademy: Learn to code** (https://www.codecademy.com/). Description: How can coding help you? Hear how Tommy went from knowing nothing about code to building one of Time's '50 Best Websites' after learning with ... Python - JavaScript - HTML & CSS - Ruby.
- What Programming Language Should a Beginner Learn in 201..** (https://www.codementor.io/learn-programming/beginner-programming-...). Description: Feb 19, 2016 - If you're looking to learn how to code, the sheer number of programming languages may be overwhelming - what language should you indeed learn? This article hopes to give you some pointers by comparing the salary, popularity, and prospective future associated with different ...

behavior (as described previously for the AdWords program). Advertisers pay Google to run ads on selected websites, and then Google pays these websites (or “Google Network Members”) about 68 percent of the revenue generated from advertisers.<sup>26</sup> In a sense, Google operates as an ad agency placing the ads on other websites, taking a commission of about 32 percent of the revenue, and allowing the content-oriented websites to earn the bulk of the ad-placement cost. Google also has used “Google Instant” that immediately offers search results for the first keystroke.<sup>27</sup> This is argued to benefit brands attached to a first letter keyword, and increasing the impressions for such searches.

Cost control efforts aid advertisers using SEA.<sup>28</sup> For example, campaigns can begin slowly to test effectiveness of keywords and texts (e.g., \$20 to \$40 per day) before scaling up (e.g., \$1,000 per day). *Negative* keywords (to avoid ads) can be helpful. For example, “Microsoft Windows” could be used as a negative keyword if one was selling replacement windows for buildings and wished to avoid “Microsoft Windows” from appearing. Finally, correct word order and location-specific searches can help in the use of SEA.

In summary, SEA with programs such as Google’s AdWords, Google’s AdSense, and Google Instant provide online advertisers ways to place their ads in places where prospective customers are searching and thus to increase the odds of encountering ready consumers. The advantages are clear (cost efficiency, pinpointed targeting, and quick and easy assessment of ad effectiveness), yet SEA is not without problems.

### 13-2b SEA PROBLEMS AND SUGGESTIONS

One major problem with search engine advertising is that the days of driving traffic to your site by packing headlines with keywords (e.g., saying “best restaurants” in a headline four times) are over.<sup>29</sup> More important, it is now more about post-click activity driven by semantic meaning, i.e., offering a deeper understanding for consumers as to why your restaurant provides a great dining experience. This can be accomplished in the body copy and will be picked up by search engines. As 75 percent of search queries are between three and five words, headlines should be matched to this as well.<sup>30</sup> Some SEA experts have suggested the importance of providing original content and unique images targeted to your audience and in the context of stories or long articles (e.g., 1,200 to 1,500 words).<sup>31</sup> Finally, as mobile ads tend to generate a lot of clicks, but fewer conversions, attention to making mobile search as friendly as possible has become an important factor in search engine advertising.<sup>32</sup>

One other long-time problem with search engine advertising, especially the keyword-matching variety, is click fraud. **Click fraud** occurs when a competitor or other

party (via robot or *bot* software) poses as a legitimate user and clicks on a sponsored link repeatedly in order to bias advertising effectiveness. Using a computer to commit click fraud is a felony in many jurisdictions (e.g., California), especially involving malicious clicking to deplete a competitor’s ad budget.<sup>33</sup> Recall that advertisers pay for sponsored links on a cost-per-click basis, and that advertisers specify an upper limit on how much they are willing to budget daily. You may further recall that at 20 cents per click and with a daily limit of \$300, the advertiser can achieve a total of only 1,500 click-throughs on a given day. A competitor could repeatedly click on a sponsored link until the 1,500 limit is reached, thus preventing any legitimate click-throughs. As such, our hypothetical advertiser would receive zero benefit from its modest investment.

Estimates of click fraud’s magnitude range from 5 percent to 20 percent.<sup>34</sup> The solution comes in the form of proactive filtering (by Google) and companies that specialize in click-fraud detection. The service these companies provide has been described as follows: “Click fraud detection technology identifies and alerts companies to suspicious activity while it is happening, allowing paid search managers to stall ads running on keywords where the abuse is happening, preventing further budget loss.”<sup>35</sup> Click fraud notwithstanding, it remains that SEA is generally a highly effective form of online advertising.

## 13-3 Display Advertising

### 13-3a STATIC BANNER ADS

A once-popular ad format in the relatively-short history of advertising online has been the static display, or banner ad. Banner ads, once a staple of online advertising, are static ads—somewhat analogous to print ads placed in magazines and newspapers—that appear on frequently visited websites. Currently, this format is last in ad dollars spent in display advertising at \$695 million and is expected to decrease to \$385 million by 2017.<sup>36</sup> Brand managers would prefer greater “engagement” (via social media) rather than the static ad banners and some industry experts have argued that “everything is sexier than static banner ads.”<sup>37</sup>

### 13-3b CLICK-THROUGH RATES

Click-through rates (CTRs) to banner ads are very low, averaging less than 0.3 percent. (Note: **Click-through** means that an online user, upon clicking a banner ad, is directed to the advertiser’s website.) Banner ads for B2B companies receive somewhat higher CTRs than do those for B2C companies.<sup>38</sup> In other words, online users pay attention and solicit information from only a small percentage of all the banner ads to which they are exposed.

**Click fraud** When a competitor or other party poses as a legitimate user and clicks on a sponsored link repeatedly in order to bias advertising effectiveness.

**Click-through** When an online user, upon clicking a banner ad, is directed to the advertiser’s website.



(Remember, exposure is necessary for but not equivalent to attention. Exposure merely indicates that the consumer has had a chance to see an advertisement.) Although the mere exposure to a banner ad can have some value in enhancing brand awareness, low CTRs reduce the effectiveness of banner ads.

Research has found that CTRs are a function of *brand familiarity*, with brands that consumers know best receiving substantially higher CTRs than unfamiliar brands.<sup>39</sup> Importantly, but not particularly surprisingly, this same research revealed that CTRs decrease with multiple exposures to banner ads for familiar brands, whereas the rates increase with more exposures to ads for unfamiliar brands. New and relatively unknown brands thus need to produce a banner-ad media schedule that allows for multiple exposures. Established brands, conversely, may not experience increased CTRs with multiple exposures.

This, however, does not necessarily imply that established brands do not benefit from banner advertising. On the contrary, such brands may achieve increasing levels of *brand awareness*—culminating in top-of-mind awareness, or TOMA, even though consumers choose not to click through to the brand's website. (Recall the discussion of brand awareness in Chapter 2.) Banner advertising, along with other communications elements in an IMC program, can serve to facilitate increasing levels of brand awareness and thus enhance brand equity. Moreover, beyond merely enhancing brand equity, research evidence indicates—contrary to popular belief—that exposure to banner ads has a significant effect on actual purchase behavior.<sup>40</sup>

### 13-3c STANDARDIZATION OF DISPLAY AD SIZES

The Internet Advertising Bureau (IAB) ([www.iab.com](http://www.iab.com)), a leading trade association in the online advertising industry, has facilitated standardization of display ad sizes. For example, the IAB endorsed four online ad formats for banners (as a universal ad package), and labeled

**Table 13.2** ▶ Types and Sizes of Standard Ad Units (SAUs) for Banner Ads

TYPE AND SIZE OF IMU (PIXEL SIZE)	SQUARE PIXELS
Wide Skyscraper (160 × 600)	96,000
Rectangle (180 × 150)	27,000
Medium Rectangle (300 × 250)	75,000
Leaderboard (728 × 90)	65,520

© Cengage Learning

standard ad units (SAUs). These four SAUs are provided in Table 13.2. The larger ad sizes tend to increase attention and thus CTRs. Interested readers should examine the SAUs for in-banner video, pop-ups, interstitials, mobile (smartphone), and other ad display formats.<sup>41</sup>

### 13-4 Rich Media: Pop-ups, Interstitials, Superstitials, and Online Video Ads

It was only a matter of time before online advertisers began using formats that were more dynamic than static banners in their use of motion, animation, sights, and sounds. This form of online advertising is referred to as *rich media*, and includes pop-up ads, interstitials, superstitials, and online video advertisements. For 2017, rich media advertising (excluding online video advertising) was expected to gradually increase to over \$7.8 billion, representing almost 25 percent of display advertising.<sup>42</sup> The relatively dull and inanimate form of banner advertising has naturally progressed to the attention-gaining, albeit sometimes annoying, animated form of online advertising. Some of these rich media formats might even be compared to the low-budget ads on cable TV that use fast-talking salespeople, elevated noise levels, and dynamic movements to gain viewers' attention. Surprisingly, contextual targeted online ads (e.g.,

matched display) are only marginally more effective on purchase intentions than obtrusive online ads (e.g., pop-ups)—even though viewers often complain about such ads.<sup>43</sup> Other research has shown that most animated, online video ads are found to be annoying by consumers due to aesthetics (“ugly,” “loud,” “busy”) in comparison to static display ads. Follow-up mouse-tracking verified this and the researchers concluded that running such annoying online video ads can cost more money than earned.<sup>44</sup>

At this point, we now describe several rich media formats. **Pop-up ads** appear in a separate window that materializes on the screen, seemingly out of nowhere, while a selected Web page is loading. Pop-ups remain until they are manually closed. Interstitials—based on the word *interstitial*, which describes the space that intervenes between things—are, by comparison, ads that appear between (rather than within, as is the case with pop-ups) two content Web pages. Both pop-up ads and **interstitials** are obtrusive, but in different ways. The difference between pop-ups and interstitials is more than trite, as described compellingly in this quote:

*First, unlike pop-ups, interstitials do not interrupt the user's interactive experience because they tend to run while the user waits for a page to download. Users, however, have less control over interstitials because there is no “exit” option to stop or delete an*

**Pop-up ad** A form of online advertising in which ads appear in a separate window that materializes on the screen, seemingly out of nowhere, while a selected Web page is loading.

**Interstitials** A form of online advertising in which ads appear between (rather than within, as is the case with pop-ups) two content Web pages.

*interstitial, which is common among pop-ups. In other words, with interstitials, users have to wait until the entire ad has run.*<sup>45</sup>

**Superstitials** are short, animated ads that play over or on top of a Web page. Finally, **online video ads** (see below) are audiovisual ads that range in length from 15 seconds to several minutes. The number of video ad impressions is on the rise, as 68 percent of U.S. online consumers watch video online (e.g., on YouTube) at least once a month.<sup>46</sup>

The various forms of rich media, although sometimes a source of irritation, are effective attention getters. Online advertisers, like advertisers in all other media, have to fight through the clutter to find ways to attract and hold the online user's attention. Bigger ads, ads popping up, and ads that offer sounds, animation, and movement are just some of the ways that have been devised to accomplish these objectives. These formats are more eye-catching and memorable than are standard (i.e., static) banner ads and yield higher CTRs.

However, in their effort to gain attention, rich media advertising formats also may annoy online users. One study determined that whereas only about 10 percent of respondents indicate they are “very annoyed” with TV ads, over 80 percent of these respondents revealed considerable annoyance with pop-ups.<sup>47</sup> Advertisers have accordingly reduced their use of pop-up ads, although interstitials, superstitials, and video ads are widely used. The growing importance of online video ads warrants a separate section.

### 13-4a ONLINE VIDEO ADS

One of the fastest-growing forms of online advertising is video ads, including so-called *Webisodes*, which are video ads that run as a series of episodes on websites. As noted earlier, video ads are audiovisual ads that are compressed into manageable file sizes and range in length from 15 seconds to several minutes. Forrester Research, Inc. predicts that online video advertising will grow to over \$9.3 billion in 2017 from slightly over \$8.0 billion currently.<sup>48</sup> This growth has attracted Facebook in serving as a broker for online video ads—much like Google has done for years.<sup>49</sup> Also, video measurement standards by the Media Rating Council (and Google, who owns YouTube) have been established and assess “viewability,” i.e., what percentage of an advertiser's or publishers' video ads were at least 50 percent in view for at least 2 seconds.<sup>50</sup> Research on online video ads also has discovered that longer ads placed midway in program content



Georgijcittie/Shutterstock.com

(i.e., mid-roll) and that are related to the program tend to improve brand recognition.<sup>51</sup> Yet, some prefer premium subscriptions (e.g., Spotify, Hulu) to avoid ads all together. One emerging development is the use of *live streaming* for online video with Facebook Live, Periscope and Meerkat. The attractiveness of Facebook Live video is that it is watched three times longer than a video that isn't live. Although Facebook is not yet selling ads on users' live video, they are expected to test commercials and companies can still generate their own live video as well. Recent examples include Dunkin' Donuts live streaming of consumer tours in their test kitchen and McDonald's live celebration of National Hamburger Day.<sup>52</sup>

As to creative content, consider three recent online video ad campaigns cited in a Web Video Marketing Council Study as having a positive impact on marketing results: Google Android “Friends Forever” (<https://www.youtube.com/watch?v=vnVuqfX-ohxc>), Reebok “25,915 Days” (<https://www.youtube.com/watch?v=bcJGh32e2Mw>), and Dove “Choose Beautiful” (<https://www.youtube.com/watch?v=7DdM-4siaQw>).<sup>53</sup> All three videos share a common theme of strong emotional engagement with their audience. In Android's “Friends Forever,” clips of unlikely animals are shown



Source: Android/Google

having fun together (via an Android phone) and resulted in over 24 million views. In Reebok's "25,915 Days," the message was powerful—make the most of the days you have by honoring the body you have been given. Finally, Dove's "Choose Beautiful" interviewed women who were given a choice between entering buildings under an "average" or "beautiful" sign and resulted in over 7.5 million views so far. For another successful example of video advertising, see the *Insights Online* in MindTap, which describes Johnson & Johnson's use of animated Webisodes in a mobile app to promote its brand of baby lotion.



Web Videos from J&J's Mobile Sleep App—in MindTap

### 13-4b MOBILE ADVERTISING AND APPS

Mobile, or cellular, phones are nearly ubiquitous. It is estimated in 2016 that there were more than 4.81 billion mobile phones around the world, representing a mobile phone for almost 66 percent of all the people on Earth.<sup>54</sup> In addition, almost 50 percent of the mobile phones are smartphones. As noted in the *Marcom Insight*, U.S. mobile ad spending will increase from \$42 billion currently to \$50 billion in 2017, including mobile display, search, messaging, and video categories.<sup>55</sup> The most valued specific features mentioned by smartphone users are websites, video, talk, and social media networks.<sup>56</sup> Other specific smartphone device features mentioned are playing games, messaging, listening to music, IM/chat, GPS, e-mail, downloading apps, and using the camera.

Until the mid-2000s, Americans had used their mobile phones primarily as talking devices. Yet, European and Asian consumers have used these phones for transmitting text messages for years and Americans have followed suit. Short Message System (SMS) allows users to send and receive text messages on their mobile phones of up to 160 characters in length. Multimedia messaging service (MMS) is a more advanced technology that permits transmitting messages along with graphics and sound. In a sense, the mobile phone is emerging into what amounts almost to a small laptop computer. Indeed, mobile phones are being dubbed the *third screen*, meaning that TV (the first screen), computers (the second screen), and now mobile phones are common audiovisual devices for receiving information, entertainment, and advertisements. A recent mobile texting challenge for marketers has been the battle to introduce a greater number of emojis for users as discussed in the *Insights Online* in MindTap.<sup>57</sup>



Mobile Ad Texts: Brand Emoji Fever in MindTap

The growing numbers of mobile phone users indicate considerable potential for advertisers to reach people through these devices. (See the *Insights Online: Global Focus* insert about mobile phones in China and Crayola's mobile ad campaign in that country.) Younger consumers are an especially viable audience. It is estimated that about 75 percent of teens ages 12 to 17 in the United States have or have access to a smartphone.<sup>58</sup>



Global Focus Mobile Ad Campaigns in China: Crayola's "See Children's Power to Create" in MindTap

Perhaps the more important issue, however, is whether people *want* to be contacted by advertisers. Because mobile phones are highly personal items (i.e., they go with us everywhere and often are in constant contact with our bodies), many critics of mobile advertising (as well as advertisers themselves) are concerned that unwanted messages represent an *invasion of privacy*. In addition to privacy invasion, is that people own mobile phones for reasons of enhancing time utilization and connecting with others, not to receive unwanted, interrupting advertising messages. Another potential issue is that the small screens on mobile phones limit the space for presenting creative advertising messages.

Yet, mobile advertising has been growing at tremendous pace and it can help with enhancing brand awareness, loyalty, customer satisfaction, sales promotions (e.g., contests, deals), and local retail IMC efforts. It also is a medium in which companies are testing new marketing ideas. For example, Mobile Marketer cited several top mobile ad campaigns, including Coca-Cola's "Drinkable Advertising" for Coke Zero. This innovative mobile campaign allowed users to engage with interactive TV ads showing a bottle pouring Coke Zero first in the bigger screen, then to the mobile user's screen (with sound effects) and then transformed into a coupon. This mobile campaign was successfully integrated into the NCAA Final Four series.<sup>59</sup>

As noted in the *Marcom Insight* in Chapter 1, mobile devices have advanced to the point of providing a multitude of location-based services (e.g., check-ins, coupons, competitive promotional links) via Foursquare, Google, and Facebook. Placed-based scanning via mobile devices is revolutionizing grocery shopping (e.g., at Starbucks, Target, Sweetgreen, Giant, Stop and Shop stores). Perhaps the most interesting venture is turning the mobile device into an electronic payment mechanism. So, even with privacy issues, the mobile platform is arguably the most exciting and creative of the online ad formats.



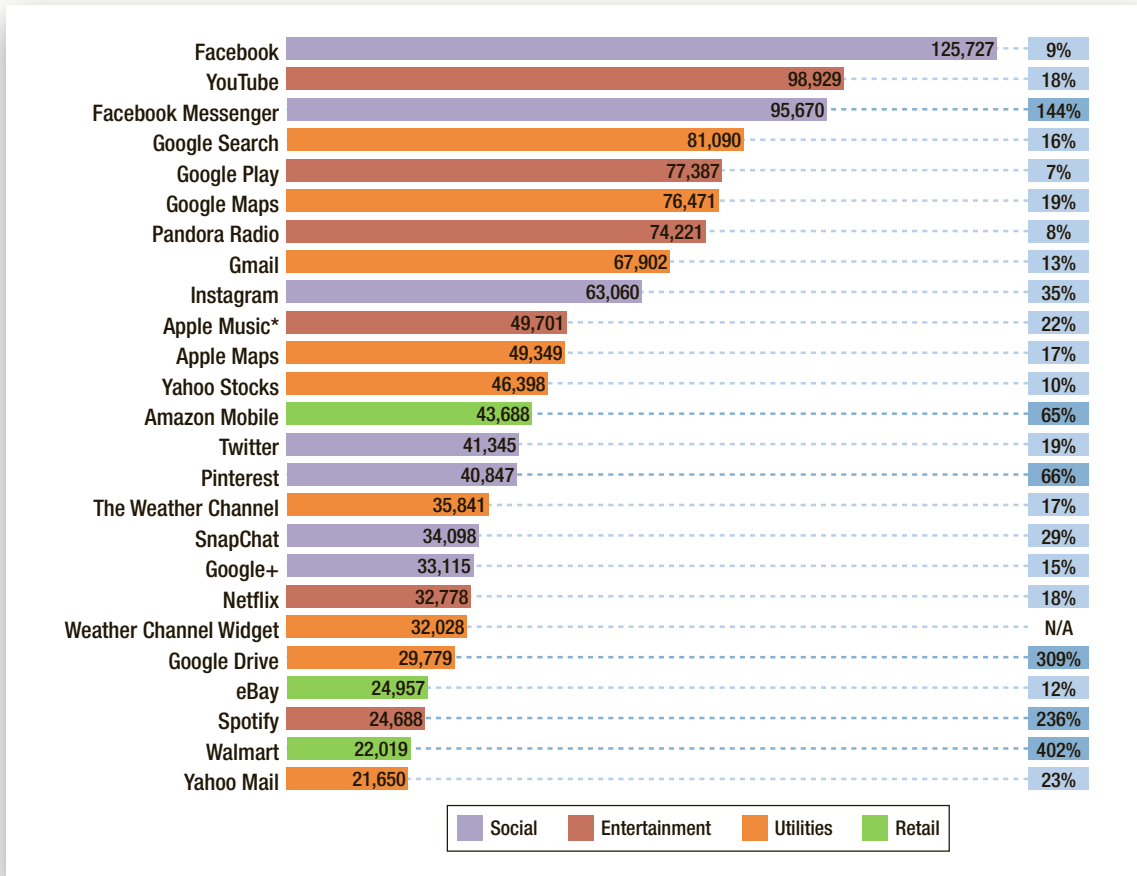
Source: The Coca-Cola Company

**13-4c APP ADVERTISING**

In 2016, companies are projected to spend \$30 billion on in-app (application) advertising according to eMarketer.<sup>60</sup> Many of the top 25 mobile apps (see below) are dominated or owned by Facebook or Google—for example, eight of the top nine are part of one of these firms.<sup>61</sup> The top 25 apps also fall

into one of the following four categories: utilities (e.g., Google Search), social (e.g., Facebook), entertainment (e.g., YouTube), or retail (e.g., Amazon Mobile). This breakdown suggests some of the most critical needs that apps fulfill. As 75 percent of teens have access to a smartphone, and 25 percent are online “almost constantly,” it has made it a very attractive market for teens for social media apps like Snapchat and Instagram. Recently, Snapchat has allowed advertising in its Recent Updates area and bought paid ads to

promote through Discover and Live Stories, although they have avoided placing ads in personal snaps or chats.<sup>62</sup> Snapchat also allows companies to offer filters people can use. For example, Burberry was the “filter of the week” recently, with a Burberry ad embedded into the filter. Others, such as Line, have focused on enabling brand interactions allowing brands



**Top 25 Mobile Apps by Unique Visitors and Y/Y Growth**

Source: comScore Mobile Matrix, 2016.

to send personalized messages, including coupons and content, to those who opt in. Interestingly, in the case of Instagram and Snapchat, consumer research has discovered that teens are extremely careful of their posts on Instagram due to their longevity, but are far less so on Snapchat.<sup>63</sup>

But, the app excitement can be tempered a bit by the reality that the average app loses 77 percent of its users within 3 days after it is downloaded.<sup>64</sup> Also, in the United States, 30 percent of the time, a person never opens an app more than twice after it is downloaded. On the positive side for advertisers, Americans spend more than 3½ hours a day in apps, more time than watching TV. Yet, key is to be in one's "evoked consideration set" of apps, as 80 percent of people's time is spent in only five favorite apps. So, although the growth in app advertising is remarkable, it can be difficult to break into being one of consumers' everyday favorites as opposed to just being an outsider.

### 13-5 Websites and Sponsored Sites

A company's website in effect is an advertisement for the company. However, beyond being a form of advertising, websites represent a venue for generating and transacting exchanges between organizations their customers. Websites can be considered the centerpiece of companies' online advertising efforts, with other advertising formats (e.g., paid searches, streaming video, e-mail) simply serving to drive traffic to their websites. Affiliated or sponsored sites are also an option for some marketers. On the affiliate site there.com (www.there.com), visitors can create their own avatar and interact with brands such as Scion, Coca-Cola, SPIN, and Cosmo.

In its basic form, a brand's website is an invaluable advertising medium for conveying information about the brand, its character, and its promotional offerings. Perhaps the

major difference between websites and other online ad formats is that users seek out websites in a *goal-oriented fashion* (e.g., to learn more about a company or brand, to play a game, or to register for a contest), whereas other online formats typically are "stumbled upon accidentally."<sup>65</sup> Research has shown, for example, that half of all new-vehicle buyers visit websites prior to going to automobile dealerships; moreover, people who visit these websites spend, on average, about 5 hours online shopping for new vehicles.<sup>66</sup> Another study demonstrated that site visitations for newly-released movies play a prominent role in predicting box office performance. Specifically, the greater the number of unique (not repeat) visits to a new movie's website, the more people actually see the movie in a cinema.<sup>67</sup>

Attractive and user-friendly sites invite usage and revisits.<sup>68</sup> Forrester Research, determined that only 17 percent of the B2B sites and 20 percent of the B2C sites provided legible text.<sup>69</sup> There is some tentative evidence that Web pages designed with relatively simple backgrounds (i.e., with minimal color and animation) might be preferred to more complex pages. A study using a state lottery as the focal website learned that the most complex background produced the least favorable attitudes toward the advertised service and the weakest purchase intentions.<sup>70</sup> It also has been demonstrated, for example, that the background color of a Web page affects the perceived speed of a download; that is, more relaxing colors (such as blue and green) are perceived to download more quickly than exciting colors (such as red and yellow).<sup>71</sup>

### 13-6 Blogs and Podcasts

This section describes two interrelated forms of communication—blogs and podcasts—that can play a prominent role in marcom programs for brands both B2B and B2C companies promote. (Social media is covered in Chapter 14.)

#### 13-6a BLOGS

Web logs, or blogs for short, are "everyman's" way of communicating with others and establishing digital communities in which individuals can exchange their views on issues of personal relevance. It is in this context that products and brands are sometimes discussed serving to brand awareness and/or enhancing (or protecting) their brand images. Much of the appeal of blogs is that a company



Source: nickelodeon.com

can communicate directly with prospective customers, who in turn can become active communicators through their own posted comments. The top five blogging sites by usage in 2016 were (in order): WordPress, Blogger, Movable Type, Ghost, and Tumblr.<sup>72</sup>

The reality of blogging is that the thousands of blogs individuals create often discuss companies and their brands in a more negative tone. It is for this reason that companies can learn a great amount about what is being said about their brands by monitoring and analyzing conversations that take place on blogs. Nielsen Social is one of a number of research companies that, for a fee, tracks and analyzes what is being said in the about a company or about its brands and competitive brands on Twitter (e.g., see <http://www.nielsen-social.com>). Google Analytics also provides such tracking data for the blogosphere, especially for the site Blogger (that is owned by Google). Another company, VML, developed a program named Seer to track influential bloggers and to monitor comments about companies and their brands. For example, shortly after Adidas introduced its Predator brand of soccer shoes in Europe, customers began noticing the colors of the shoe leather were quickly fading. Based on feedback from the Seer program, VML informed the German maker of Adidas that people were complaining about the leather, which prompted Adidas' marketing team to notify customers that the shoes' leather should be treated before wearing them.<sup>73</sup> This rapid feedback from the Seer program averted what could have become a virtual epidemic of negative word of mouth.

### Blogs as an Advertising Format

Brand marketers can develop their own blogs or simply place advertisements on blogs that are appropriate for the advertiser's brand. For example, Google offers their AdSense service that enables small ads to be placed on blog sites (<https://support.google.com/blogger/answer/1269077?hl=en>). Only after a blog visitor clicks on the ad is revenue generated. Advertisers can turn to vendors such as Blogads ([www.blogads.com](http://www.blogads.com)), which is a network of blogs that accept advertising and matches advertisers with appropriate blog sites to place their advertisements. Advertisers purchase ads through Blogads on a weekly or monthly basis, with costs varying based on the popularity of the blog.

Although the numbers indicate that blogging is growing exponentially (e.g., Huffington Post, TechCrunch, and Mashable are some leading blog sites), this does *not* necessarily mean that blogs represent a viable advertising medium. The value of blogs to their producers and consumers is the community created and the opportunity for a free and honest exchange of ideas. Because advertising is often perceived as less than fully objective and an intrusion, the purpose for producing and consuming blogs—that is, as a form of “citizen journalism”—may be antithetical with using blogs as an advertising vehicle. At the present time, it is an open question as to whether blogs

will continue to represent a major advertising opportunity. The CEO of the Interactive Advertising Bureau cautions that “it's too soon to gauge blog's relevance as a stand-alone ad medium.”<sup>74</sup>

### 13-6b PODCASTS

Whereas traditional blogs are written documents, podcasting is an audio version of blogging. Podcasts are audio files that are available for free online and are accompanied by written blogs. Search engine aggregators PodNova ([www.podnova.com](http://www.podnova.com)) and Juice (<http://juicereceiver.sourceforge.net>) offer access to the more than 115,000 podcast programs that are arranged alphabetically under virtually any topic one might contemplate.<sup>75</sup> For example, interested in comedy from a martial arts expert? Then, Joe Rogan has a podcast for you (<http://podcasts.joerogan.net>). About 17 percent of Americans (or 46 million) listen to one podcast a month up from 9 percent in 2008.<sup>76</sup>

Podcasting is a way of publishing sound files online, allowing users to subscribe to a feed and receive new audio files automatically. In effect, podcasters self-produce radio-type programs. Consumers subscribe to podcasts using a special form of so-called aggregator software that periodically checks for and downloads new content, which then is playable on computers and mobile devices. Podcasting enables advertisers to target messages to consumers who share similar lifestyle characteristics as revealed by their self-selection to particular podcasts.<sup>77</sup> Advertisers are planning to spend about \$35.1 million in 2016, yet many major advertisers are wary about committing more of their ad budgets to podcasting. The reasons include the difficulty of measuring listeners versus those that simply downloaded an episode, ad expense (e.g., \$50 to \$100 CPM versus \$18 CPM for YouTube ads), and the complexity of buying and selling ads. The top 5 Podcasts on Apple in the beginning of 2016 were *Serial*, *This American Life*, *Stuff You Should Know*, *TED Radio Hour*, and *Freakonomics Radio*.<sup>78</sup>

So far, many companies have created podcasts for communicating with present and prospective customers about their brands. For example, General Motors' podcasts feature interviews with company executives who discuss the company's newest cars. Nestlé's Purina brand of pet foods offers podcasts called “Animal Advice” that provide useful information to pet owners. Johnson & Johnson created a podcast for its Acuvue brand of contact lenses involving a series of episodes about teenage life called “Download with Heather & Jonelle.”<sup>79</sup>

### 13-7 E-Mail Advertising

With millions of people online and the numbers increasing each year, it is little wonder that marketing communicators have turned to e-mail as a viable advertising medium. Yet, due to online spam, and better online ad options (e.g., social media, online videos), the amount of

ad spending in this area has stayed relatively constant with a projection of \$2.7 billion for 2017, or 3.1 percent of digital media advertising spending.<sup>80</sup> As with any other advertising medium, there is no such thing as a single type of e-mail message; they appear in many forms, ranging from pure-text documents to more sophisticated versions that use all the audiovisual powers online. Often firms send e-mail messages and encourage recipients to pass along the messages to their personal distribution list of other people.

E-mail can be an effective marcom tool for delivering advertising messages and providing sales incentives to mass audiences or to smaller targeted groups. However, this form of online communications has been spoiled somewhat by marketers sending junk mail in a practice known as “spamming.” Conservative estimates are that approximately two-thirds of all commercial e-mail messages represent spam,<sup>81</sup> although some day-to-day tracking estimates run as high as 72 percent or more.<sup>82</sup> Too many messages are sent, and too many represent spam rather than messages received from companies for whom the recipient has some interest. “Unspoiling” e-mail advertising is possible only by gaining recipients’ permission to send them e-mail ads. One other major problem with the use of email advertising also involves the so-called “Generation Z,” or those in their teens or early 20s. Many have not had to use e-mail (or elect not to) until they reach college, usually preferring to communicate via text or social media apps.<sup>83</sup>

### 13-7a OPT-IN E-MAILING VERSUS SPAM

Imagine, for example, that a hypothetical consumer is interested in purchasing a digital camera and visits a website that appeared when she conducted a Google search for “digital cameras.” While logged into this website, she received a query asking whether she would be interested in receiving more information about photographic equipment. She replied, “Yes,” and provided her e-mail address as well as other information. The website electronically recorded her “permission granted” and, unknown to the unsuspecting shopper, sold her name and e-mail address to a broker that specializes in compiling lists. This list broker, in turn, sold her name and e-mail address to companies that market photographic equipment and supplies. Our hypothetical online user’s name and e-mail address eventually appeared on a variety of lists, and she received numerous unsolicited e-mail messages for photographic equipment and supplies.

The solution to this problem is opt-in, or permission granted, e-mail. **Opt-in e-mailing** is the practice of marketers asking for and receiving consumers’ permission to send them messages on particular topics. The consumer

has agreed, or opted in, to receive messages on topics of interest rather than receiving messages that are unsolicited. In theory, opt-in e-mailing serves both the marketer’s and the consumer’s interests. However, frequency and quantity of e-mail messages can become intrusive as more and more companies have access to your name and areas of interest. Consumers feel especially violated when the e-mail messages deal with topics that are irrelevant or only tangential to their primary interests.

Anti-spam legislation under the rubric CAN-SPAM has been passed in the United States, and regulations against unsolicited e-mail are even more stringent in Europe. The spam problem represents a bothersome intrusion for consumers and also presents an economic cost to legitimate marketers that use commercial e-mail messages as an honest way of conducting business. In an effort to curtail spamming, the Federal Trade Commission has recommended to Congress a rewards program that pays anywhere from \$100,000 to \$250,000 as incentives for people to turn in spammers.<sup>84</sup> Yet, research using time series analysis has shown no significant impact of the CAN-SPAM legislation on spamming behavior.<sup>85</sup>

#### Opt-in e-mailing

The practice of marketers’ asking for and receiving consumers’ permission to send them messages on a particular topic.

**Phishing** An illegal e-mailing practice related to spam in which criminals send e-mail messages appearing to be from legitimate corporations and direct recipients to phony Websites that are designed to look like companies’ actual Websites, which then attempt to extract personal data from people such as their credit card and ATM numbers.

#### Phishing

Perhaps even more troubling than spam is a related illegal e-mailing practice known as phishing. **Phishing** takes place when criminals send e-mail messages appearing to be from legitimate corporations and direct recipients to phony websites that are designed to look like companies’ actual websites. These phony websites attempt to extract personal data from people such as their credit card and pin numbers.

Pronounced like fishing, the practice of phishing has the same intent—to cast line with hopes of hooking some people. Not only are consumers injured when their identities are stolen but also brand equity suffers when thieves masquerade as legitimate businesses.

### 13-7b E-MAIL MAGAZINES (E-ZINES)

A growing form of e-mail advertising, briefly described in the prior chapter, known as *e-zines*, or sponsored e-mail, is the distribution of free magazine-like publications. These publications originally focused on trendy issues such as entertainment, fashion, and food and beverages, but e-zines have since broadened in their content and appeal. Most e-zines include a relatively small number of ads that link readers to the websites of stores and brands. In order to boost the credibility of their publications, e-zine editors clearly identify advertisements and avoid mentioning advertisers’ products in editorial copy.<sup>86</sup> E-zines enable advertisers to reach highly targeted audiences and to deliver credible advertising messages that are clearly designated as such.

## 13-8 Behavioral Targeting, Programmatic Advertising, and Privacy Issues

### 13-8a BEHAVIORAL TARGETING

The essence of online *behavioral targeting* is a matter of directing online advertisements to just those individuals who most likely are interested—as indicated by their online site-selection behavior—in making a purchase decision for a particular product category. Unlike content-oriented SEA, where the advertiser must pay for every person who just has an opportunity to see the advertiser’s message, with behavioral targeting *only those consumers known to be interested in a particular product or service* would receive ads from a marketer that employs behavioral targeting. By being selective, advertisers are able to place ads on many more websites than they could afford when employing a relatively indiscriminate content-oriented campaign. Many argue that behavioral targeting takes online advertising to a level higher than SEA provides. In fact, one practitioner has dubbed behavioral targeting “search [engine advertising] on steroids.”<sup>87</sup>

### 13-8b PROGRAMMATIC ADS

Behavioral targeting is often used in *programmatic advertising* (also known as programmatic media buying) in which software is used based on algorithms that analyze a visitor’s behavior allowing for real-time serving of ads for an audience more likely to commit. Companies have the ability to gather this audience data and target their brand more precisely whether the data is from a 1st party (their own) or 3rd party data provider.<sup>88</sup> This is accomplished with electronic files (called *cookies*) that track users’ (i.e., the device’s) online behavior. (For an accessible explanation of online cookies, see <http://www.cookiecentral.com/concept.htm>.)

Thus, online advertisers use cookies to direct ads that are compatible with online users’ product-usage interests. For example, when a golf lover clicks on an ad for a golf magazine (e.g., <http://www.golffitness-magazine.com>), that click is recorded. Once that golfer goes online again (to any site), an ad server detects the cookie, and adds a golf-related video to the website. That way, advertisers can isolate that customer as a golfer and sell targeted advertising related to golf.

The ad serving process is facilitated by DSPs (demand side platforms) that help the buying of ad space on the open market (e.g., through real-time bidding) and SSPs (supply side platforms) that help match the unsold ad inventory. This programmatic advertising process is depicted in Figure 13.5. Of course, one could always use ad blockers, yet users might be denied content or see a plea, “Please disable AdBlock, we survive on ad revenue!”

The screenshot displays the website for Golf Fitness Magazine. At the top, there is a banner for a contest: "WIN A FLORIDA GOLF VACATION!" with steps: 1) Subscribe\*, 2) Play Your Best, 3) WIN! The prize includes 3 nights, 2 days, rounds, and a golf massage. Below the banner is the magazine's logo and navigation links for "GOLF PERFORMANCE PRODUCTS" and "SUBSCRIBE to Golf Fitness Magazine FREE Golf Performance eNewsletter".

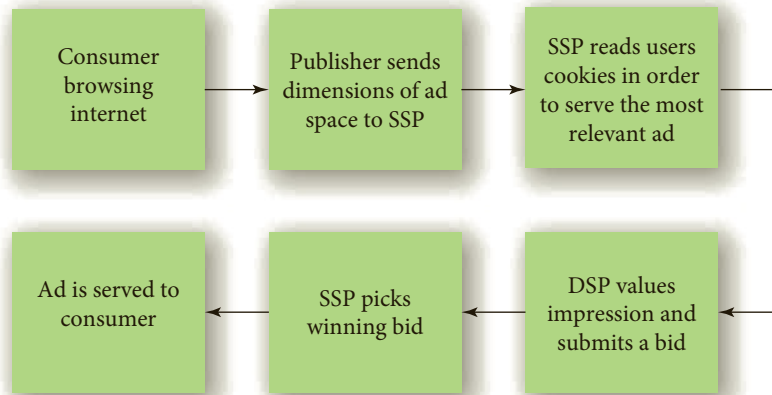
The main content area features a "Subscribe To Golf Fitness Magazine Today!!" section. It includes a search bar, a list of navigation links (Home, Subscribe, Golf Fitness Articles, etc.), and a "START CHANGING THE WAY YOU PLAY THE GAME!" headline. Below this, there are bullet points: "More Distance", "More Control", "Less Risk of Injury", and "Lower Scores". A "SUBSCRIBE TODAY" button is prominent.

Subscription pricing is listed: "1 year for \$14.50 (6 Issues)" and "2 yrs. for \$23.50 (12 Issues)-BEST DEAL! Save over 50% off of the cover price." A note specifies: "Canada orders are \$26.50/YR, Int'l orders are \$35.00/YR, U.S. Funds". A "Subscription Services CLICK HERE!" button is also present.

Below the pricing, there is a section titled "Here is what our readers are saying about Golf Fitness Magazine" with several testimonials. One testimonial from Phillip Schmidt III, a Tour Director, states: "I really enjoy your magazine and am focusing on increasing my flexibility and core strength to bring more improvement to my game rather than following all the latest 'tips' from the traditional golf magazines as I have for too many years." Another testimonial from Wayne III says: "I really enjoy your magazine and am focusing on increasing my flexibility and core strength to bring more improvement to my game rather than following all the latest 'tips' from the traditional golf magazines as I have for too many years." A third testimonial from Catherine Cox-Florida says: "Love the Magazine! My whole family reads it from cover to cover and there is something in there for every golfer no matter what your age or your handicap!"

On the right side, there are sections for "Topics of High Interest" (Strength Conditioning, Injury Prevention, etc.) and "Other Topics By Rank" (Traditions of the Game, History of the Game, etc.).



**Figure 13.5** ▶ The Programmatic Advertising Process

This all happens in a matter of milliseconds.

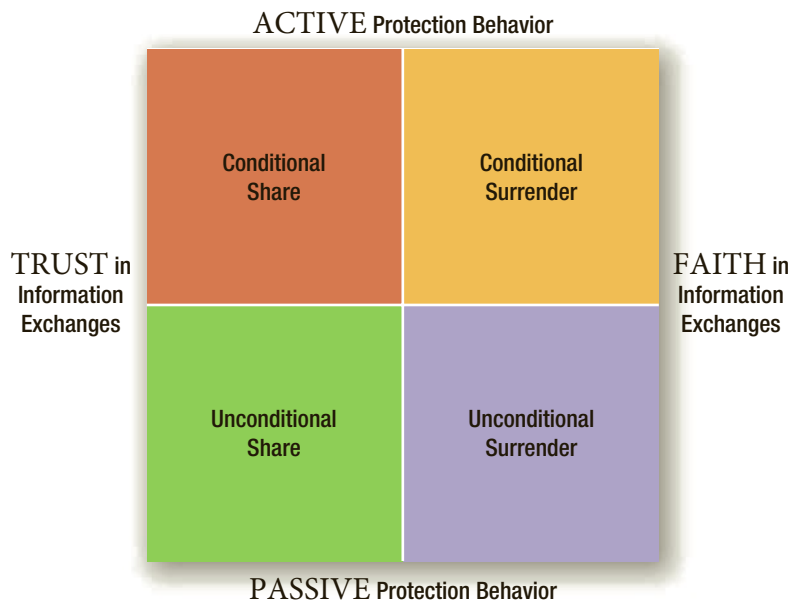
Source: Sara Vicioso, "Programmatic Advertising 101: How It Works," Seer, August 27, 2015, accessed July 20, 2016, <http://www.seerinteractive.com/blog/programmatic-advertising-101-works>.  
SSP = Supply Side Platform; DSP = Demand Side Platform

### 13-8c CONSUMER PRIVACY

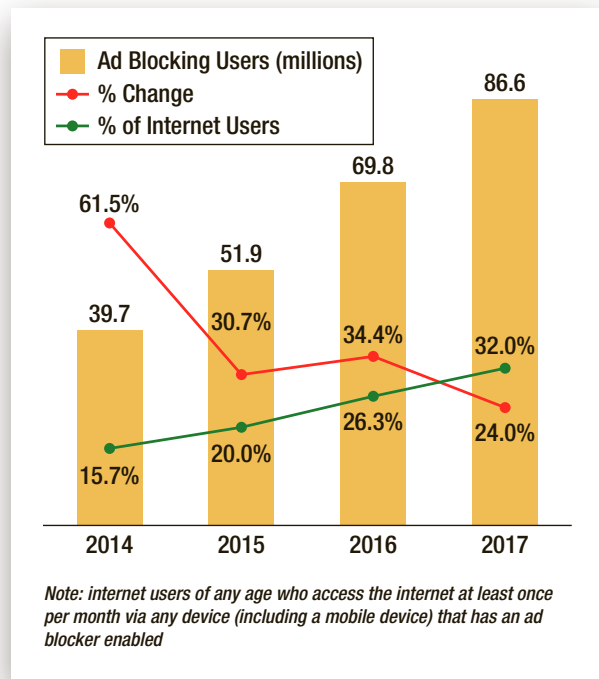
As always with any form of advertising, behavioral targeting via programmatic advertising is not without disadvantages. The most notable is that this form of targeting can be viewed as *an invasion of people's privacy*. Simply, many people may feel violated knowing that their online-search behavior is being closely tracked.<sup>89</sup> So, exactly how do consumers behave or what options do they have in the protection of their personal information online? One way to examine consumer information privacy outcomes is through Walker's "Sharing-Surrendering Information Matrix" in Figure 13.6.<sup>90</sup> This matrix shows a continuum of active to passive protection behavior on behalf of consumers and a continuum of trust ("sharing" with certainty) to faith ("surrender" with uncertainty) in information exchange online. This results in four information exchange situations: (1) *Conditional Share* (active in protection, shares information), e.g., a mutually beneficial

situation in which a consumer on social media posts a status update at a branded event, yet actively restricts it to only certain friends or followers; (2) *Unconditional Share* (passive in protection, shares information), e.g., a consumer purchases a new app for a smartphone and quickly checks the privacy terms box assuming no threat from the app; (3) *Conditional Surrender* (active in protection, surrenders information), e.g., a student shares a compromising photo in Snapchat assuming it will disappear after a few seconds, but someone takes a screenshot of it and reposts it; and (4) *Unconditional Surrender* (passive in protection, surrenders information), e.g., one's ID card is scanned to enter a secure building, yet personal information is then shared with third parties without disclosure. Obviously, the most troubling situation is the Unconditional Surrender. Improvements

in verification, data sharing, and consumer and industry education are advocated in moving from surrender to share situations in information exchange and from

**Figure 13.6** ▶ Consumer Information Privacy: The Sharing-Surrendering Information Matrix

Source: Kristen L. Walker, "Surrendering Information Through the Looking Glass: Transparency, Trust, and Protection," *Journal of Public Policy & Marketing* 35 (Spring 2016): 144–158.



unconditional to conditional restrictions on information exchanged.

Beyond the FTC's Children's Privacy Protection Rule (COPPR) mentioned in Chapter 4, and general privacy principles of notice, consent, access and security, what legislation, regulation, or federal policy addresses the protection of important consumer information online? In 2011, the "Do Not Track Me Online Act" was introduced as legislation in both the U.S. House and Senate as part of the FTC's "Do Not Track" initiative a year earlier.<sup>91</sup> Yet, neither piece of legislation passed, with some arguing that large industry players played a role in blocking the initiatives.<sup>92</sup> Helpful FTC Staff Reports for the ad industry regarding privacy disclosures include: Dot.Com Disclosures (2000), Mobile Privacy Disclosures (2013), and Internet of Things (2015).<sup>93</sup> For example, in the Mobile Privacy Disclosures Report, the FTC recommends that advertisers provide just-in-time disclosures to consumers and obtain their affirmative express consent before allowing apps to access sensitive data (e.g., geo-location, contacts, photos, calendar entries, recordings). The FTC Staff Report on the "Internet of Things" (IoT) addresses the ubiquitous use of physical objects (e.g., cameras, sensors, scanners, readers, virtual reality devices, wearables, RFID tags) connected online in the collection of data.

Certainly, self-regulatory efforts have increased to aid consumer privacy, including the Digital Advertising Alliance's provision of the "Your Advertising Choices Icon," that shows consumers information about vendors, information collected, and opt-out options.<sup>94</sup> However, as noted previously, many frustrated consumers have taken efforts into their own hands, with the use of anti-tracking software, such as Privacy Badger, Ghostery, AdBlock Plus,

and Tracker Block.<sup>95</sup> eMarketer reports that U.S. online users running ad blockers will grow to 69.8 million in 2016, or 26.3 percent of Web users in the United States. In 2017, ad-blocking web users in the United States will total 86.6 million, or 32 percent of Web users.<sup>96</sup>

### 13-9 Measuring Online Ad Effectiveness

A variety of firms offer measurement and analysis of online audiences, advertising, video, social media, and online behavior (e.g., Google Analytics, Nielsen Digital Ad Ratings, ComScore, Compete). Most of these services use a paid panel of online users and measure unique audience visits, page views, time spent, loyalty, demographic information, and consumer behavior.

With the conventional media (TV, radio, magazines, and newspapers) as a benchmark, one can readily appreciate that online advertisers have precisely the same measurement concerns: How many people clicked through a particular online ad? What are the demographic characteristics of these people? How many visited a particular website? What actions were taken following click-throughs or site visits? Is this form of online advertising yielding a suitable return on investment?

#### 13-9a METRICS FOR MEASURING ONLINE AD PERFORMANCE

The word *metric* refers, in general, to a unit of measurement. As applied in the present context, the issue is one of which particular indicators are most appropriate for assessing the effectiveness of websites and ads placed on these sites. In actuality, a wide variety of metrics are used because advertisers have different measurement objectives and because formats for advertising online are highly varied. There are at least four general objectives, as follows, for assessing online advertising effectiveness and (in parentheses) a variety of metrics that can be used to indicate whether the objective has been accomplished.<sup>97</sup>

1. The exposure value or popularity of a website or online ad (e.g., number of users exposed to an ad, number of unique visitors, and click-through rate)
2. The ability of a site to attract and hold users' attention and the quality of customer relationships (e.g., average time per visit, number of visits by unique visitors, and average interval between user visits)
3. The usefulness of websites (e.g., proportion of repeat visitors)
4. The ability to target users (e.g., profile of website visitors and visitors' previous website search behavior)

It should be apparent that many metrics are used to assess the effectiveness of websites and the ads placed on those sites. A brief discussion is now devoted to just three

**THE BEST SELLING CAR IN AMERICA**

Lease a New 2011 Camry LE  
**\$249** PER MONTH 39 MONTHS  
 \$0 due at signing  
 with approved credit

TOYOTA moving forward

ToyotaCare

FIND YOURS TODAY  
\*details

Source: Toyota Motor Corporation

widely used metrics: click-through rates, cost per thousand impressions, and cost per action.

**Click-through rates (CTR)**, as mentioned several times already, simply represent the percentage of people who are exposed to, say, an online ad and actually click on it. The click-through percentage has continued to decline, especially for banner ads, and many in the advertising community have become disenchanted with this metric—although some claim that banner ads can have a positive effect on brand awareness even if online users do not click through to learn more about the advertised brand.

**Cost per thousand impressions (CPM)** is a simple alternative to click-through rates that assesses how much (on a per-thousand-impressions basis) it costs to place an online ad. The only information the CPM metric reveals is what it costs (again, on a per-thousand-impressions basis) to have an ad come into potential contact with the eyeballs of Internet users. This measure captures online users' opportunity to see (OTS) an ad but provides no information about the actual effect of an advertisement.

Use of the CPM metric is beginning to give way to the **cost-per-action (CPA)** metric. The action in cost-per-action refers to determining the number of users who actually visit a

#### Click-through rates

The percentage of people who are exposed to an online ad and click on it.

#### Cost per thousand impressions

An alternative to click-through rates that assess how much it costs to place an online ad.

brand's website, register their names on the brand's site, or purchase the advertised brand. Many advertisers prefer to pay for online advertising on a CPA rather than a CPM basis. The terms of purchasing online advertising on a CPA basis vary greatly, with higher prices paid for actions involving actual purchases or actions closer to purchase (such as registering for free samples of a brand) compared with merely clicking on, say, a banner ad. However, given that advertisers are interested in achieving specific results, especially increased sales of their brands, they are willing to pay more for metrics, indicating that desired results have been achieved (i.e., CPA metrics) than for those, such as CTR, that merely promise the possibility of achieving desired results.

In summary, it should be apparent that there is no such thing as perfect measurability—for online advertising or for any other advertising medium. The difficulty of determining an ad medium's effectiveness is illustrated, in the extreme, by the following set of questions: "Consider the Nike logo on LeBron James' shoes or the University of Oregon football uniforms: Does it make you more likely to buy some of the company's products? If so, would you admit it in a survey? Would you admit it to yourself? Would you even know it?"<sup>98</sup>

# Summary

This chapter has covered a variety of digital media for advertising online with a special emphasis on display advertising (e.g., online video), mobile advertising, and apps. Figure 13.3 explained the overall online advertising process and the major parties involved. Table 13.1 structured the discussion by identifying specific forms of online advertising. Spending on online advertising (especially mobile advertising) is growing at an exponential rate in the United States as well as elsewhere around the globe. In comparison to most other advertising media, the advertising online possesses the two key features of *individualization* and *interactivity*. These features allow users to control the information they receive and the amount of time and effort devoted to processing advertising messages.

The bulk of the chapter discussed various forms of digital media. First discussed, search engine advertising (SEA) commands the largest online advertising investment at about 44.8 percent of all online ad expenditures. The fundamental concept underlying SEA is that advertisements can be located where consumers and B2B customers are searching. In other words, SEA increases the odds of encountering the ready consumer. Two forms of SEA are widely used: keyword matching and placing ads on content-oriented websites that match the advertiser's offering.

Next, static display or banner ads were examined, which once were a popular form of online advertising, although click-through rates are notoriously low. Because CTRs to displays are small, online advertisers have turned to new technology and larger ad sizes to attract the online surfer's attention. Rich-media formats such as pop-ups, interstitials, superstitials, video ads, and live streaming have experienced increased usage due to their ability to engage online viewers. The downside of rich-media ads is that online users may find them intrusive and annoying at times. Websites were considered the centerpiece of companies' online advertising efforts, with other advertising formats (e.g., paid searches, banners, and e-mail) serving to drive traffic to companies' sites. Web logs (blogs) were described as a potential advertising vehicle, but one with an uncertain future because users' reasons for blogging

may be antithetical to the role and purpose of advertising. The ubiquity of blogs, including the radio-type version known as podcasts, makes this an attractive prospect for advertisers, but only time will tell whether advertising on blogs and podcasts is an economically viable option.

E-mail advertising was once a widely used form of online advertising, although excessive spamming has compromised the effectiveness of this format. Permission-based, or opt-in, e-mail is an effort to legitimize the use of e-mail advertising, but many consumers simply do not like being advertised to online. E-mail magazines (e-zines) represent a more acceptable advertising medium because ads are clearly labeled for what they are, which explains why this form of sponsored e-mail is on the rise.

Perhaps the fastest-growing sector of online advertising is that of mobile advertising. Very creative and exciting uses of this online option include location-based check-ins, ability to scan shelf tags and quick response (QR) codes, and use as an electronic payment system.

Behavioral targeting is a final form of online advertising discussed in this chapter. This form of advertising directs ads just to those individuals who most likely are interested in purchasing a particular good or service as indicated by their past online site-selection behavior. Behavioral targeting takes online advertising to a level higher than even SEA. Yet, privacy concerns remain with many in the form of recently proposed "do not track" legislation and millions of consumers downloading anti-tracking software.

The final topic discussed was measuring online ad effectiveness. The choice of metrics for measuring the effectiveness of online advertising is somewhat of a "moving target" due to the dynamic nature of online advertising and the many formats available to advertisers for reaching prospective customers online. Three specific measures for measuring ad performance were described: click-through rates (CTR), cost per thousand impressions (CPM), and cost per action (CPA). This last measure is growing in usage because advertisers are interested in achieving particular results—for example influencing people to purchase products—and this is precisely what the CPA measures.

## Discussion Questions

1. As noted in the chapter, some observers have gone so far as to claim that traditional advertising is on its deathbed and will eventually be supplanted by digital media and online advertising. What are your views on this?
2. Based on your experiences, what do you believe are the key benefits and costs with using digital media in advertising online? Are these consistent with the chapter?

3. The text described the online user as being in a “leaning-forward” mind-set compared with, say, the TV viewer who is “leaning back.” Explain what this means and why the distinction is advantageous or problematic for online advertisers.
4. Describe your typical response behavior to online ads. That is, do you often click on banner ads? What’s your reaction to pop-ups, interstitials, superstitials, online videos, and live streaming?
5. From the perspective of an advertiser for a low-involvement, packaged-goods product such as cereal, compare and contrast the strengths and weaknesses of the two forms of search engine advertising: keyword-matching versus content-targeted advertising.
6. What, in your view, is the potential of using blogs as an advertising medium?
7. What, in your view, might be some new ideas for using mobile devices as an advertising medium? What else could be done?
8. Can banner ads be effective if less than 0.3 percent of all people click through them? The following set of questions was mentioned in the chapter in reference to the Nike logo on LeBron James’ basketball shoes or the University of Oregon football uniforms: Does it make you more likely to buy some of the company’s products? If so, would you admit it in a survey? Would you admit it to yourself? Would you even know it? What implications do these questions (and their answers) hold for measuring online advertising effectiveness?
9. The Cookie Central website ([www.cookiecentral.com](http://www.cookiecentral.com)) is dedicated to explaining exactly what cookies are and what they can do. Visit this site and present a discussion on how cookies can be and are used to compile lists for behavioral targeting purposes.
10. What has been your personal experience with e-mail advertising? Are you part of any opt-in lists whereby you receive regular (say weekly) e-mail messages? What proportion of the e-mail messages do you receive on a daily basis that you would consider spam?
11. E-mail advertising is claimed to be very effective for viral marketing purposes—that is, buzz generation. This is accomplished by requesting an e-mail recipient to forward the message to a friend. Present your views on the effectiveness of the e-mail viral marketing practice. In other words, explain what makes e-mail buzz generation effective or not.
12. Behavioral targeting was characterized as search engine advertising on steroids. Explain what the practitioner who used this clever expression had in mind. Are you concerned with your privacy of personal information given programmatic advertising and behavioral targeting?
13. Take another look at the “Sharing-Surrendering Information Matrix” in Figure 13.6. Is most of your online behavior regarding your personal information a conditional share (active in protection, sharing information), unconditional share (passive in protection, sharing information), conditional surrender (active in protection, surrendering information) or unconditional surrender (passive in protection, surrendering information)? Are you comfortable with your online interactions? Any implications of this? Do you believe that online companies’ use of cookies invades your privacy? Would you favor legislation that prevents the use of this technology? If such a law were passed, what would be the downside from the consumer’s perspective?
14. Have you personally downloaded ad-blocking software onto your computer? What are the implications of this practice if millions of consumers had ad-blocking software loaded on their computers and other digital devices?

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Describe what exactly is meant by “social media.”
- 2 Discuss the advantages and disadvantages of social media compared to traditional media choices.
- 3 Explain the aspects, strategy, and issues facing some of the major social media brands (e.g., Facebook, Twitter, Instagram, Snapchat).
- 4 Provide examples of some successful social media campaigns and how these were integrated into a company’s IMC efforts.
- 5 Explain the privacy issues and other major concerns with social media.
- 6 Understand how social media effectiveness is best measured and what metrics are used.



Source: Facebook

Jim David/Shutterstock.com

phoenixman/Shutterstock.com

## Marcom Insight

## Is Facebook Becoming Passé? Or Are We Hopelessly Addicted?

With 1.71 billion monthly active users (MAU), \$17.93 billion in revenue, \$3.69 billion in profit, and most *Fortune* 500 companies maintaining their presence, Facebook *appears* to be as strong as ever as the leading social networking site in the world. In the United States, the number of active users (at 191.3 million) is larger than the recent number of viewers for the Super Bowl (111.9 million).

Yet, there now appears to be some cracks in the armor of Facebook, such that some have predicted “Facebook Fatigue” for some consumers, and have described Facebook advertising as “The Media World’s Black Hole.” For consumers, some ad executives have predicted Facebook’s popularity to fade as a result of “IPO + privacy issues + your grandma joining + one redesign too many + general social network fatigue = Fonzie on waterskis.” (The “Fonzie” analogy refers to a desperate *Happy Days* episode to reverse a drop in ratings and featured a gimmick with Fonzie jumping a shark on water skis.) As consumers now spend 20 percent of their online time on Facebook, and an average of 50 minutes a day (25 hours a month) on the social networking site, some ad executives predict wearout. Moreover, teens, who drove the initial Facebook growth originally,

are increasingly moving to other social network options (e.g., Instagram, Snapchat, Twitter), as parents, grandparents, neighbors, parents, friends, etc. try to “friend them” on Facebook.

For more savvy advertisers, there are concerns about what consumers are actually experiencing on Facebook as well. An *Advertising Age* article made an analogy between Facebook and its “memories” reminders with a crowded version of your favorite restaurant or bar (e.g., they used Paddy’s Pub from the TV program *It’s Always Sunny in Philadelphia*). For example, your life history is now listed on the restaurant or bar walls, there are too many jukeboxes (e.g., Spotify’s Facebook site), too many attempts to get more sponsors or partners, and you are spending way too much time in the restaurant or bar. Moreover, all the servers or bartenders are now gossips about your trusted personal information (e.g., Facebook’s recurring privacy problems).

Even for custom audiences, click-through rates for Facebook ads are low (1.26%; higher in newsfeed, mobile). Yet, Facebook’s ad revenue continues to increase just because Facebook is getting larger. This may be analogous to Theodore Levitt’s warning in his famous article, “Marketing Myopia,” that a major self-deceiving condition for companies is to assume you are in a growth industry simply due to an expanding population or audience.

Interestingly, Facebook has to deal with the actual reason people go to their site in the first place—to visit with friends and post relevant and fun material. Visitors usually are not looking to “bond” with advertisers or brands. However, increasingly, personal information about Facebook activity (e.g., posts, reading an article offsite via a Facebook app, listening to music via the

Facebook Spotify site) creeps back via ads on Facebook’s user sites. In fact, some companies, such as Procter & Gamble, are cutting back on targeted behavior and spending on Facebook. And, as people spend more time on Facebook, and the number of users grows, advertisers (and media companies) have fewer (and shorter) opportunities to access consumers *off* Facebook. So, consumers and advertisers may be wondering—*are we a patron/client or a hostage* of this massive social network? Certainly, only time will tell if “marketing myopia” visits Facebook. Right now, consumers and advertisers may feel a bit trapped as they may believe they do not have any other viable options.

Sources: “Facebook: Key Facts,” accessed July 31, 2016, <http://newsroom.fb.com>; “Facebook,” *Wikipedia*, last modified August 21, 2016, accessed July 9, 2012, <https://en.wikipedia.org/wiki/Facebook>; “The Top 20 Valuable Facebook Statistics,” Zephoria, accessed August 2, 2016, <https://zephoria.com/top-15-valuable-facebook-statistics>; Brad Stone, “Sell Your Friends,” *Bloomberg Businessweek*, September 27, 2010, 64–72; “Super Bowl 50 Draws 11.9 Million TV Viewers, 16.9 Million Tweets,” Nielsen, February 8, 2016, <http://www.nielsen.com/us/en/insights/news/2016/super-bowl-50-draws-111-9-million-tv-viewers-and-16-9-million-tweets.html>; Simon Dumenco, “Why Facebook Is Becoming the Media World’s Black Hole,” *Advertising Age*, October 2, 2011, <http://adage.com/print/230157>; “November 2011—Top U.S. Web Brands,” *Nielsen Wire*, December 30, 2011, [http://blog.nielsen.com/nielsenwire/online\\_mobile/november-2011-top-u-s-web-brands](http://blog.nielsen.com/nielsenwire/online_mobile/november-2011-top-u-s-web-brands); Martha Irvine, “Teens Migrating to Twitter—Sometimes for Privacy,” *Yahoo! Finance*, January 29, 2012, accessed August 2, 2016, <http://finance.yahoo.com/news/teens-migrating-twitter-sometimes-privacy-170206041.html>; “Facebook Custom Audience CTRs Leave FBX in the Dust,” April 17, 2015, <http://www.emarketer.com/Article/Facebook-Custom-Audience-CTRs-Leave-FBX-Dust/1012368#sthash.n0dr7nh3.dpuf>; Theodore Levitt, “Marketing Myopia,” *Harvard Business Review* 38, July-August 1960: 45–56; Sharon Terlep and Deepa Seetharaman, “Biggest Ad Buyer Rethinks Facebook,” *Wall Street Journal*, August 10, 2016, A1, A6.

## 14-1 Introduction

So, what exactly is “social media”? One concise definition is that **social media** represents Web-based and mobile technology used to turn communication into interactive dialogue.<sup>1</sup> Alternatively, business firms may refer to social media as “consumer-generated media.”<sup>2</sup> The overall idea of social media is to integrate technology and social interactions to create value for users. In doing so, this often will help solve consumer problems (e.g., with needed brand communication dialogue, latest app, multimedia file sharing, advertising, and blogging). Certainly, one main advantage of social media is its role in establishing two-way communication in place of the traditional one-way media efforts.

### Social media

Web-based and mobile technology used to turn communication into interactive dialogue.

## 14-2 Social Media Background and Landscape

A review of social media statistics reveals an impressive rise of this venue as a tool for IMC, as 73 percent of those online are active social media users.<sup>3</sup> Nearly 20 percent of all digital media time spent in the United States is with social media sites or apps.<sup>4</sup> Also, nearly 80 percent of social media time is now spent on mobile devices.<sup>5</sup> Of the top 25 mobile apps and sites in the United States, Facebook has the greatest number of unique visitors<sup>6</sup> and the highest “engagement” (i.e., time spent) by visitors with 25 hours spent on the site per month (or 50 minutes per day).<sup>7</sup> Of course, the idea is to make sure that such visitors also are engaging with your brand or company, as Coca-Cola has

done with their consumer-generated Facebook site with over 98.7 million “friends” ([www.facebook.com/coca-cola](http://www.facebook.com/coca-cola)). As noted in the *Marcom Insight*, Facebook is the “Goliath” of social media, with 1.71 billion monthly active users and 162.5 million unique visitors per month.<sup>8</sup>

Yet, other social media options are just as impressive. Instagram (5 years old, now 400 million monthly active users in the United States) and Snapchat (4 years old, 100 million monthly active users in the United States) have taken off like “wildfire,” especially among younger social media users.<sup>9</sup> As can be seen in Figure 14.1, the percentage of users in the 18 to 34 age category for Snapchat is 66.0 percent, whereas for Instagram it is 48.5 percent, both exceeding that for any other major social media brand.<sup>10</sup>

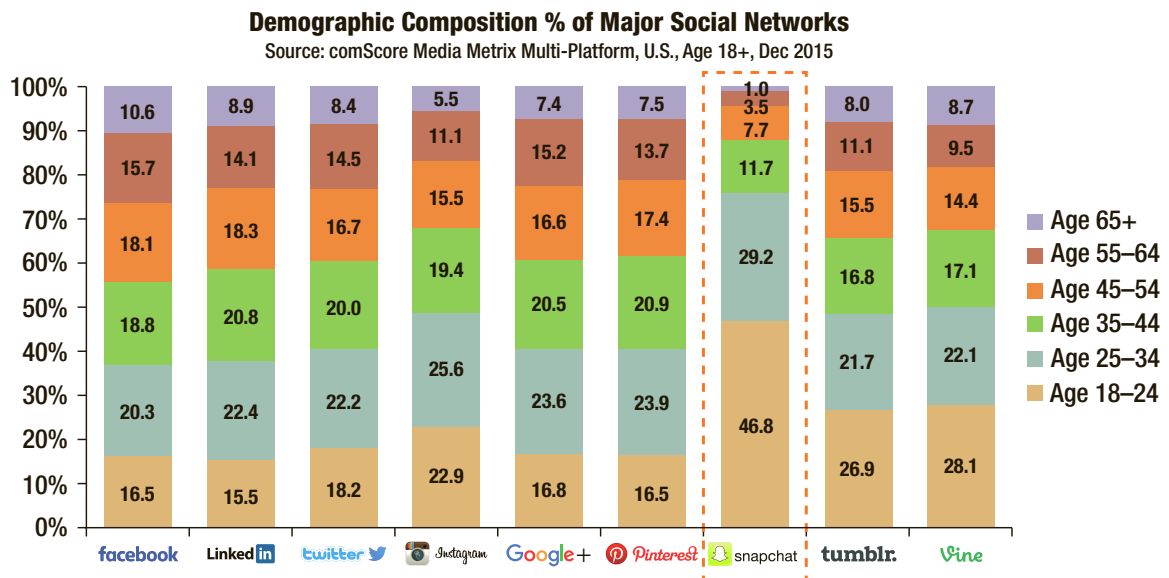
Also, the social network Twitter, that enables users to send and read other users’ tweets (messages up to 140 characters), took only 3 years, 2 months, and 1 day from the first tweet to reach the billionth tweet. There are now 500 million tweets sent per day, or 6,000 tweets per second!<sup>11</sup>

One would think most of the growth of social media usage is from a younger demographic category (e.g., those 18 to 49 years of age). However, this is not the case, as users over the age of 55 are driving a considerable amount of this expansion via mobile device access to social media.<sup>12</sup> No doubt, this has caused some embarrassment on the part of teens and young adults sometimes not wanting to accept “friend requests” from parents and grandparents!

Figure 14.2 provides a quick synopsis of the “Social Media Landscape,” showing the top social media brands.

First, as one will quickly surmise, the development and enhancement of brand equity is an important challenge in the social media world. Literally, *hundreds* of social media brands are in this crowded space. As mentioned in Chapter 2, brand identification and differentiation activities require additional thought and strategy with this explosion of social media names, such as Bumble, Deezer, Doof, Fancy, GitHub, HipChat, Line, Mixi, Muut, Plurk, Slack, Xing, and Yammer. Beyond the large social media platforms (Facebook, Google, Twitter) in the bull’s-eye of Figure 14.2, social media brands can be generally organized in a clockwise fashion from publishing, sharing, messaging, discussing, collaborating, to networking. Students are likely familiar with some of the following social media brands listed in the figure for publishing (WordPress, Blogger, Wikipedia), sharing (YouTube, Flickr, Instagram, Pinterest), messaging (Facebook Messenger, WhatsApp, Snapchat, Spotify, WeChat), discussing (Reddit, Quora), collaborating (LinkedIn), and networking (Badoo, Tinder). For a more comprehensive list, see Table 14.1 later in this chapter. Finally, as some of the social media brands are blocked from operating in some countries, such as China, they have developed their own brands (in parentheses) that have paralleled Instant messenger/Snapchat (WeChat, 697 million monthly active users [MAU]), YouTube (Alibaba’s Youku Tudou, 570 million MAU), Facebook (Renren, 228 million MAU), and Twitter (Tencent’s Weibo, 198 million MAU) as depicted in the “Chinese Social Media Landscape” in Figure 14.3.<sup>13</sup>

**Figure 14.1** Demographic Composition Percentages for Major Social Networks



Courtesy of comScore, December 2015



Figure 14.2 ▶ Social Media Landscape

# Social Media Landscape 2016



Source: FredCavazza.net

## 14-2a COMPARISONS WITH TRADITIONAL MEDIA

As presented in Chapter 12, traditional ad media includes television, radio, magazines, and newspapers. In contrast, social media are quite distinct from traditional media in that they can be launched inexpensively and are accessible to all with online access, whereas traditional media may require substantial resources (e.g., a \$1 million TV commercial) to publish advertising information. We now examine five points of comparison between social media and traditional media choices:<sup>14</sup>

- **Reach:** Both can offer scale—reaching global audiences—but traditional media are more centralized in organization, production, and dissemination, whereas social media rely on consumer-generated content and thus are more decentralized in terms of production and usage (e.g., YouTube, Twitter).
- **Accessibility:** Depending on the country, the means of production for traditional media are government and/or privately owned.

Figure 14.3 ▶ Chinese Social Media Landscape



Source: bmj.com

However, social media options (e.g., Facebook, Twitter, WordPress) are generally available to everyone at little or no cost if there are no country-specific restrictions.

- **Usability:** With traditional media production, it usually requires more specialized skills and training. In contrast, although there is a need for some digital expertise, in theory, anyone with online access can operate the means for social media production.
- **Immediacy:** The time lag, due dates, and press dates for traditional media can be quite long (and in some countries, subject to a lottery and other restrictions). In comparison, any delay in social media is usually due to the participant. No doubt, traditional media are trying to bridge this gap with electronic solutions (e.g., apps, software, mobile versions).
- **Permanence:** Once created, traditional media cannot be altered (e.g., once a print magazine ad is distributed, it cannot be changed). However, with social media, changes can be made immediately and “on the fly,” if needed, with editing. An extreme example may be with “snaps” (photos, videos) for Snapchat, in which the user can control their appearance from 1 to 10 seconds, unless held in “memories” or captured in a screenshot.

### 14-3 Social Media Advantages and Disadvantages

As a relatively new set of options for advertisers and consumers, social media (e.g., social networking, blogging, wikis, collaboration, virtual worlds) has had its share of ever-evolving advantages and disadvantages. Some current advantages include:

- **Flexibility:** The use of social media offers tremendous flexibility in marketing and advertising planning, with the ability to quickly modify apps, postings, ads, and blogs in response to competitive and industry changes.
- **Reach options:** Increased targeting via behavior, demographics, site visits, and posted preferences and likes has helped with the ability of advertisers to reach small audiences with social media. At the same time, the scale of some social networking sites (e.g., Facebook, Twitter) allows advertisers to reach extremely large audiences as well.
- **Consumer engagement:** With consumer-generated content, it helps to ensure engagement in sites such as YouTube, Flickr, Facebook, Twitter, Instagram, Snapchat, Pinterest, etc., as well as brands and companies featured on these sites. Online panel data has long shown the link between online advertising and purchase behavior.<sup>15</sup>
- **Two-way dialogue:** Consumer feedback; new brand and product ideas; and pricing, location, and promotion

modifications can all be gleaned from social media sites. Tracking social network and blog data (via sentiment analysis—i.e., contextual polarity of comments) can help in this regard.

- **Integration and ability to drive traffic:** An ad that is placed on a social media site (e.g., YouTube), if well done, can turn viral and drive traffic to other sites and to retail stores and other brand promotions.
- **Improved metrics and research:** Measurement of the impact of social media has come a long way. For example, companies such as Google Analytics (see <https://analytics.googleblog.com/2016/08/introducing-google-analytics-demo.htm> for a demo), Facebook (see <https://www.facebook.com/business/learn/facebook-ads-reporting-performance>), and Salesforce’s Marketing Cloud (formerly Radian6) offer detailed tracking results in dashboards displaying sentiments, share of voice and conversations, conversion rates, and brand tracking versus the industry and competitors. Others, such as comScore, offer audience measurement statistics through their panel, such as monthly brand impressions (i.e., total exposures) and the overall weight of a brand campaign (e.g., gross rating points [GRPs] as a function of the percentage *reached* at least once and the *frequency* of times reached).
- **Cost effectiveness:** Compared to placing a \$400,000, 30-second ad (or \$5 million for the 2017 Super Bowl), placing an ad on Facebook (e.g., with price based on cost to reach 1000 viewers or CPM; ranging from \$.10 for an external website to \$6.27 for a sponsored story), Google Ad Words (CPM of \$1.60) or a free upload on YouTube (CPM of \$7.6) is certainly more cost effective.<sup>16</sup>

Yet just as important, marketers and advertisers should be prepared for social media’s disadvantages:

- **Privacy and censorship:** These issues have occurred repeatedly with social network sites, such as Facebook and Twitter. For instance, location-based apps have allowed users to tag other friends from sites for which they were never there.<sup>17</sup> Recently, Twitter and LinkedIn allowed greater censorship of tweets in some countries than users desired.<sup>18</sup> Google recently standardized their privacy policy and also has fought a long-running battle with Chinese authorities over censorship of content.
- **Lost productivity, addiction, and fatigue:** With an average of 25 hours per month spent by U.S. Facebook users on average, many companies worry that employees working on social media projects will experience lost productivity. In fact, there have been cases (in general) of social media addiction, burnout, or fatigue.
- **Meaningless comments, babble, spam and “like-backs”:** The original Twitter prompt of “What are you doing?” was changed in 2009 to “What’s happening?”

in part to upgrade the content of 40 percent of tweets that were categorized as “pointless babble.”<sup>19</sup> Also, occasionally, comment threads (e.g., with Instagram, Twitter) may be flooded with spam and ads. On celebrity accounts, “likebacks” (LB) sometimes are offered where users trade likes with another user.

- *Hackers and fraud:* Social media sites have been hacked at times and there have been instances of fraud.<sup>20</sup> Such attempts may be seemingly innocent posts such as “Hey—check out this link FREE IPHONE!” but instead may be delivering malware searching for personally identifiable information. Also, fake accounts and likes have occurred to generate more interest about what is being promoted or sponsored.
- *Dealing with negative (viral) comments:* Marketers have to have a “thick skin” at times in using social media, in that negative comments and other embarrassing situations concerning the brand or company may spread like wildfire virally. For example, there have been a few threats and (unsuccessful) lawsuits

filed on behalf of restaurants and businesses over reviews on Yelp.<sup>21</sup> (Generally, unless it is a knowingly false statement, such opinions are protected under the 1st Amendment.<sup>22</sup>) The Cincinnati Zoo recently dealt with negative viral comments with the Harambe gorilla shooting incident. Memorializing Harambe then became a popular social media trend and meme. Public relations and internal marketing efforts can be important in light of such unfortunate situations in seriously addressing such comments and not just resorting to deleting negative posts or ill-advised counter posts.

## 14-4 Social Media Categories and Brands

Table 14.1 provides a global traffic ranking from #1 to #162 for the major social networking sites by Alexa (www.alexa.com). Subcategories for networking sites under major networking brands (Facebook, Twitter, Google, Pinterest, MySpace) are also listed.

**Table 14.1** ▶ Ranking of Social Networking Sites\*\*

1. Facebook*	28. Gaiaonline	55. Coolchaser
2. Twitter*	29. Zorpoia	56. Followli
3. LinkedIn	30. Wayn	57. Pinterest Blog
4. Pinterest*	31. Lipstick Alley	58. Twitmail
5. Google Plus*	32. Flixster	59. Viralwootfs
6. Flickr	33. Experience Project	60. Sermo
7. LiveJournal	34. Foto Log	61. A Small World
8. Badoo	35. Path	62. Tigweb
9. Fiverr	36. Naija Pals	63. FutureTweets
10. Facebook Developers	37. Twitter Feed	64. Friendster
11. Hootsuite	38. Favistar	65. Twellow
12. MeetUp	39. Hastagify	66. Janetter
13. Tweet Deck	40. Friend or Follow	67. Sportrsvite
14. OkCupid	41. Keyhole	68. Free Code Source
15. Stumbleupon	42. Fotki	69. Wizzley
16. Xing	43. Twittercounter	70. Tagdef
17. Tagged	44. Hashtags	71. Doostang
18. Foursquare	45. Tweetsmap	72. Join Diaspora
19. Last.fm	46. Black Planet	73. Facecrooks
20. MySpace*	47. TravBuddy	74. Graduates

21. Couch Surfing	48. Tribe	75. What The Trend
22. Ning	49. Indyarocks	76. Tweeteraser
23. Hi5	50. Trendsmap	77. Social Fixer
24. Skyrock	51. Student	78. Ryze
25. Classmates	52. Buzznet	79. Faceparty
26. Care2	53. Click to Tweet	80. Mi Gente
27. Geni	54. Twishort	81. United Dogs
82. Lookedon	102. Kupika	125. Plus
83. Nexpoia	103. Twitterific	127. Facebook Blog
84. Retweet Rank	104. Taltopia	144. Tweet Grader
85. Hospitality Club	105. Twittistaan	147. Tweetwind
86. Identi	106. Toprt	148. Juju
87. Out Everywhere	107. Twitpalas	150. Desitwits
88. Twitaholic	108. Twtbase	151. Gplusnick
89. Twittergadget	109. Tweettwain	152. Local Sounds
90. Tiribler	110. Twibes	153. Mindviz
91. Gphangouts	111. Politwitter	154. My Wavelength
92. Faces	112. Friends Reunited	155. Pictey
93. Twitrheaders	113. Twistori	156. Statuzer
94. Live Tweet App	114. Needtagger	157. Topbun
95. Twitter Revolutions	115. Shelfari	158. Topl
96. Libre	117. Sm4good	159. Twitmenulet
97. Twidiumapp	118. Gplusinfo	160. Twitbin
98. Advogato	119. Twidroyd	161. Twitter Images
99. OneWorld	122. Facebook Apps	162. TwitterFox
100. Meetin	123. Techhit	
101. Twitter For Web	124. Pouchons	
<u>Facebook</u>	<u>Google Plus</u>	<u>Myspace</u>
10. Facebook Developers	91. Gphangouts	55. Coolchaser
73. Facecrooks	118. Gplusinfo	68. Free Code Source
77. Social Fixer	125. Plus	157. Topbun

(Continued)

**Table 14.1** ▶ Ranking of Social Networking Sites\*\* *Continued*

122. Facebook Apps	151. Gplusnick	
127. Facebook Blog	158. TopI	
<u>Twitter</u>	<u>Pinterest</u>	
13. Tweet Deck	57. Pinterest Blog	
37. Twitter Feed	59. Viralwoot	
38. Favistar	66. Janetter	
39. Hastagify	<u>Twitter cont.</u>	
40. Friend or Follow	103. Twitterific	
41. Keyhole	105. Twittistaan	
43. Twittercounter	106. Toprt	
44. Hashtags	107. Twitpalas	
45. Tweetsmap	108. Twtbase	
50. Trendsmap	109. Tweettwain	
53. Click to Tweet	110. Twibes	
54. Twishort	111. Politwitter	
58. Twitmail	113. Twistori	
63. FutureTweets	114. Needtagger	
65. Twellow	119. Twidroyd	
70. Tagdef	123. Techhit	
75. What The Trend	144. Tweet Grader	
76. Tweeteraser	147. Tweetswind	
82. Lookedon	150. Desitwits	
84. Retweet Rank	155. Pictey	
88. Twitaholic	156. Statuzer	
89. Twittergadget	159. Twitmenulet	
93. Twitrheaders	160. Twitbin	
94. Live Tweet App	161. Twitter Images	
95. Twitter Revolutions	162. TwitterFox	
97. Twidiumapp		
101. Twitter For Web		

\*Alexa ranks a number of social networking sites that are associated with or extensions of popular social networking sites, such as Facebook, Twitter, Pinterest, Google Plus, and Myspace. These sites are also listed separately above, with their corresponding ranking in subcategories of their respective social networking site.

\*\*Some rankings from Alexa were not included above, as they simply *referred* to a website or article about social networking (e.g., *Wikipedia*) and were not actual social networking sites.

Source: Based on data from <http://www.alexa.com> (accessed July 19, 2016). Link to top sites: [http://www.alexa.com/topsites/category;0/Top/Computers/Internet/On\\_the\\_Web/Online\\_Communities/Social\\_Networking](http://www.alexa.com/topsites/category;0/Top/Computers/Internet/On_the_Web/Online_Communities/Social_Networking)

The sites in the top sites lists are ordered by their 1-month Alexa traffic. The 1-month rank is calculated using a combination of average daily visitors and pageviews over the past month. The site with the highest combination of visitors and pageviews is ranked number 1.

## 14-5 Social Networking

Social networking sites such as Facebook, LinkedIn, Twitter, Instagram, Pinterest, etc. have signed up an estimated 2.31 billion people around the globe who interact with “friends,” share opinions and information, and create online communities of people who have similar interests and wish to share their experiences with others.<sup>23</sup> It comes as little surprise that marketers have tapped into the celebrated social networking sites or have created their own social networks as a mechanism for communicating with consumers about their brands. In this chapter, we now highlight four of the more prominent social networking venues—two of the largest, Facebook and Twitter, and two that are the fastest growing—Instagram and Snapchat.

### 14-5a FACEBOOK

Facebook has certainly come a long way from its “humble” beginnings as Mark Zuckerberg’s project (“Facemash”) as a college sophomore in 2003. At Harvard, he acquired

photos from the online facebook of nine private dorm houses, and then placed two photos side-by-side, asking users to choose the “hotter” person.<sup>24</sup> Although the site was quickly shut down a few days later by Harvard administrators, he expanded on the initial project for an art history class by uploading 500 Augustan images to a website and then allowing students to share notes.<sup>25</sup> This initial project then evolved at Harvard into “the facebook,” allowing students to share photos and post other information.

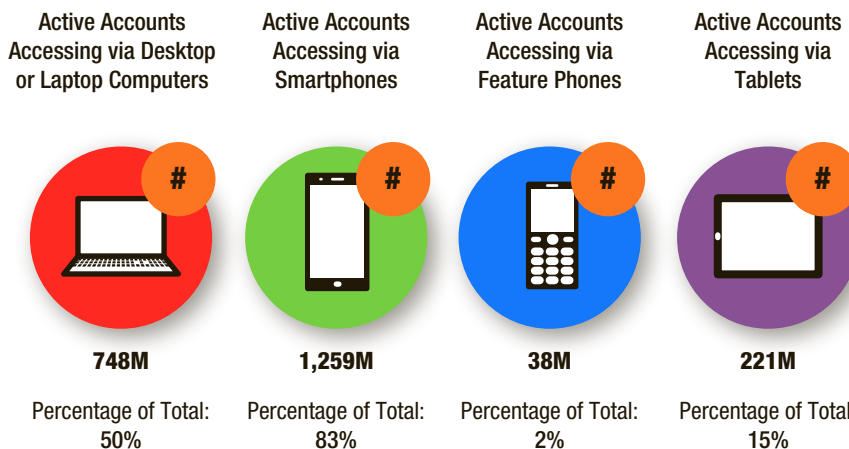
Fast-forward to July 2016, and unlike many other social media companies, Facebook is quite profitable (\$3.69 billion) and its sales revenue has now reached \$17.93 billion.<sup>26</sup> The consumer engagement statistics for Facebook are equally impressive, with 1.71 billion monthly active users (MAU) and 1.13 billion daily active users (DAU) for which 50 percent check their site daily.<sup>27</sup> Also, 84.5 percent of the daily active users are outside the United States and Canada. The average user has 338 friends and 1.03 billion use their mobile devices to access Facebook.<sup>28</sup> Finally, most mainstream marketers have taken notice (as partners), with apps and websites now integrated with Facebook.<sup>29</sup>

Perhaps the most accurate statement about Facebook is that they have been developing new ad formats and targeting options *on almost a daily basis*.<sup>30</sup> Mid-roll video ads, dynamic cross-sell ads, carousel ads, lead ads, instant articles, placement optimization, etc. are all part of the Facebook strategy in gaining a competitive advantage.<sup>31</sup>

**Figure 14.4** ▶ Facebook Use by Device

### Facebook Use by Device in Jan 2016

Based on the Global Number of Active User Accounts Accessing Facebook Via Each Device, in Millions



\*Extrapolation of Facebook data Q1 2016. Combined share exceeds 100% due to multi-device usage.

Source: We Are Social, January 27, 2016, <http://wearesocial.com/sg/special-reports/digital-2016>



**Jasper's Market**  
It's fig season! Not sure what to do with figs? Here's a delicious dessert recipe. Stop by Jasper's to get all of your ingredients.

**Fig Tart with Almonds and Sugar**  
jaspersmarket.com

The simplicity of this tart perfectly accents ripe figs. If you don't have enough time to make a handmade crust, pick up one of Jasper's pre-made pie crusts.

Like · Comment · Share · 72 · 13 · 7 · Sponsored

Source: Jasper's Market

For instance, ads can be rotated like a carousel, dynamically re-targeted with a cross-sell of other company products, or featured as Instant Articles by companies themselves or via Facebook's Audience Network. But, the real change overall is the shift to mobile ads as depicted in Figure 14.2. In 2016, 83 percent of active accounts were accessing Facebook via a smartphone. With more than 90 percent of Facebook's users on some type of mobile phone, Facebook's mobile ad revenue has surged, up 80 percent in the second quarter of 2016.<sup>32</sup> As Facebook keeps growing, ad prices have increased 9 percent with users spending more time on the mobile app, where Facebook shows only higher-priced news feed ads.<sup>33</sup> As of 2016, for Facebook mobile ads running in the United States, advertisers were paying an average of 28 cents per click, or a cost per thousand impressions (CPM) of \$4.50.<sup>34</sup> Some small businesses

#### Following

In Twitter, an online social networking and micro-blogging service, the users can send and read text-based posts (called tweets) for up to 140 characters and these posts are displayed on a user's profile page and users may subscribe to other author tweets.

and entrepreneurs have felt the "squeeze" in competing for more limited ad space and paying more for it.<sup>35</sup>

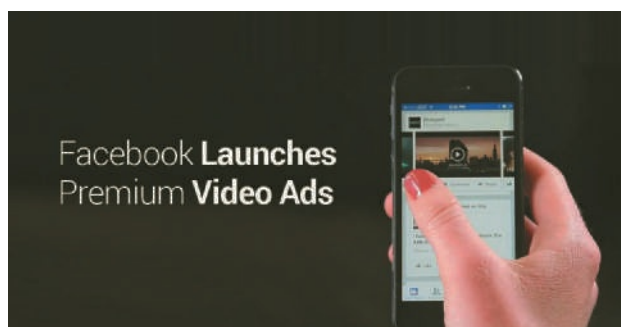
Recently, although Facebook offers a multitude of ad types, including external website ads, page posts, page likes, app installs, app engagement, local awareness, event RSVPs, offer claims, and lead generation, mobile ad videos have garnered the most attention from Facebook.<sup>36</sup> Fifteen-second, mid-roll video ads are now being rolled out for Facebook Live inside broadcasts from top publishers.<sup>37</sup> This approach is being used by Facebook as they do not have a mature ad model for videos and have been reluctant to show pre-roll ads for videos. To generate greater video content, Facebook agreed to pay nearly 140 celebrities (such as actor Vin Diesel, Pittsburgh Steeler Antonio

Brown, and Olympic swimmer Michael Phelps) up to \$244,000 each to create videos for Facebook Live streaming.<sup>38</sup> The interesting aspect of this is that 15 percent were Internet celebrities or "influencers," such as Ray William Johnson, Brent Rivera, Logan Paul, and Andrew Bachelor, who are not mainstream media stars, but well-known online among younger fans.<sup>39</sup>

One aspect of Facebook noted above is that, although it was developed and grown in the United States, 84.5 percent of current users are in countries *outside* of the United States and Canada.<sup>40</sup> Of course, operating in other countries can have its share of rewards and challenges, as noted in the *Insights Online: Global Focus* in MindTap.

insights  
online

The Great Firewall: China's Social Media Clones and One U.S. "Success," go to Insights Online in MindTap.



Source: Facebook

## 14-5b TWITTER

Established in 2006, Twitter is an online social networking and micro-blogging service that allows users to send and read text-based posts (called tweets) for up to 140 characters.<sup>41</sup> These posts are displayed on a user's profile page and users may subscribe to other author tweets, known as a "following," with subscribers

known as “**followers.**” The service has gained worldwide popularity with 313 million actively logging in once a month, and 79 percent of its users located outside the United States.<sup>42</sup> Initially, Twitter’s early adopters tended to be in the 35-to-54 age category; however, teens have been increasingly joining due to privacy issues associated with Facebook (e.g., parents, grandparents).<sup>43</sup> Also, there are global differences, as Twitter is confirmed by comScore to be the largest social media network in Japan, with Facebook coming in second.<sup>44</sup> Revenue from Twitter is estimated to be \$2.47 billion.<sup>45</sup>

No doubt, Twitter has gone through some challenges and growing pains and continues to do so. As alluded to earlier, a content analysis study by Pear Analytics in 2009 of 2,000 U.S. tweets revealed that 40 percent contained “pointless babble,” 38 percent were “conversational,” 9% had “pass-along value,” 6 percent were categorized as “self-promotion,” 4 percent were “spam,” and 4 percent were labeled as “news.”<sup>46</sup> (Note: categories do not total 100% due to rounding.) Although a follow-up is needed, Twitter may have corrected this starting in late 2009 by changing their prompt from “What are you doing?” to “What’s happening?”

However, there are some serious issues for Twitter, with growth leveling off. For example, although it has 313 million monthly active users (MAU), there are only 100 million *daily* active users (DAU), coupled with anemic audience and ad growth.<sup>47</sup> Snapchat recently surpassed Twitter with 150 million DAUs, and the popular “Pokémon Go” game is about to do so as well based on Android device data.<sup>48</sup> The anemic daily usage and “Twitter Quitter” problems have been linked to a few factors, including some that argue Twitter should be thought of more as a news network rather than a social network.<sup>49</sup> Due to the frenetic pace of Twitter’s timeline, Twitter’s Moments tab is suggested as the best way to catch up on the most relevant news. Perhaps the most common complaint is the perceived difficulty of use and questions as to who actually is listening in the audience for the user’s tweets.<sup>50</sup> Also, many new accounts tend to be either spam or seeking to acquire as many followers as possible. In fact, there is a market for the buying and selling of accounts and followers.

Certainly, one way that Twitter has benefited consumers is through the complaint process—similar to the strategy used by musician Dave Carroll with his YouTube complaint song “United Breaks Guitars,”<sup>51</sup> Twitter has offered some measure of relief for many disgruntled consumers when normal channels have not helped. For example, when travelers initially were denied frequent flyer miles and actual seats (for a disabled passenger) on Delta and JetBlue airlines, respectively, they only found aid for their problems via Twitter.<sup>52</sup> In the fast-food wars, Chipotle (facing a few food problems in 2015) was found to have the best Twitter response rate and fastest reply time, yet did not send as many direct messages.<sup>53</sup> Other novel uses of Twitter include tracking public health outbreaks,

#### Followers

Posts are displayed on a Twitter user’s profile page and users may subscribe to other author tweets with subscribers.

such as the flu. Clorox used Twitter analytics and found that online conversations about the flu (e.g., mentions of binge-watching Netflix with the flu) spiked about a week earlier than the number of confirmed cases from the CDC.<sup>54</sup>

As opposed to taking direct action on Twitter, most users are active followers of other Twitter users. So, what exactly are most consumers following on Twitter? It would *seem* that most Twitter followers are enamored with celebrities; after all, Katy Perry leads the celebrity pack with 91.5 million followers, Justin Bieber with 85.9 million, Taylor Swift has 80.2 million, Barack Obama with 76.5 million, and Rihanna with 63.9 million.<sup>55</sup> Also, some have argued that the dramatic increase in Twitter popularity can be traced to 2009 when many celebrities opened accounts. There even have been arguments at times that celebrities (and other popular brands) should receive a commission for building followers and social networking sites!

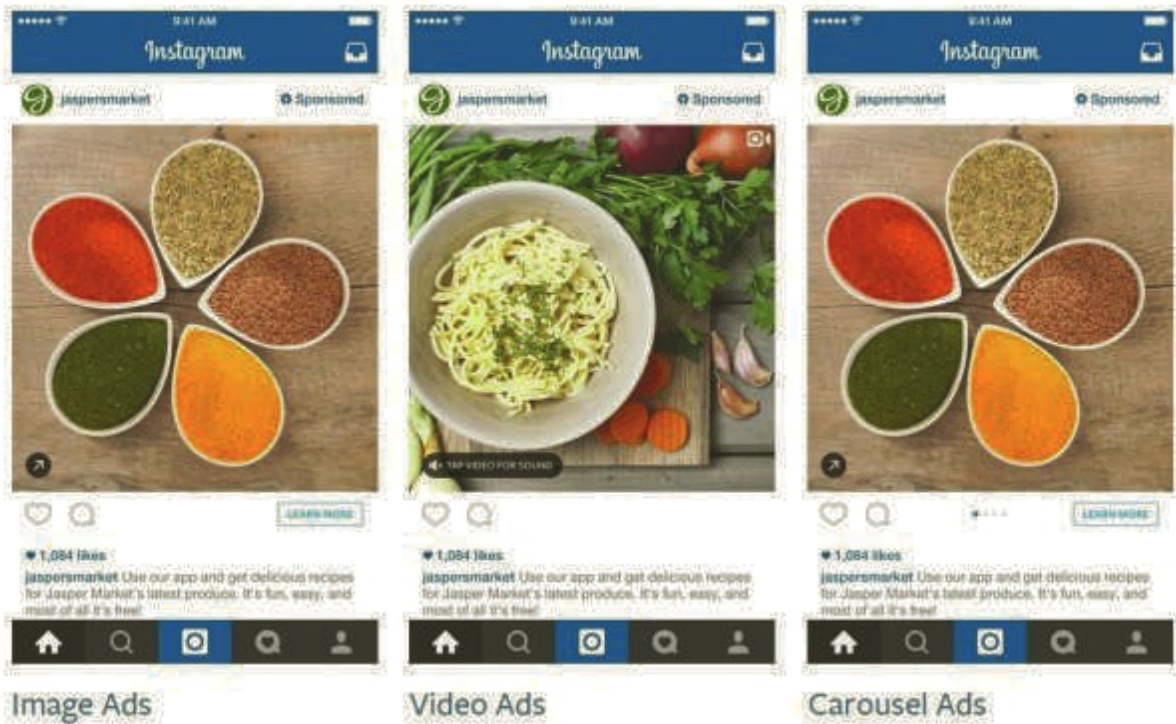
Yet, a study in the United Kingdom indicates that brands were 50 percent more popular than celebrities as to “likes” and “followings” online.<sup>56</sup> If that is the case, just what is being shown and promoted in brand Twitter posts and links? A content analysis study of 44 global brands’ use of Twitter revealed that human personality is often interjected—by using human spokespeople, personal pronouns and verbs in the imperative form in texts, and brand names and redirecting cues in tweets.<sup>57</sup> In addition, an analysis of 2 years of Twitter activity indicates a link between advertised brands and consumer engagement and sales.<sup>58</sup> We will examine in a later section just how advertisers can use options such as Promoted Tweets, Promoted Trends, Promoted Accounts, Promoted Moments, and First View video ads to increase consumer engagement with brands.

## 14-5c INSTAGRAM

Introduced in 2010, Instagram is an online, mobile photo- and video-sharing and social networking service allowing users to share their photos and videos publicly or privately on the Instagram app. The first photo shared was a square, semi-blurry picture of a dog, with little evidence of retouching. However, it soon became such a popular place for people to store their pictures and memories that Facebook purchased it for \$1 billion in 2012. It now has 500 million monthly active users (MAU) and 300 million daily active users (DAU).<sup>59</sup> Users have many options on Instagram, including uploading photographs, and short videos, following other user feeds, geo-tagging images, and applying close to 40 photographic filters to images. Instagram Direct allows instant messaging, adding more than a single user, sharing more than one photo, and sharing posts from feeds directly to users. Recently, Instagram Stories (that some say is a clone of Snapchat Stories) was launched, allowing users to share photos and videos with a life span of more than 24 hours.<sup>60</sup> Ads, identified as sponsored content, can take the form of videos, photos,



### Instagram Ad Formats

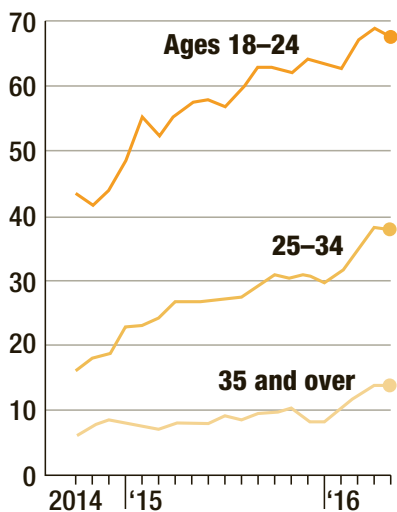


Source: Jasper's Market

#### Growing Up

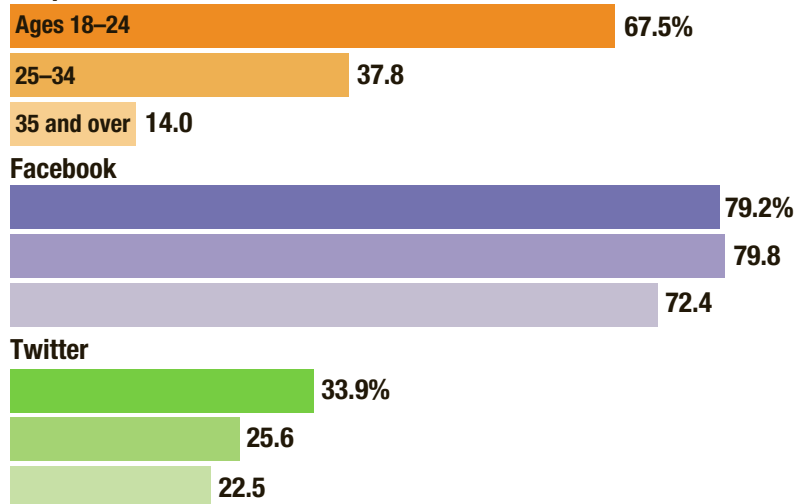
Older people are starting to join Snapchat, an important age demographic for the hot startup to broaden its reach.

#### Share of U.S. smartphone users... Using Snapchat



Source: comScore

#### Using the following in May 2016



THE WALL STREET JOURNAL.

or carousel ad formats.<sup>61</sup> Even the White House has relied on Instagram in sharing pictures associated with major events, such as the State of the Union speech.<sup>62</sup>

#### 14-5d SNAPCHAT

Snapchat is an image messaging service and multimedia mobile application launched in 2011 with 200 million monthly active users (MAU) and 100 million daily active users (DAU).<sup>63</sup> There is high engagement with users, as 60 percent contribute content daily and 9,000 “snaps” a second are shared overall.<sup>64</sup> Snapchat began under the name “Picaboo,” with the idea that users could post images that would quickly disappear. This evolved into “Snaps,” disappearing photos (up to 10 seconds) and text that you could send to one or more friends. Snapchat Stories was then developed that allowed the ability to construct a visual diary of one’s day that expires after 24 hours. A one-to-one video chat feature is popular among most users, as only 35 percent now express an interest in disappearing content. In addition, users can apply corporate lenses and custom filters to their pictures, as well as checking out the latest news from media (similar to basic cable) in Snapchat Discover. Snapchat is attractive to advertisers because of its younger demographic (e.g., 67.5 percent of Smartphone users ages 18 to 24 used Snapchat, while only 14 percent of those 35 and older did). Yet, to the chagrin of many high-school and college-aged students, parents are now becoming one of the fastest-growing adopters of Snapchat.<sup>65</sup> With Snapchat on track to reach \$300 million in sales revenue in 2016 (up from \$60 million a year ago), many wonder exactly how they did it. As shown in the figure on the top of right column, revenue can come from corporate lenses (e.g., \$450,000 per day), custom stickers/filters (e.g., \$5 for an 8-hour block), live stories (e.g., “keys to life” from DJ Khaled, New York fashion week, NFL clips; with national ad campaigns costing \$100,000 per day), and Snapchat Discover (basic cable media; with ad rates begin at \$20 per thousand views).<sup>66</sup>

Snapchat has not been without its share of problems. As noted above, Snapchat was initially designed and promoted such that photos and videos would disappear after a few seconds. Yet, it turned out that users could

use screenshots and work-arounds to retain such postings. So, following an investigation, a Federal Trade Commission settlement with Snapchat prohibits it from misrepresenting the extent to which it maintains the privacy, security, or confidentiality of users’ information, with Snapchat privacy policies being monitored for the next 20 years.<sup>67</sup> For example, Snapchat’s privacy policy now includes a statement that “Keep in mind that the users you send Snaps, Chats, and any other content to can always save that content or copy it outside the app.” In *Insights Online* in MindTap, we now explore another legal issue (i.e., copyright violations) for material pinned with the social media service Pinterest.



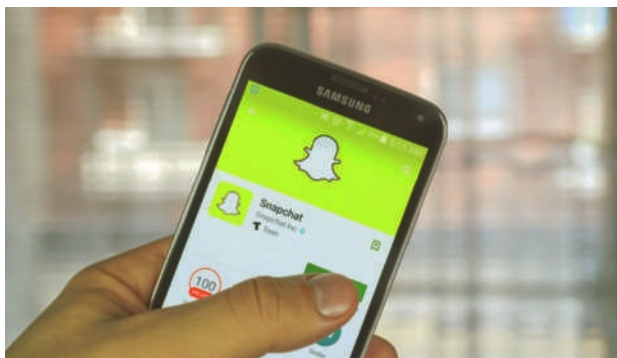
Pinterest: Fast and Furious Growth, yet Potential Legal Issues Online in MindTap.

#### 14-6 Successful Social Media Campaigns

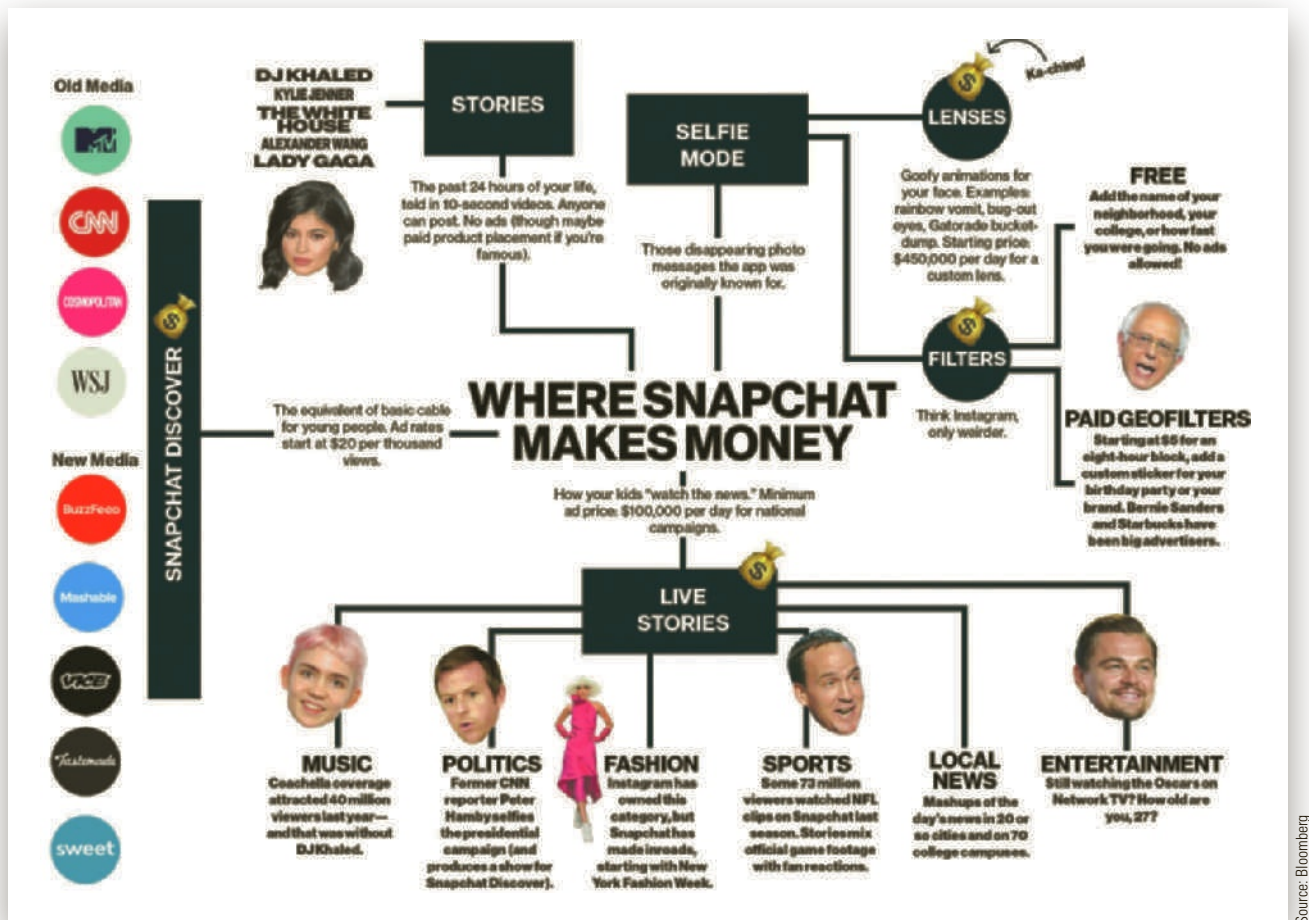
This section offers a review of some of the more successful social media and networking campaigns since social networking became a reality in the mid-2000s. However, as noted in Chapter 10, there certainly can be debate as to what one considers being “successful,” “effective,” and “creative.” Yet, most (if not all) of these 20 campaigns have been cited in the advertising media as especially creative and engaging, have won awards, or have performed extremely well on metrics (e.g., impressions, actions, ROI). Importantly, as we mentioned in Chapter 1, integration with other IMC elements is critical (via links, feeds, viral networking) in order to try to offer multiple “touch points” with a single, overall message. The 20 campaigns are now presented in alphabetical order.

*Alamo Rent-a-Car’s “Ultimate Escapes.”* Jeff Bullas, author of one of the largest social media blogs ([www.jeffbullas.com](http://www.jeffbullas.com)), cites Alamo Rent-a-Car as one of “Five Cool Facebook Campaigns.”<sup>68</sup> The sweepstakes campaign was titled, “The Alamo Ultimate Escape,” and asked Facebook users to write about their ultimate escape to win \$5,000 toward a vacation. The original objectives were to increase Facebook “likes,” build an e-mail database, create customer loyalty, and sell rentals with deals and specials on display. The contest increased the number of “likes” by over 5,000 since its beginning and clearly was on its way to achieving its other objectives.<sup>69</sup>

*ALS “Ice Bucket Challenge.”* You may have been a part of probably the most successful, organic social media campaign in history—the ALS Ice Bucket Challenge. Your Facebook feed and/or Twitter stream may have been full of videos of friends getting doused with ice water and challenging others to do the same in



denizn/Shutterstock.com



raising awareness and donations to fight amyotrophic lateral sclerosis (ALS, also known as “Lou Gehrig’s Disease”). The Campaign went viral in support of Boston College baseball player Pete Frates, who was suffering from ALS. It was an outstanding success, generating over 400 million views on social media, including participant videos from Taylor Swift, Ellen DeGeneres, Bill Gates, LeBron James, Benedict Cumberbatch, David Beckham, Mark Zuckerberg, and former President George W. Bush (<https://www.youtube.com/watch?v=DepakUSDtQE>). As of 2016, the challenge not only raised \$220 million worldwide, but led to the identification of a new gene (NEK1) that now ranks as one of the most common genes contributing to ALS.<sup>70</sup>

*Always’ “#LikeAGirl.”* This social media campaign by Procter & Gamble’s Always brand attempted to debunk what was meant by “Play Like a Girl” in order to build confidence in adolescent girls. The campaign was based on research showing that women ages 18 to 24 were twice as confident if they play sports regularly than those who do not. A 60-second spot was rated by Adobe as the top digital campaign of the entire 2015 Super Bowl. In addition, after the commercial aired, women took to Twitter to describe what they did “like a girl” and how their gender doesn’t

stop them from being strong and powerful. As of this time, the spot has received over 62 million views on YouTube (<https://www.youtube.com/watch?v=XjJQBjWYDTs>).<sup>71</sup>

*Beats Electronics “Humble Beginnings.”* Beats Electronics was founded in 2006 by legendary artist Dr. Dre and Jimmy Iovine, CEO of Interscope Geffen A&M Records who wanted to develop a new type of headphones with the capability to capture the full spectrum of sound that artists experience in professional recording studios.<sup>72</sup> Their Facebook page offers emotional and inspiring content (also featured on YouTube) that records musicians’ stories of their “Humble Beginnings.” To access the stories, visitors need to “like” the page, thereby increasing brand loyalty. However, the page is not as much about selling as it is connecting with visitors on an emotional level.<sup>73</sup>

*Blendtec’s “Will It Blend?”* Web videos on YouTube for the Blendtec Total Blender show the kitchen blender destroying just about everything from a baseball to an iPhone (<https://www.youtube.com/watch?v=IBUJc-D6Ws6s>). Judges from Forbes.com unanimously ranked this series of destructive shorts as one of the best-ever social media campaigns. The home sales of Blendtec’s blenders have increased 700 percent since the start of the campaign in November 2006.<sup>74</sup>

The screenshot shows the homepage of jeffbullas.com. At the top left is the logo with the tagline "WHAT BUSINESS AND LIFE IN A DIGITAL WORLD". To the right is a search bar and social media icons for Twitter, Facebook, YouTube, LinkedIn, Google+, and Instagram. Below this is a navigation menu with links: HOME, ABOUT, SPEAKING, BOOK, SERVICES, RESOURCES, CONSULTING, GET STARTED, CONTACT. A banner below the menu reads: "Join over 16 million other readers that have been educated and inspired to transform their life and business". Below the banner is an orange bar with the text "As Featured In" followed by logos for Forbes, Inc., The New York Times, and THE HUFFINGTON POST.

The main content area features a blog post titled "5 Cool Creative Facebook Marketing Campaigns" by Jeff Bullas. The post includes a quote: "To find inspiration and creativity it is often thought that you may need to climb a mountain or meditate on a beach but maybe you just need to have a deeper and more intimate understanding and knowledge of the playpen that you are engaged in every day." Below the text is a large image of a globe floating on water with ripples.

To the right of the blog post is a black sidebar with a white text box that says: "Get my latest articles delivered to your email box and GET THE FREE 8 Key Steps to Blogging Mastery ebook!". Below this is a form with fields for "Enter Your Name \*", "Email \*", and a code field with the text "eFED" and "Enter the above code:". A "SUBSCRIBE" button is at the bottom of the form. Below the form is a small video player with the text "HOW TO GET STARTED WITH PERSONALISED VIDEO" and "New Sponsored E-Book".

Source: jeffbullas.com

*Burger King's "Subservient Chicken."* The Burger King irreverent campaign developed by Crispin, Porter +Bogusky (CP+B) to promote the chain's TenderCrisp sandwich has had a guy in a chicken suit taking fans' commands on the Web since 2004.<sup>75</sup> According to the ad agency, the website, where a participant can still type in commands like "moonwalk" and "make a sandwich" and watch the chicken obey the order, received 15 million hits in the first 5 days. This campaign also was listed as one of Forbes.com's best-ever social media campaigns.

*Burger King's "Whopper Sacrifice."* Beginning in 2008, this Burger King campaign was not afraid to ask the tough

question: "What do you love more, your friends or the Whopper?" The Facebook application bribed consumers to "unfriend" 10 people from their Facebook friends list in exchange for a free burger. Ad agency Crispin, Porter +Bogusky (CP+B) says the application terminated some 234,000 "friendships." Ultimately, Facebook decided that letting its users know that they had been let go contradicted its business plan, and the application itself was sacrificed. Yet, Forbes.com gave the campaign one of its best-ever awards due to its creativity.<sup>76</sup>

*Evian's "Roller Babies."* The Guinness Book of World Records says this YouTube megahit, which features



Source: Procter &amp; Gamble

computer-generated babies on roller skates breakdancing and backflipping, is the most viewed online ad in history. This one is purely about the numbers, with the effort from Euro RSCG in Paris receiving more than 54,000 comments and tweets to date, as well as more than 60 million views.<sup>77</sup>

*Craftsman Tools “Neighborhood Park Renovation.”* Craftsman Tools ran a social marketing campaign on Facebook that asked users to post a photo of a park in their area that could really use a renovation. The winning park was to receive a \$10,000 makeover and the user who posted the photo receives a set of Craftsman tools. The objectives for this contest included engagement with the target market, local social marketing, and increasing sales of Craftsman tools.<sup>78</sup>

*Mattel’s Barbie and MGA Entertainment’s Bratz Online Dolls.* In appeals to reach 8- to 12-year-old girls, both Mattel Inc.’s Barbie and MGA Entertainment Inc.’s Bratz created separate social networking sites in 2007—Barbiegirls.com and Be-Bratz.com. The Be-Bratz.com site, for example, is accessible only after purchasing a special Bratz doll that is equipped with a USB key. Users choose a screen name and their own online dolls (as “avatars”) that can be tailored to their tastes, including “buying” clothing for their avatars in an online store with virtual currency that is earned by playing games online. Participants can also customize their own online rooms and chat with other users.<sup>79</sup>

*National Geographic’s “Remembering 9/11.”* The National Geographic Channel tapped into deeply-held emotions with its Facebook Campaign titled

“Remembering 9/11: Where Were You?” Those posting on this site are able to tell their story and enter their location on that day into an interactive map that also lists other



Source: subserveintchicken.com



Image courtesy of The Advertising Archives



© YouTube, © BLENDTEC

people's locations and stories. The original goals of network exposure and engagement were met with a fan count increasing from 551,000 to 587,000 in just a few days.<sup>80</sup>

*Nike's "Write the Future."* This 2010 soccer FIFA world cup, 3-minute video features soccer royalty (e.g., the United Kingdom's Wayne Rooney) in a frenetically paced look at the ultimate what-if scenarios, with fates revolving around a blocked pass or a lightning strike.<sup>81</sup> The video was launched initially only on Facebook and generated nine million views. After it posted on YouTube (<https://www.youtube.com/watch?v=ISggaxXUS8k>), it led to 21 million viewers. The video—developed by Wieden +Kennedy Amsterdam—won a Grand Prix Award in the film category at Cannes.<sup>82</sup>

*Graubunden Tourism's "Obermatten Goes Global."* *Advertising Age* cited Graubunden Tourism's "Obermatten Goes Global" Facebook campaign as one of the best social media efforts. The story is about a public relations strategy to boost awareness (and tourism, etc.) for a tiny Swiss town named Obermatten. The campaign invited Facebook fans to "like" the town and, in turn, the fans' pictures were posted on the town's physical community bulletin board. When they ran out of space, the photos had to be posted on the walls of local barns! The campaign ended up with Obermatten fans from 32 countries and generated \$2.4 million in media stories from a budget of only \$10,800.<sup>83</sup>

*Old Spice's "Smell Like a Man, Man."* Procter & Gamble's Old Spice was just another guy's scented deodorant brand

in 2010 with an entertaining spokesperson (Isaiah Mustafa) on TV commercials. This was until the brand's ad agency Wieden+Kennedy put Mustafa online and invited fans to use Twitter, Facebook, and social media to pose all types of questions that he answered quickly.<sup>84</sup> Based on the many questions from fans (and some celebrities), Mustafa responded in more than 180 Web videos produced in just a few days. This real-time, social media effort was the first of its kind, and recognized as among some of the best-ever social media campaigns by Forbes.com and a panel of experts.

*Olla Condoms' "Unexpected Babies."* Brazilian agency Age Isobar's unusual campaign for Olla Condoms on Facebook targeted young men who received mysterious friend requests from babies who happened to have the young man's same name, followed by "Jr." The profile then featured a link to the brand's website.<sup>85</sup>

*Pepsi's "Refresh."* The Pepsi "Refresh" campaign began in 2010 and planned to award a total of \$20 million in grants to individuals, businesses, and non-profits to promote new ideas that would have a positive impact on their community, state, or the nation. The rules state that the first 1,000 ideas proposed each month will be considered for a share of \$1.3 million available each month.<sup>86</sup> The application process had social media links, did not require grant writing skills, and began with the prompt "What Do You Care About?" This social marketing initiative has



impacted an estimated 1.4 million lives ([www.refresheverything.com](http://www.refresheverything.com)) and is a Forbes.com award winner for one of the best-ever social media campaigns.

Philippines Department of Tourism's "It's More Fun in the Philippines." A slogan "It's More in the Philippines" went viral after the campaign (developed by BBDO Guerrero Manila) encouraged Filipinos and other fans of the country to post their own additions of what "is more fun in the Philippines." Some of the consumer-generated content can be found in the link in the end notes and offers some creative twists and images that play on the ad slogan and text.<sup>87</sup> These include images that play on the words "commuting" (showing paddling in a kayak), "tailgating" (with a picture of a diver following a shark's tail), "social climbing" (displaying tourists on a mountain above the clouds), etc.

Procter & Gamble's "People's Choice" and "Capressa" networking sites. In 2007, Procter & Gamble (P&G) created two social networking sites that enabled consumers to learn from one another and to share their experiences. P&G's "The People's Choice" site focused on entertainment and allows consumers to share their views on matters such as reality TV programs, entertainers, musicians, and so on. (P&G also sponsors the popular "People's Choice Awards" each year.) P&G's second social networking site, "Capressa," targeted women who wished to interact on matters such as health, weight loss, and pregnancy. In spirit with the nature of social networks and participants' strong desire not to be inundated with marketing messages, P&G did not commercialize either site with ad messages, although occasional pop-up ads appeared from P&G ads already run on Yahoo!<sup>88</sup>

Stella Artois UK's "DVD Film Contest." Stella Artois UK sponsored a popular contest in which after a user "likes" their Facebook page, they were prompted to answer a question about a film from a DVD given away on the page. After answering the question, users provided a phone number and e-mail address for a chance to win either a free film DVD or a collection of 40. Brand

exposure, engagement, and loyalty all increased dramatically as a result of the campaign.<sup>89</sup>

UPS "Your Wishes Delivered: Driver for a Day." Four-year-old Carson developed a friendship with his UPS driver, "Mr. Ernie," when he began receiving shipments of special milk. Carson became fascinated by all things UPS, so UPS made Carson a UPS "Driver for a Day" in his own small UPS truck. The YouTube story (<https://www.youtube.com/watch?v=0IsL5AMqLMY>) has resulted in over 3.7 million views so far. Also, for every wish shared on [ups.com/wishes](http://ups.com/wishes) or via social media channels like Twitter or Instagram using #WishesDelivered, UPS was donating \$1 to one of three charities: The Boys and Girls Clubs of America, The Salvation Army, or the Toys for Tots Literacy Program (up to \$100,000).<sup>90</sup>

#### 14-6a COMMON OBJECTIVES AND THEMES FOR THESE SUCCESSFUL SOCIAL MEDIA CAMPAIGNS

Several common objectives and themes can be found in these successful social media campaigns. First, some have an objective to *enhance public relations*, as displayed quite effectively in the "Obermutter Goes Global" Facebook campaign. Others may wish to share their own (and consumers') *creativity, humor, or other ad executions*, as found with "It's More Fun in the Philippines," "Will It Blend?," "Unexpected Babies," "Roller Babies," and "Subservient Chicken" campaigns. Some successful social media campaigns stress *deals and contests* for their fans, such as with "Whopper Sacrifice," "DVD Film Contest," and "Ultimate Escape." As found with the "Smell Like a Man, Man," "People's Choice," and "Capressa" campaigns, at times, the objective is to engage consumers in *dialogue and two-way communication* to uncover brand insights and ideas. Other social media campaign objectives include *launching causes, sponsorships or events* (e.g., with "ALS Ice Bucket Challenge," "Always #LikeAGirl," "Write the Future," "Refresh," "Neighborhood Park Renovation"), *introducing new products* ("Subservient Chicken"), or just having *fun with interactive games, virtual worlds, and avatars* (e.g., with Barbie, Bratz, or Subservient Chicken). Finally, others are able to successfully *elicit consumer-generated stories* about the brand, product category (UPS's "Driver for a Day," "Humble Beginnings"), or important issues in society or events in history ("Remembering 9/11"). We now

turn our attention to what critics consider to be key factors in general in the success of social media campaigns and why.

#### 14-6b FACTORS THAT “WORK” IN SOCIAL MEDIA CAMPAIGNS AND WHY

Perhaps the most important suggestion by critics and experts in social media is to encourage or elicit *storytelling about the brand*.<sup>91</sup> The Intel-Toshiba “Inside” campaign brought Facebook users into the creation process and engaged them in an evolving social film about the film’s lead character. Facebook users’ posts and videos influenced the plotline and helped the character escape from a room where a mysterious kidnapper had trapped her. In general, and based on research tracking 83 blogs over 6 months, such social media stories or narratives can be quite effective when advertisers and brands are congruent with the social media site or forum in allowing for co-production of messages and meanings, rather than forced amplification of marketer themes.<sup>92</sup> Although the ALS Ice Bucket Challenge began with an inspirational story about an athlete battling ALS, the story became *personal* when participants produced their own videos and challenged others. In a similar sense, millions could

empathize with Carson’s story and wish to be a UPS “Driver for a Day.”

A second important suggestion is to *step into the real world*. This statement means to try to connect and engage consumers through empathy, understanding, and openness with real-life issues in social media campaigns.<sup>93</sup> As an example, Heinz “Get Well Soup” from the U.K. agency We Are Social allowed Facebook users to send personalized cans of soup to sick friends. Such approaches tend to enhance the personal relevance of social media messages.<sup>94</sup> The “Always #LikeAGirl” campaign immediately connected with many women (and men) in trying to debunk perceptions about what it means to girls to participate in sports.

A third recommendation is to *evolve with your customers in being social and human*. This statement means admitting mistakes at times and accepting criticism on social networking sites. This can go a long way to enhancing trustworthiness, an important dimension of source credibility. As noted by *Advertising Age*, Pfizer’s Chapstick needed to do this (instead of deleting negative posts) based on critical comments regarding a model’s compromising position when searching for lip balm.<sup>95</sup> We now turn our attention to how to organize social media efforts.

Jessica Watson likes this.

 **Jasper's Market**  
We're now open downtown! Like our page for the latest news and invites to special events, weekly deals, and more.



**Jasper's Market**  
Food & Grocery  
541 likes

Sponsored · 

Source: Jasper's Market



## 14-7 Organizing Social Media Efforts

In today's fast-paced digital world, numerous social media positions have been listed in job postings, such as social media strategists, social media planners, social media buyers, social media coordinators, and so forth. Moreover, there are efforts to establish social media departments and social media agencies recently. Yet others, such as former *Advertising Age* Editor Jonah Bloom, have argued that such social media activities should be integrated with other IMC work. As he observed in a humorous fashion:

*Every time an apparently foreign object [e.g., social media] is identified in adland, it seems the inhabitants split, roughly speaking, into two parties—those who fear the foreign body and those who are excited by it. The excited annex the object and create their own nation around it. The fearful homelander breathe a sigh of relief and go back to doing whatever they were doing. . . .*<sup>96</sup>

Source: Jonah Bloom, "Dedicated Social-Media Silos? That's the Last Thing We Need," *Advertising Age*, June 8, 2009, 11. © Copyright Crain Communications Inc., 2009. Used with permission.

Bloom aptly observed that this annexing and "nation building" has been occurring in advertising for many decades. For instance, before social media it was digital media. Before digital media, it was direct marketing.

Decades ago, Bloom notes that the same separation process occurred with television and radio several years before it. The danger with the annexation and nation building is that important data-driven processes and analytics can be separated mainstream IMC strategy within agencies. Thus, Bloom's point is that social media is not a "box to be ticked or a department to be manned or even a campaign to be launched."<sup>97</sup> Rather, it is just one of the many possible tools that might be applied and integrated to help better solve consumer or societal problems.

## 14-8 How to Advertise on Social Networks

This section examines how to advertise on social networks, with specific attention to the leading social networks: Facebook and Twitter. We discuss the type of ads that can appear on these sites, as well as the process to advertise, and current issues.

As explained by Facebook's Ad Guide Center, there are many *ad image types* to choose from in advertising with Facebook, including (1) External Websites, (2) Page Posts, (3) Page Likes, (4) App Installs, (5) App Engagement, (6) Local Awareness, (7) Event RSVPs, (8), Offer Claims, (9) Lead Generation, and (10) Mid-Roll Video Ads.<sup>98</sup> Possible *ad placement formats* include: (1) Desktop News Feed (main or to right), (2) Mobile News Feed, and (3) Instagram Mobile (owned by

The image shows a screenshot of the Facebook for Business website. The top navigation bar includes "facebook for business", "Get Started", "Solutions", "Success Stories", "Get Help", "News", "CREATE PAGE", and "CREATE ADVERT". The main banner features a video player with the text "Meet the people who'll love your business" and a play button. Below the banner, there are three columns of text:

- Find new customers. Boost sales.**  
Facebook can help you meet your business goals.
- All the right people**  
Over a billion people use Facebook to connect. Based on their location, age and more, we can introduce you to the people who'll love your business.
- On desktop and mobile**  
Reach people where they're engaged. Facebook is on three of every four smartphones,<sup>1</sup> and more than half of people on Facebook visit every day.<sup>2</sup>
- More efficiently**  
Most online advertising reaches only 27% of its intended audience. Facebook's average is 91%.<sup>3</sup> Your business gets more value from every ad.

A "Create an Ad" button is visible in the top right corner of the content area.

Facebook).<sup>99</sup> Also, a new Carousel Ad format allows advertisers to display 3 to 5 images and/or videos, headlines and links, or calls to action in a single ad unit. Viewers can then scroll through the carousel cards by swiping on mobile phones or tablets or clicking the arrows on computers. In addition, location-based selling is now aided with the Marketplace tab on the Facebook app for mobile users.

Facebook provides interested advertisers with a set of five steps for “promoting their business with ads on Facebook.”<sup>100</sup> The first step is to *identify objectives* (e.g., brand awareness, online sales, local sales, promote app). Second, they suggest *targeting the right people* (via location, demographics, interests, behaviors, connections [e.g., likes], partner categories, language). Third, advertisers are encouraged to *design engaging ads* by including the business name and key information, clear actions to take, a simple eye-catching image, and targeting different groups. Facebook calculates a **relevance score** for each ad from 1 to 10 (10 being the highest) based on positive factors such as favorable comments, views, likes, shares, clicks, and conversions, as well as negative factors such as users hiding or reporting the ad. Fourth, there are decisions to make in *managing the ad budget*. These include whether they are using cost per click (CPC) or cost per impression (CPM), the amount for each click, and the maximum amount (budget) they are willing to pay each day. Finally, advertisers are told to *review and improve* via their “Ad Manager” that provides metrics. (Some use custom “Facebook Marketing Partners” with algorithms that optimize objectives.) Such metrics may include impressions, clicks, targeted reach, reach, social reach (i.e., the percentage who saw an ad or sponsored story with names of friends who liked it, RSVPed to an event, or used an app), and connections (those actually liking such ads). Audience details and effectiveness over time also are tracked. Of course, there are many suggestions for effectively testing Facebook (and other social media) ads, including keeping mobile and desktop ads separate, testing different images, including a “call to action” button (e.g., “shop now”), installing a conversion pixel, targeting behaviors, etc.<sup>101</sup>

In the case of Twitter, advertisers face fewer key options compared to Facebook, including Promoted Tweets, Promoted Trends, Promoted Accounts, Promoted Moments, and First View video ads.<sup>102</sup> More specifically, a “Promoted Tweet” is a tweet first sent and promoted to followers, then appears in search results when a user searches for a keyword the advertiser has bid on. The advertiser only pays when a user completes an *engagement action*, such as retweeting, clicking on, or “favoriting” the Promoted Tweet. The “Promoted Trend” allows an advertiser to be listed, align themselves, and offer conversation for a certain hashtag (#) or trend (e.g., a recent hurricane) and costs roughly \$200,000 a day. The “Promoted Account” is similar to a Facebook “like,” in that advertisers are hoping to have a “follow” (“like”) for ads/brands placed in Twitter

**Notice** One of the four *general privacy principles* applied to one’s personal information for all advertising and marketing activities. See also **Consent**, **Access**, and **Security**.

profile that are suggested to other accounts as “Who to follow.” These followers (and retweets) are important in offering the “long tail” for Twitter brand information, similar to the value of “Fans” and “Friends of Fans” on Facebook. Twitter “Moments” lets users keep up with the best of what’s happening at any given time—without having to follow new people or watch

local trends. “Promoted Moments” are sponsored content stories about brands that are matched with users. Finally, Twitter, like other social media options, is becoming more “video-centric,” with live streaming of NFL games, political convention, etc., as well as using First View—a way for advertisers to share brand stories in video form.

Due to concerns with the frenetic pace of Twitter feeds, confusion about exactly who is viewing one’s tweets, and lack of daily engagement, some users have become “Twitter Quitters” and Twitter’s growth has been described as anemic at best.<sup>103</sup> Recent attempts to revitalize Twitter include positioning it as a news network, a consideration of using direct response ads (prompting users to take action), and focusing on video and live streaming as noted above. Only time will tell to see how they continue to compete with many new options, such as Facebook Messenger, WhatsApp, Instagram and Snapchat.

## 14-9 Privacy and Other Concerns

Over the years, social media networks have faced many complaints of breaches of privacy policies with their users, including a series of miscues by Facebook, Twitter, and Snapchat. Before we examine some of these specific privacy issues, it is important to consider the four *general privacy principles* applied to one’s personal identifiable information for all advertising and marketing activities, namely, **notice**, **consent**, **access** (to information), and **security**. We now will detail many of the reported privacy issues associated with the notification and changes to Facebook’s privacy policy over the years.

Several changes to Facebook’s privacy policy began in 2009 and 2010, such as third-party data tracking firms (e.g., Google’s Double Click and Yahoo Inc.’s Right Media) receiving Facebook users’ names or identification numbers tied to personal profile information without proper notification to the users.<sup>104</sup> Later in August 2010, Facebook launched their Facebook Places location-based service that provided a voluntary check-in for users at locations, such as retail stores, etc. However, it initially was allowing friends to tag each other in location check-ins even though the other person may not physically be at the location or even aware of the check-in.<sup>105</sup> This was corrected later to an opt-in, whereby the tagged friend could click “not now” or accept the friend’s check-in. (Users selecting “not now” might continue to receive annoying requests until a

change is made in the privacy profile.) In October 2010, it was found that popular Facebook apps (Farmville, Phrases, Texas HoldEm, etc.) were transmitting personally identifiable information to advertisers and tracking firms.<sup>106</sup> Finally, privacy critics have voiced concerns over Facebook's sponsored stories that allows advertisers to buy and republish Facebook messages that users post about brands (e.g., with a check-in at a local retail store) when a user clicks the site's "like" button.<sup>107</sup>

Many of these (and other) privacy issues eventually drew the attention of the Federal Trade Commission (FTC), who specifically detailed the privacy policy concerns for Facebook in a November 2011 FTC complaint and agreement with the firm.<sup>108</sup> Facebook then agreed to settle FTC charges that it deceived consumers by telling them they could keep their information on Facebook private, and then repeatedly allowing it to be shared and made public.<sup>109</sup> Later, in 2014, Facebook had conducted an experiment without the knowledge of 700,000 users to see if omitting content with words associated with positive or negative emotions would alter the moods. This sparked controversy about the company's research ethics, leading Facebook to promise an internal review.<sup>110</sup> Due in part to many of these incidents, Facebook decided to limit outside access to certain types of data as depicted below.<sup>111</sup>

Another recent issue is with respect to security, as hackers have attacked social networks such as Facebook and Twitter.<sup>112</sup> Finally, as noted in Chapter 13, consumers may mistakenly assume they are "conditionally surrendering" personal information (e.g., sharing a private photo in Snapchat assuming it will disappear after a few seconds, but someone takes a screenshot of it and reposts it).<sup>113</sup> However, as noted earlier, an FTC settlement with Snapchat prohibits it from misrepresenting the extent to which it maintains the privacy, security, or confidentiality of users' information due to the discovery of such work-arounds used to capture "disappearing" posts.<sup>114</sup> In sum, balancing the privacy (and security) of your users with the needs of advertisers and data tracking firms is indeed a serious undertaking that requires continual vigilance.

#### 14-9a OTHER SOCIAL MEDIA NETWORK CONCERNS

A study conducted by the International Center for Media & the Public Agenda (ICMPA) asked 200 students at the University of Maryland to abstain from using all media for 24 hours.<sup>115</sup> After their 24 hours of abstinence, the students were then asked to blog on private class websites about their experiences: to report their successes and admit to any failures. In aggregate, the students wrote over 110,000 words—the same number as a 400-page novel. According to researchers, students describe their feelings in abstaining from using media in literally the same terms associated with drug and

alcohol *addiction*; that is, in terms of withdrawal, frantic craving, being very anxious, extremely antsy, miserable, jittery, and crazy. Most of the comments regarded not being able to check social networking sites and mobile devices. Research has discovered that "likes," "shares," "retweets," phones buzzing, etc. all serve to activate a "dopamine rush" in the brain similar to neurological activity stimulated by food or water.<sup>116</sup>

Other social media network debates have centered on exactly *how young* should users be allowed on such sites. Or in other words, should 9-year olds really be on Facebook?<sup>117</sup> According to *Consumer Reports*, an estimated five million Facebook users are 10 or younger.<sup>118</sup> The argument against early use is that logic and sophisticated reasoning is not really activated until high school, and therefore, younger children may not realize when one of their posts is inappropriate. Certainly, there have been many reports of cyber-bullying at young ages. On the other side, some researchers argue that it is important to avoid blanket judgments about online communication and social media.<sup>119</sup> That is, online communication is argued to have a positive aspect in the socialization process, by establishing identities and independence. No doubt, questions such as "How is this social media network going to interact with my child's personality?" should be asked.<sup>120</sup>

## 14-10 Measurement of Social Media Campaigns

A survey of 1,000 online businesses indicates that companies continue to struggle with measuring the return on investment (ROI) of social media efforts.<sup>121</sup> In the survey, 41 percent of the companies report they do not have a ROI measure for *any* of the money spent on social media. Just 8 percent can determine the ROI of *all* of what they spend on social media. Part of the problem is *not* that there is dearth of metrics and firms—because there are many of both. Rather, the constant stream of (usually "count") data on social media creates the "illusion of precision."<sup>122</sup> What is desired is to offer audiences specific metrics (more on this below), providing a more in-depth assessment of the impact of social media campaigns. These can take a while to build (e.g., comScore studies taking from 6 months to 2 years<sup>123</sup>) and metrics (in general) can cost from \$1,000 per month to \$100,000 a year.

Many firms and metrics exist for measurement of social media. For example, firms such as Google Analytics and Adobe Marketing Cloud can offer standard metrics such as unique visitors, time spent on site, total time per users, frequency of visits, depth of visit, and conversions. Other social media monitoring firms include Salesforce's Marketing Cloud, Evolve24, Nielsen Social Content Ratings (which at one time offered "blog pulse" that tracked keyword statistics for thousands of blog sites), Oracle, Amazon's Alexa, Compete, and comScore, among others.

As many offer different tools and metrics, perhaps the most important question is to *determine what one's objectives* (e.g., increasing unique visitors? fans? conversions? impressions? gross rating points?) are for the social media campaign. For instance, maybe one is interested in traffic rankings based on reach (unique visitors) and page views per unique visitor—so Alexa ([www.alexa.com](http://www.alexa.com); see Table 14.1) may be the choice. Or, based on recruited panelists, one might be interested in audience profile data, including media exposure, search term usage, cross-shopping, conversions, and competitive behaviors among different audience segments—so Compete ([www.compete.com](http://www.compete.com)) or comScore ([www.comscore.com](http://www.comscore.com)) might be the selection.

Also, many statistics can be gleaned directly from the social media site itself. For example, Facebook offers an *EdgeRank Score* that is an algorithm that Facebook uses to determine which of a page's statuses the page's online community will see in their news feed.<sup>124</sup> The algorithm is calculated as:

$$\text{EdgeRank Score} = \text{Affinity} \times \text{Weight} \times \text{Time Decay}$$

The *affinity score* is based on the number of times that you send a friend messages and check their profile; a greater number of messages and checks leads to a higher affinity score. A *weight* is then assigned to each type of interaction. Pictures carry the highest weight score, followed by comments and then by “likes.” Finally, *time decay* reflects the fact that the older the interaction, the less important it becomes. The EdgeScores are categorized

**Summary dashboard** A convenient summary of the social media impact of one's brand versus competitors.

**Sentiments** The polarity of a text in social media.

**Share of voice (SOV)** The ratio of a brand's advertising expenditures to total category advertising expenditures.

**Share of conversation** The ratio of a brand's conversations online to the industry conversations online.

as follows: 0 to 6 is below average, 7 to 13 is average, 14 to 19 is above average, and scores above 20 are excellent.<sup>125</sup> Other researchers have taken the idea of measuring influential users a step further in developing an approach to determine which users have significant effects on the activities of others using the longitudinal records of members' log-in activity.<sup>126</sup>

Other companies, such as Google Analytics (see <https://analytics.googleblog.com/2016/08/introducing-google-analytics-demo.htm> for a demo) and Salesforce's Marketing Cloud (formerly Radian6) (<https://www.marketingcloud.com/products/social-media-marketing/radian6>) offer detailed social media tracking resulting in **summary dashboards** displaying **sentiments** (i.e., the polarity—positives minus negatives—of a text in social media), **share of voice** (e.g., brand mentions versus competitors), and **share of conversations** (e.g., brand versus industry). Such summary dashboards offer a convenient summary of the social media impact of one's brand versus competitors.

A final example involves the use of comScore's Social Essentials measurement service based on a two-million-member global panel of Internet users.<sup>127</sup> comScore provides audience measure statistics through their panels, such as monthly brand impressions (i.e., total exposures) and the overall weight of a brand campaign (e.g., gross rating points [GRPs] as a function of the percentage reached at least once and the frequency of times reached). This historical, single-month information is provided in Table 14.2 from comScore for Starbucks, Southwest

**Table 14.2** ▶ Unpaid Brand Impressions on Facebook

	EXPOSED FANS (000)	IMPRESSIONS (000)	TOTAL U.S. REACH	TOTAL INTERNET REACH	FREQUENCY	TOTAL U.S. GRPs
<b>Fans</b>						
Starbucks	6,314	17,098	2.1%	2.9%	2.7	5.7
Southwest	917	2,924	0.3%	0.4%	3.2	1.0
Bing	1,221	3,670	0.4%	0.6%	3.0	1.2
<b>Friends</b>						
Starbucks	10,630	35,267	3.5%	4.9%	3.3	11.6
Southwest	1,123	2,994	0.4%	0.5%	2.7	1.0
Bing	2,208	4,441	0.7%	1.0%	2.0	1.5

\*Final GRPs may vary slightly due to rounding.

Source: “The Power of Like,” comScore, July 26, 2011, p. 14. Used by permission of comScore.

Airlines, and Bing. In the case of Starbucks, if one divides the number of total impressions (in thousands; 17,098) by the number of unique exposed fans (in thousands; 6,314) this equals the average frequency of exposures (2.7) in the month. The total U.S. reach (2.1) (dropping the percentage) times the frequency (2.7) equals the total U.S. gross rating points (GRPs) of 5.7. These figures are important in that they can enable some comparability with other digital campaigns, as well as some data for comparison with cross-media campaigns.

As the social media world will undoubtedly change and evolve, so will social media metrics. The challenge is to go beyond the temptation of relying on simple counts (e.g., our brand has 39 million fans!) and move toward

audience specific data that can be compared with other media options. A social media content manager recently made three very insightful suggestions about the nature of social media measurement.<sup>128</sup> First, social media is the vehicle—not the destination or strategy. So, social media is just an IMC tool that requires consistent attention and integration with other IMC tools. Second, listen to the discussions generated by social media channels and learn how these can benefit every department in the organization. Finally, IMC performance metrics are media agnostic. That is, the focus should not be on forcing social media (or a certain social media presence). Rather, it is applying the right IMC tools to help solve consumer and social problems.

# Summary

This chapter presented material on perhaps the most exciting, fastest-growing, and ever-changing tool found in IMC today, that is, social media. We first described exactly what “social media” means. We then discussed the advantages and disadvantages of this evolving media option compared to traditional media choices. Many of the major social media brands (e.g., Facebook, Twitter, Instagram, Snapchat) were then presented with special attention paid to Facebook and

Twitter social networks. Then, 20 of some of the best social media campaigns of all time were presented. We then discussed organizational issues associated with social media, as well as how to advertise on social media networks. Privacy and other major areas of concern were described and then followed by an in-depth discussion of current metrics used in evaluation the return on investment (ROI) for investments in social media campaigns.

## Discussion Questions

1. Based on your own experiences with social media (e.g., Facebook, Twitter, Snapchat, Instagram, YouTube, WordPress, Pinterest, LinkedIn), what do you consider to be its major advantages and disadvantages?
2. As mentioned in the *Marcom Insight*, critics of Facebook have likened it to your once favorite and cozy restaurant or bar now becoming very crowded, with more gimmicks to keep you there, many changes to the décor, and servers and bartenders who are now gossips. Do you agree with this analogy? What do you think is the future for Facebook?
3. An examination of Figure 14.1 and Table 14.1 suggests a very crowded brand space in the social media world. Provide specific ideas and suggestions as to how some of the newer social media brands can better identify themselves and differentiate themselves from competition.
4. One possible disadvantage of using social media may be that a firm’s public mistake or “faux pas” with consumers goes viral—reaching millions of consumers the next day. Explain how you would respond, especially from a public relations perspective.
5. How would you go about advertising on Facebook? Twitter? Instagram? Snapchat? Compare how this differs from other traditional media (e.g., television, radio, magazines, newspapers).
6. Describe how posting items on Facebook has affected your privacy. Has this also occurred for tweets on Twitter? Snaps on Snapchat? (If you are not on these sites, sample a roommate or friend.) How should advertisers balance the need for collecting such information with their targeting efforts?
7. Do you agree with major social networking sites (e.g., Facebook, Twitter, LinkedIn) allowing for the censorship of content in certain countries? If you answer “no,” will that affect such sites’ profitability and growth in allowing for almost identical competitors (e.g., Renren) in these countries?
8. Select one of your favorite brands. Discuss how you would use social marketing to drive traffic to your other IMC elements in an integrated campaign. What do you consider to be some of the more effective techniques mentioned with the successful social media campaigns mentioned in the chapter?
9. How should social media be organized within agencies and firms? Do you think it should be set up as a separate department?
10. Discuss what you consider to be the measure of the success and effectiveness of social media. Should it be share of voice? Share of conversation? Sentiments? Brand mentions versus the industry or competitors? Audience characteristics, such as impressions and gross rating points (reach  $\times$  frequency)? Cost per impression or view? Cost per click? Cost per engagement or action?

# CHAPTER 15

## Direct Marketing, CRM, and Other Media

### CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Explain direct marketing and the reasons underlying its growth.
- 2 Describe the characteristics of direct-response advertising.
- 3 Discuss the distinctive features of direct-mail advertising.
- 4 Appreciate the role of customer relationship management (CRM), database marketing, data mining, and lifetime-value analysis.
- 5 Discuss the advantages and disadvantages of outbound and inbound telemarketing.
- 6 Explain the value of other media options, including brand placements, yellow pages advertising, video game advertising, and other “alternative” media.

### Marcom Insight

#### During Tough Times, Flex Seal and ShamWow March On

During recent recessionary periods, **direct response TV advertising (DRTV)** has flourished. Typically, DRTV takes two basic forms: *long form* (half hour or hour-long segments explaining a product in detail, known as an **infomercial**) or *short form* (30-, 60-, or 120-second commercials asking viewers for an immediate response). Such short-form DRTV commercials are best for products under \$30 that are easily and quickly understood, often operating on a limited budget.

Although some have experienced problems over the years, many famous personalities have been developed (or used in) DRTV sales pitches, such as Tony Robbins, Billy Blanks (Tae Bo), Cher, Chuck Norris, George Foreman (grills), inventor and salesperson Ron Popeil, Tony Little (Gazelle elliptical glider), Anthony Sullivan (Swivel Sweeper), the late Billy Mays (OxiClean), Dan Marino, Richard Simmons, Matthew Lesko (free government money), Susan Powter (Stop the

**direct response TV advertising (DRTV)** TV advertising that takes two basic forms: *long form* (half hour or hour-long segments explaining a product in detail, known as an infomercial) or *short form* (30-, 60-, or 120-second commercials asking viewers for an immediate response).

**infomercial** A form of television advertising that serves as an innovative alternative to the conventional, short form of television commercial; full-length commercial segments that typically last 28 to 30 minutes and combine product news and entertainment.



Source: asseentv.com



Source: shamwow.com

Insanity), Phil Swift (Flex Seal), and Vince Offer (ShamWow). The short form 60- and 120-second DRTV spots often using such celebrities have been doing extremely well in recession periods.

Although traditional TV advertisers pull back significantly during economic downturns, the short-form DRTV advertisers have been quick to replace them. For example, in the midst of a recent recession period, DRTV advertisers spent \$172.1 million in advertising Rosetta Stone, \$44.6 million in pitching ShamWow, \$23.6 million for PedEgg, and \$7.7 million in advertising the Swivel Sweeper.

Such DRTV ads can be also cost effective, as the pitchmen usually work for royalties, the short-form (2 minutes) ads can cost only from \$25,000 to \$75,000 on average to produce, and media tests around only \$5,000 to \$10,000 before a final rollout. Not every segment of DRTV is recession-proof, though, as larger-ticket items (e.g., Nautilus BowFlex) and continuity plans (e.g., NutriSystem) have seen sales declines. But for less expensive products, short-form DRTV has been a blessing for companies. For example, during the same recession years mentioned above, Snuggie sold 4 million units, while PedEgg had sales of 24 million units. Even in tight budgetary periods, a smart shifting of ad dollars (e.g., to short-form DRTV ads), coupled with creative appeals often found in direct response advertising, can help weather the economic storm.

Sources: “Direct Marketing,” *Wikipedia*, last modified September 1, 2016, accessed August 17, 2016, [https://en.wikipedia.org/wiki/Direct\\_marketing](https://en.wikipedia.org/wiki/Direct_marketing); Timothy R. Hawthorne, “When and Why to Consider Infomercials,” *Hawthorne Direct*, February 1998, accessed February 20, 2012, [http://freefastcharger.com/tim\\_hawthorne\\_articles/?post=when\\_why\\_to\\_consider\\_infomercials](http://freefastcharger.com/tim_hawthorne_articles/?post=when_why_to_consider_infomercials); Jack Neff, “Amid Cutbacks, ShamWow Marches On,” *Advertising Age*, March 23, 2009, 1, 14; Paul Greenberg, “How Much Does It Cost to Produce and Air a Decent Infomercial?” July 14, 2014, <https://www.quora.com/How-much-does-it-cost-to-produce-and-air-a-decent-infomercial/>; “Twenty Greatest Late-Night Infomercials,” *Van Winkle’s*, October 26, 2015, <https://vanwinkles.com/20-best-infomercials>.

## 15-1 Introduction

Some of our prior chapters emphasized the traditional advertising media (television, magazines, newspapers, and radio), as well as digital media choices such as online and mobile advertising and social media. Historically, traditional ad media have been used to reach *mass audiences* and have been judged in terms of cost efficiencies. Advertising in mass media creates brand awareness, conveys product information, and builds or reinforces a brand’s image. Marketers of brands such as Rosetta Stone, Nautilus, Flex Seal, ShamWow, and many others (see *Marcom Insight*) are turning increasingly to direct advertising, customer relationship management (CRM), and database marketing to fine-tune their customer selection, better serve customer needs, and fulfill their own needs by achieving advertising results that can be measured by actual sales response. Mass-media advertising and direct marketing efforts are components of well-designed integrated marketing communications efforts.

This chapter covers the related topics of direct marketing, CRM, and database marketing,

**Direct marketing** An interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

which collectively include direct-response advertising, direct mail, telemarketing, and direct selling (discussed briefly). Then other “alternative media” are introduced. An overview of direct marketing now is provided before turning to each specific topic.

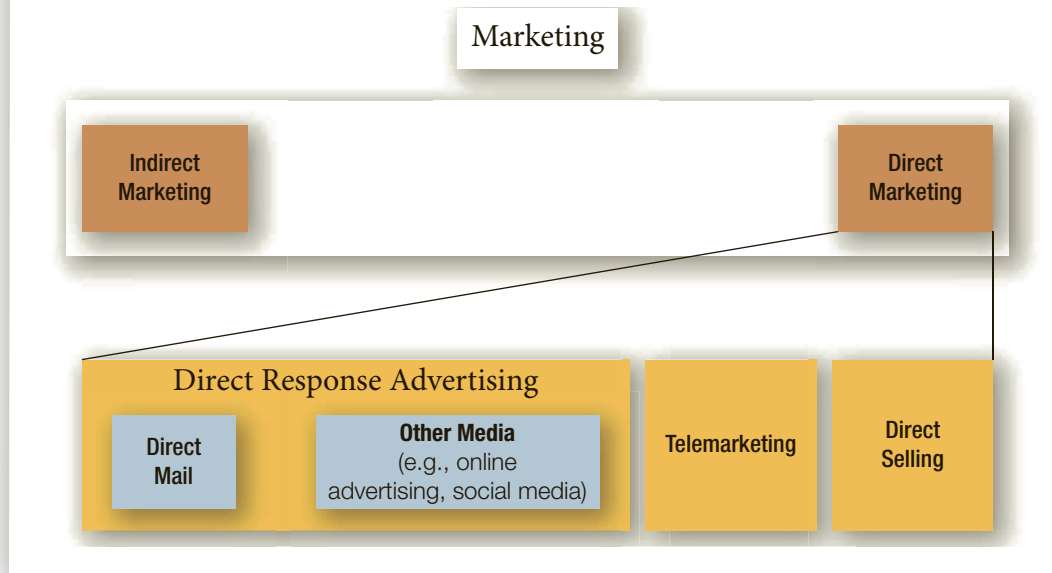
## 15-2 Direct Marketing

At its onset, **direct marketing** was considered a specialty form of marketing and advertising appropriate only for products and services offered by book publishers, correspondence schools, and marketers of inexpensive gadgets and cheap clothing. Today, however, most *Fortune 500* firms are enthusiastic users of CRM, databases, and direct-marketing initiatives, often in the form of online and social media efforts. Indeed, direct marketing continues to a major contributor to the United States and global economy.

Precisely what is direct marketing? The DMA—the Data and Marketing Association (formerly the Direct Marketing Association)—is a trade group whose members practice



**Figure 15.1** ▶ Distinctions among Various “Direct” Concepts



© Cengage Learning 2013

various forms of direct marketing. They offer the following definition:

Direct marketing is an *interactive system* of marketing that uses *one or more advertising media* to effect a *measurable response and/or transaction at any location*.<sup>1</sup>

Note the italicized features of this definition. First, direct marketing involves *interactive marketing* in that it entails personalized communications between marketer and prospect. Second, direct marketing involves *one or more media* (e.g., direct mail with telephone follow-up marketing; online videos with a “shop now” call to action; social media with e-mail). Third, direct marketing via media such as direct mail and online advertising allows for relatively greater *measurability of response* in comparison to indirect media such as television advertising. It is easier to measure because purchase responses to direct marketing: (1) typically are more immediate than responses to mass-media advertising and (2) can be tracked to specific customers in response to specific marketing efforts. Finally, direct marketing takes place at a *variety of locations*—online, by phone, at a kiosk, by mail, or by personal visits.

You now have a general understanding of direct marketing; however, the terminology of direct marketing might be confusing to some because the word *direct* is used in several different ways: direct marketing, direct-response advertising, direct mail, and direct selling. Figure 15.1 provides a framework to help clarify the distinctions among these various *direct* words. As shown by Figure 15.1, the total marketing process consists of indirect and direct marketing, with the latter being split into its various forms.

**Direct response advertising** When media is used to transmit messages that encourage buyers to purchase directly from the advertiser

*Indirect marketing* includes the use of intermediaries in the channel of distribution; examples include distributors or dealers in business-to-business marketing and retailers in consumer-goods marketing. Indirect marketing is what typically comes to mind when one thinks of marketing or building brand awareness. However, there has been substantial growth in various forms of direct or interactive home shopping whereby consumers make catalog purchases, engage in online shopping, or order from home-shopping television networks. Many manufacturers now routinely bypass retailers and sell directly to consumers, referred to as *disintermediation*.<sup>2</sup> Dell Computer, for example, became a leading marketer of desktop computers (now second to HP) by exclusively selling its products directly to consumers without retailer intervention.

The marketer’s purpose with *direct marketing* is to establish a relationship with a customer in order to initiate an immediate and measurable response. Direct marketing is accomplished using direct-response advertising (via direct mail and cataloging, online marketing, social media), telemarketing, and direct selling.

**Direct response advertising** involves the use of any of several media to transmit messages that encourage buyers to purchase directly from the advertiser. *Direct mail* is an important direct-advertising medium, but it is certainly not the only one. Direct-response advertising also uses television, online websites and apps, social media, magazines, and other media with the intent of creating immediate action from customers. *Telemarketing*, another important form of direct marketing, includes making outbound calls from telephone salespersons and handling inbound orders, inquiries, and complaints from present or prospective customers. *Direct selling*

is the use of salespeople (e.g., Avon, Amway, Mary Kay, Rodan + Fields, and Tupperware representatives) to sell directly to the final consumer, now often via social media. Direct selling often, but not always, uses *multi-level marketing* (i.e., salespeople are paid for selling and for sales made by people they recruit or sponsor) rather than *single-level marketing* (i.e., in which salespeople are paid only for sales they make themselves). Direct selling will be further discussed in Chapter 23.

Finally, direct marketing really relies on the practice of *customer relationship management* and *database marketing*. **Customer relationship management (CRM)** is the process of carefully managing detailed information about individual customers and all customer “touchpoints” to maximize loyalty.<sup>3</sup> **Database marketing (DBM)** is a process in which companies collect information on consumers, analyze it to predict who will buy, and then develop tailored marketing messages to those consumers.<sup>4</sup> DBM is more database-oriented with a focus on data warehousing and mining functions, whereas CRM is more customer-oriented, using the data to provide excellent real-time customer service in maximizing long-term loyalty.<sup>5</sup> Typical databases include customers’ past purchase details (“behavioral” data) and other types of relevant information (demographic, geographic, and psychographic data). As noted in Chapter 1, a consumer touchpoint is *any* message medium capable of reaching target customers. For example, for Hyatt Gold Passport members, it might be online customized hotel room preferences and check-in perks, whereas for Avis Preferred members, it might represent customized rental car options offered online and at the point-of-pickup. Through CRM, the information is used to establish long-term communication relationships with consumers.<sup>6</sup> Although customer relationship management (CRM), database marketing, and direct marketing are *not* exactly equivalent, the increased sophistication of CRM and database marketing has been largely responsible for the growing use and effectiveness of direct marketing.

### 15-2a DIRECT MARKETING'S PHENOMENAL GROWTH

At one time, direct marketing represented a relatively small part of most companies’ marketing efforts. However, direct marketing now is an enormous enterprise, as reflected in the following statistics:<sup>7</sup>

- U.S. sales revenues attributable to direct marketing are estimated to reach almost \$2.5 trillion in 2016.
- In 2016, marketers spent \$196.1 billion on direct marketing, accounting for approximately 46.6 percent of all media and marketing services expenditures in the United States.

- Business-to-business (B2B) marketers in 2016 are estimated to produce sales of \$310 billion from telephone marketing.
- As projected for 2016, direct marketing is estimated to account for 13.5 percent of the U.S. gross domestic product.
- There are 1.4 million direct marketing employees in the United States, with direct-marketing sales supporting another 8.4 million jobs. In total, this accounts for 9.8 million U.S. jobs.

Lester Wunderman, the famous direct-marketing practitioner who coined the expression “direct marketing,” had this to say: “Direct marketing, today, is scientific, accountable, versatile, multidimensional and growing faster than any other form of advertising.”<sup>8</sup>

A variety of factors help explain direct marketing’s growth. Fundamental *societal changes* (e.g., intensified time pressures, increased use of smartphones tied with online payment systems) have created an opportunity for the convenience of direct-marketed products and services. Direct marketing provides shoppers with an easy, convenient, and relatively hassle-free way to buy.

Major advances in *technology and database management* have made it possible for companies to maintain large databases containing millions of prospects and customers. For example, Netflix, the movie-rental business, has a database of over 35 million households for both streaming- and DVD-rentals, and Kraft Heinz has a list of more than 30 million users of its products.

In addition to the growth of consumer-oriented direct marketing, applications of direct marketing by business-to-business marketers also have experienced tremendous expansion. B2B expenditures on direct marketing (predominantly telephone sales and direct mail) are estimated to grow by 3.8 percent from 2011 to 2016, for total expenditures of \$196.1 billion in 2016, generating \$2.49 trillion in sales.<sup>9</sup> Table 15.1 displays all of the major categories of direct marketing with their ad expenditures and sales estimated for 2016 by the DMA, as well as their percentage growth calculated for 2011 to 2016.

A major reason for this trend is the rising cost of personal sales calls, which on average can be \$500 per call.<sup>10</sup> As a result, online contact (e-mail), telemarketing, and direct mail have actually replaced the sales force in some companies, whereas in others, direct marketing is used to supplement the sales force’s efforts by building goodwill, generating leads, and opening doors for salespeople. Online selling, telemarketing, and other forms of direct marketing provide attractive options for firms who either prefer to avoid the huge expense of a traveling sales force or desire to supplement sales-force effort with supportive marketing communications to expand markets.

**Customer relationship management (CRM)** The process of carefully managing detailed information about individual customers and all customer “touchpoints” to ensure loyalty.

**Database marketing (DBM)** A process in which companies collect information on consumers, analyze it to predict who will buy, and then develop tailored marketing messages to those consumers.

### 15-3 Direct-Response Advertising

As shown in Figure 15.1, direct-response advertising includes direct mail and other media (e.g., online advertising, social media). As found in Table 15.1, direct mail is by far the dominant direct-response advertising medium, but some direct-response advertising is placed in conventional mass media (newspapers, magazines, and television—e.g., infomercials; see *Marcom Insight*). In general, three distinct features characterize direct-response advertising: (1) it makes a *definite offer*; (2) it contains *all the information necessary for the prospect to make a decision*; and (3) it includes a *response device* (coupon, phone number, Web link, or some combination) to facilitate immediate action.<sup>11</sup>

An illustration of direct-response advertising can be found in celebrity online ad testimonials in Figure 15.2 for Nutrisystem's Success Plan. This sponsored ad satisfies the requirements of a direct-response advertisement in its appeal to consumers who search "weight loss" online. For example, the sponsored ad provides prospective customers with interesting background information, several celebrity testimonials (Marie Osmond, Dan Marino, Melissa Joan Hart), and solid reasons to consider purchasing their weight-loss menu plans. The ad also encourages viewers to provide before/after pictures and to share their own success stories online. A prominent tab encourages consumers to "Shop Plans" (with pricing discounts) and a money back guarantee is shown. Links to Facebook, Twitter, YouTube, Instagram, and Pinterest are displayed, as well

**Table 15.1** ▶ Ad Expenditures and Sales Estimates for Direct Marketing Categories

	AD EXPENDITURES 2016 EST. (BILLIONS)	AD EXPENDITURES COMPOUND ANNUAL GROWTH 2011 TO 2016 (%)	SALES 2016 EST. (BILLIONS)	SALES COMPOUND ANNUAL GROWTH 2011 TO 2016 (%)
Telephone Marketing	38.10	0.80	310.00	0.40
Direct Mail (Non-Catalog)	37.10	2.50	577.40	2.70
Direct Response Television	25.90	3.20	163.40	2.70
Internet Search	22.40	9.90	506.10	10.30
Direct Mail (Catalog)	20.50	3.50	146.70	3.10
Internet Display	14.10	10.60	279.20	10.70
Direct Response Magazine	7.20	0.60	70.30	0.20
Internet Social Networking	6.10	19.40	81.80	20.70
Internet Other	5.90	8.80	103.30	9.30
Direct Response Newspaper	4.90	-9.00	58.30	-9.10
Direct Response Radio	3.90	-0.20	30.60	-0.80
Mobile	3.10	28.70	39.10	33.10
Commercial E-mail	2.30	8.60	82.20	5.40
Insert Media	2.30	1.70	26.10	1.40
Other	2.30	1.40	15.50	1.20
<b>Total</b>	<b>196.10</b>	<b>3.80</b>	<b>2,490.00</b>	<b>4.90</b>

Source: DMA Statistical Fact Book 2013, 2–5, New York, NY: Direct Marketing Association.

**FatMan Unleashed**  
Weight Loss Blog Support Community

the evolution

Home About Weight Loss Chart FMJ T-Shirt

Diet & Weight Loss Fitness Food and Nutrition Health, Lifestyle & More Inner Workouts Reviews The Weight Loss Journey TV Shows & Movies

**BISTRO MD** Healthy & Delicious Weight Loss. Delivered. [LEARN MORE](#)

Sponsored [Weight Loss A](#) [Diet Program](#) [Episode 1](#)

By Israel Lagares on January 30th, 2008 15

## Nutrisystem Weight Loss Program

**60 GB DATA NOW AT JUST ₹999**  
Also enjoy unlimited free calls. [Get now](#)

Many of you have seen Nutrisystem commercials. Weight loss while eating has become popular. On their web site you can read about dozens of success stories of people losing 20 to 100+ pounds!

### Nutrisystem Weight Loss Program

Nutrisystem is a weight loss diet program where you eat to lose weight! Sounds too good to be true, but it works. To get you started sign-up for their auto-delivery program for two months and get an extra week of food for both months. Two extra weeks of food for free. Everything is delivered to your door.

What's a huge plus for these programs is that Nutrisystem offers both a Men's program and a Women's program. For the men you get "man food" like burgers, pizza, pasta, and chips. You get to chose your own meals. For women they also offer "crave-busting and filling entrees." The Nutrisystem Program includes low Glycoemic index carbs and the right amount of protein and fiber. It gives you the nutrients you need and will help you lose weight without feeling hungry.

[NutriSystem, Inc.](#)

**Weight Loss Video Diary**  
Still Fighting the War

**ERROR**  
The requested URL could not be retrieved

Watch Over 80 More Videos in the FMU Video Gallery

**LOSING WEIGHT IS NOW EASY WITH La Belle**

**Arun Jote Kaur**  
Reduced **23kg**

**GET FREE CONSULTATION**

Under medical supervision

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Source: Nutrisystem

**Nutrisystem** Call Now: **1-888-408-5673**

Shop Plans How It Works View Menu Success Stories Support **ORDER NOW**

**TODAY ONLY: Get fast5+ and an EXTRA \$30 OFF with promo code SAVE30** See offer details

## See fast weight loss IN YOUR FIRST WEEK

# fast5+

**WITH free SHAKES!**

- ✓ NEW food selection for fast results
- ✓ NEW Expert Guides full of tips
- ✓ FREE shakes to crush hunger & more!
- ✓ FREE shipping with every order!

**MONEY BACK GUARANTEE** [get started](#)

[SEE MARIE'S TRANSFORMATION](#)

Marie did not use Fast 5.

Source: Nutrisystem

Figure 15.2 ▶ Illustration of Direct Response Advertising

as Nutrisystem apps and a toll-free phone number to tap. All of these characteristics make it easy for consumers to order, essential for direct marketing.

In general, the direct advertiser's objective is to select a medium (or multiple media) that provides maximum ability to segment the market at a reasonable cost. Effective direct-response media selection demands that the marketer clearly define a target market. Consider, for example, the direct-response ad for DIRECTV's satellite service (see Figure 15.3). One target market for the DIRECTV satellite service consists of urban households, interested in sports programming, and frustrated with local cable service ("Don't Settle for Cable"). Advertisements for this product are placed in Sunday newspaper inserts in major markets throughout the United States, in addition to other media outlets.

## 15-4 Direct Mail

Chapter 13 discussed online advertising in its various forms, including e-mail and mobile advertising. This section of the chapter includes detailed coverage of direct-mail advertising that is *not* online (i.e., it occurs through postal services). These advertisements take many forms, including letters, postcards, programs, calendars, folders, online and offline catalogs, DVDs, order blanks, price lists, and menus.

At least four factors account for the widespread use of direct mail by B2B as well as B2C marketers. First, rising costs of television advertising and increasing audience fragmentation have led many advertisers to reduce investments in the television medium. Second, direct mail enables unparalleled targeting of messages to desired prospects. Why? Because, according to one expert, it is "a lot better to talk to 20,000 prospects than 2 million suspects."<sup>12</sup> Third, increased emphasis on measurable advertising results has encouraged advertisers to use that medium—namely, direct mail—that most clearly identifies how many prospects purchased the advertised product. Fourth, many consumers have favorable attitudes toward mail advertisements and would be disappointed if they could not get direct-mail offers and catalogs.

### 15-4a ILLUSTRATIONS OF SUCCESSFUL DIRECT-MAIL CAMPAIGNS

Three examples of highly successful direct-mail campaigns are described. One involves a B2B product, one a consumer-packaged good, and the third a consumer durable. (For a fourth illustration, see the *Insights Online: Global Focus* insert in MindTap.)

#### The Caterpillar 414E Industrial Loader Campaign

Caterpillar (or Cat for short) manufactures and sells an extensive line of heavy equipment products. Cat built the 414E industrial loader to help compete with John Deere in the Southwest United States. They needed a marcom

program that would make a strong impression on its dealers. The solution was to create a special event for the new 414E loader and then to promote that event via a direct-mail campaign just prior to a NASCAR race. The objective was to have Cat dealers—the 414E's target market—construct a racecourse using the new 414E machine, allowing dealers to learn firsthand the versatility of this new product. Upon construction, dealers were invited to race small vehicles (called dune buggies) on the newly constructed racecourse.

Direct-mail pieces (as part of the "Eat My Dust" campaign) were distributed to 1,700 dealers, who were informed that they would have an opportunity to use the new 414E to build a racecourse and then to race dune buggies over it. The 414E campaign drew a hugely successful 18 percent response compared to the normal range of 1 to 3 percent for direct-mail pieces. As a result, Caterpillar sold 28 of the 414E machines, some priced as high as \$75,000; the Eat My Dust promotion cost less than \$100,000. In other words, selling just two machines offset the total cost of the direct-mail campaign and the racecourse event, with the remaining sales of 26 machines contributing to Caterpillar's bottom line. By any standard, this was a hugely successful campaign.<sup>13</sup>

#### The Stacy's Pita Chip Campaign

The Boston-based Stacy's Pita Chip Company was a successful operation, but its business was largely limited to the New England region. In an effort to expand its distribution nationwide, Stacy's needed a successful yet affordable marcom program. Budget limitations made it impossible for Stacy's to use mass media such as TV advertising, so a direct-mail campaign was undertaken instead. The clever campaign they developed focused on the company's name, Stacy's. With the aid of outside companies that specialize in direct marketing, Stacy's was able to identify the names and addresses of 133,000 people named Stacy located throughout the United States.

Each of the 133,000 Stacy's was mailed a cardboard carton with gold lettering reading: "To Stacy, From Stacy." Product samples of five pita chip products were enclosed (e.g., Stacy's cinnamon sugar, Stacy's parmesan garlic) along with a \$1 coupon and a postcard that enabled recipients to request free samples for a designated friend. The mailing also encouraged recipients to deliver a form letter to their local grocery store asking deli managers to stock Stacy's products. As a result, Stacy's Chief Marketing Officer (CMO) indicated that a large amount of publicity was generated at an expense much less than what a single 30-second TV commercial would have cost the company.<sup>14</sup>

#### The Saab 9-5 Campaign

The Saab 9-5 represented Saab's first entry in the luxury category and was designed to compete against well-known high-equity brands, including Mercedes, BMW,

Cable is a one-trick pony. Got it? Cause I'm a horse.

Take it straight from my horse's mouth. **DIRECTV** lets you put TVs anywhere without having to look at ugly cable wires and boxes in every room!

Requires a Genie HD DVR and a Wireless Genie Mini (\$19.99 fee applied) for each additional room. Additional and Advanced Receiver fees apply.

<p><del>\$29.99</del> <b>ONLY \$19.99*</b></p> <p>MONTHLY For 12 Months Plus add'l fees</p> <p><b>SELECT™ Package</b></p> <p><b>OUR BEST VALUE</b></p> <ul style="list-style-type: none"> <li>OVER 130 channels</li> <li>Local channels included (varies by location)</li> </ul> <p><small>NO extra add'l charges!</small></p> <p>FREE FOR 12 MONTHS!</p> <p>HBO + SHOWTUBE + WINE + COMCAST</p>	<p><del>\$39.99</del> <b>ONLY \$29.99*</b></p> <p>MONTHLY For 12 Months Plus add'l fees</p> <p><b>CHOICE™ Package</b></p> <p><b>TV THAT ALWAYS BEATS CABLE</b></p> <ul style="list-style-type: none"> <li>OVER 150 channels</li> <li>Local channels included (varies by location)</li> </ul> <p><small>NO extra add'l charges!</small></p> <p>FREE FOR 12 MONTHS!</p> <p>HBO + SHOWTUBE + WINE + COMCAST</p>	<p><del>\$49.99</del> <b>ONLY \$39.99*</b></p> <p>MONTHLY For 12 Months Plus add'l fees</p> <p><b>ULTIMATE Package</b></p> <p><b>THE MOVIE LOVER'S PACKAGE</b></p> <ul style="list-style-type: none"> <li>OVER 225 channels (including 71 movies channels)</li> <li>Local channels included (varies by location)</li> </ul> <p><small>NO extra add'l charges!</small></p> <p>FREE FOR 12 MONTHS!</p> <p>HBO + SHOWTUBE + WINE + COMCAST</p>
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**2015 SEASON INCLUDED** (all no extra charge)

**EVERY GAME, EVERY SUNDAY, ONLY ON DIRECTV!** (all no extra charge)

Regional Sports Fee applies in certain markets.

Regional Sports Fee applies in certain markets.

**ALL DIRECTV OFFERS REQUIRE 36-MONTH AGREEMENT\*\* ENROLLMENT IN AUTO BILL PAY REQUIRED\***

<p><b>INCLUDED</b> with every package</p> <p><b>FREE</b> GENIE® WHOLE-HOME HD DVR UPGRADE*</p> <p><small>One HD DVR powers your entire home system.</small></p>	<p><b>PLUS</b> NO EQUIPMENT TO BUY. NO START-UP COSTS.</p>	<p><b>PLUS</b> ASK A GENIE™ OUR NATIONWIDE BUNDLING!</p> <p><small>Eligibility based on service address. DIRECTV® and select qualifying infrastructure/telephone services required. Add'l. Mfr. equipment &amp; service fees apply.</small></p>
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Offers extended through 7/31/15. Credit card required for purchase in PA & NJ. New approved customers only (fee required). \$19.95 Handling & Delivery fee may apply. Applicable taxes adjustment may apply on the retail value of the installation. Programming pricing and offers are subject to change and may vary in certain markets. Some offers may not be available throughout all channels and in select areas.

[See back for details.]

Source: DirecTV

Figure 15.3 ▶ Another Illustration of Direct Response Advertising



Source: Stacy's Pita Chip Company, Inc.

Volvo, Lexus, and Infiniti. A total of 200,000 consumers, including 65,000 current Saab owners and 135,000 prospects, were targeted via multiple direct mailings with the objective of encouraging them to test-drive the 9-5. Mailings provided prospects with brand details and made an appealing offer for them to test-drive the 9-5. Names of the most qualified prospects were then fed to dealers for follow-up.

Saab's advertising agency designed four mailings: (1) an initial mailing announced the new Saab 9-5, provided a photo of the car, and requested recipients to complete a survey of their automobile purchase interests and needs; (2) a subsequent qualification mailing provided respondents to the first mailing with product information addressing their specific purchase interests (performance, safety, versatility, etc.) and offered a test-drive kit as an incentive for returning an additional survey; (3) a third mailing included a special issue from *Road & Track* magazine that was devoted to the Saab 9-5's product development process; and (4) a final test-drive kit mailing extended an offer for recipients to test-drive the 9-5 for 3 hours and also provided an opportunity for prospects to win an all-expenses-paid European driving adventure (through Germany, Italy, and Sweden) as incentive for test-driving the 9-5.

An outbound telemarketing campaign followed the direct mailings. Telephone calls were made to all people who responded to the initial mailings as well as to all prospects who had auto leases or loans that were expiring. These callings reinforced the European test-drive offer and set up times for local dealers to call back to schedule test-drives. The direct marketing effort for the 9-5 was fabulously successful. Of the 200,000 initial prospects contacted by the introductory mailing, 16,000 indicated interest in test-driving the 9-5 (an 8% response rate), and more than 2,200 test-drives were scheduled.<sup>15</sup>

#### 15-4b DIRECT MAIL'S DISTINCTIVE FEATURES

Direct-mail expenditures are quite large. In the United States alone, more than \$57.6 billion is annually invested in direct mailing.<sup>16</sup> These expenditures include B2B as well as B2C direct mailings. Direct mail offers five distinctive features as compared to mass forms of

advertising: targetability, measurability, accountability, flexibility, and efficiency:

- **Targetability.** Direct mail is capable of targeting a precisely defined group of people. For example, Saab's advertising agency selected just 200,000 current Saab owners and prospects.
- **Measurability.** It is possible with direct mail to determine exactly how effective the advertising effort was because the marketer knows how many mailings were sent and how many people responded. This enables ready calculations of cost per inquiry and cost per order. As previously noted, more than 2,200 consumers signed up for test-drives of the Saab 9-5. Proprietary dealer sales data reveal how many of the initial 200,000 mailings resulted in purchases.
- **Accountability.** Direct mail simplifies accountability because results can be readily demonstrated (as in the case of the Saab 9-5), and brand managers can justify budget allocations to direct mail.
- **Flexibility.** Effective direct mail can be produced relatively quickly (compared with a TV commercial), so it is possible for a company to launch a direct-mail campaign that meets changing circumstances (e.g., with high inventory). Direct mail also offers the advantage of testing communications ideas on a small-scale basis quickly and out of the view of competitors. Direct mail also is flexible in the sense that it has no constraints in terms of form, color, or size (other than those imposed by cost and practical considerations).
- **Efficiency.** Direct mail makes it possible to direct communications efforts just to a highly targeted group, such as the 200,000 consumers who received mailings for the Saab 9-5. The cost-efficiency resulting from such targeting is considerable compared with mass-advertising efforts.

An alleged disadvantage of direct mail is its expense. On a cost-per-thousand (CPM) basis, direct mail typically is more expensive than other media. For example, the CPM for a particular mailing may be as high as \$200 to \$400, whereas a magazine's CPM might be as low as \$4. However, compared with other media, direct mail is much less wasteful and will usually produce the highest percentage of responses. Thus, on a *cost-per-order basis*, direct mail is often a better bargain.

Perhaps the major problem with direct mail is that many people consider it excessively intrusive and invasive of privacy. Consumers are accustomed to receiving massive quantities of mail and so have been "trained" to accept the voluminous amount of direct mail received. (The average consumer receives 24.7 pieces of direct mail per week.<sup>17</sup>) Often, it is not the amount of mail that concerns most people, but the fact that virtually any business

or other organization can readily obtain their names and addresses.

#### 15-4c WHO USES DIRECT MAIL AND WHAT FUNCTIONS DOES IT ACCOMPLISH?

All types of marketers use direct mail as a strategically important advertising medium. Packaged goods companies and their brands such as Nestlé Purina, Kraft Heinz, Gerber Products, Quaker Oats (PepsiCo), Burger King, Tylenol (McNeil Healthcare/Johnson & Johnson), and Procter & Gamble are some of the primary users of direct mail. Direct mailing by firms such as these is especially valuable for introducing new brands and distributing product samples. In addition, financial firms, local supermarkets, publishers, and mail-order firms all make extensive use of direct mail.

Research and practical experience indicate that direct-mail campaigns can achieve the following functions:<sup>18</sup> (1) increase sales and usage from current customers, (2) sell products and services to new customers, (3) build traffic at a specific retailer or website, (4) stimulate product trial with promotional offers and incentives, (5) generate leads for a sales force, (6) deliver product-relevant information and news, (7) gather customer information that can be used in building a database, and (8) communicate with individuals in a relatively private manner and thereby minimize the likelihood of competitive detection.

#### 15-4d THE SPECIAL CASE OF CATALOGS AND VIDEO MEDIA

##### Catalogs

Although once in a steady decline, cataloging has made a resurgence, with more than 11.9 billion catalogs distributed annually in the United States.<sup>19</sup> Of the more than 12,500 catalog listings in the United States, 84 percent have an online version.<sup>20</sup> Also, about 90 million Americans make purchases from catalogs, according to the Data and Marketing Association. Consumers who receive catalogs spend an average of \$850 annually on catalog purchases.<sup>21</sup> Although some have gone by the wayside (e.g., the in-flight catalog SkyMall), others such as American Girl, Anthropologie, Athleta, Chico's, Crate & Barrel, Patagonia, and Pottery Barn have thrived.

From the marketer's perspective, catalog selling provides an efficient and effective way to reach prime prospects. From the consumer's perspective, shopping by catalog offers several advantages: (1) catalog shopping saves time because people do not have to find parking spaces and deal with in-store crowds;

(2) catalog buying appeals to consumers who are fearful of shopping due to concerns about crime; (3) catalogs allow people the convenience of making purchase decisions at their leisure and away from the pressure of a retail store; (4) the availability of toll-free (800, 855, 866, 877, and 888) numbers and online websites, credit-card purchasing, and liberal return policies make it easy for people to order from catalogs; (5) consumers are confident purchasing from catalogs because merchandise quality and prices often are comparable, or even superior, to what is available in stores; and (6) guarantees are attractive. Illustrative of this last point, consider the policy of L.L.Bean, the famous retailer from Maine:

*All of our products are guaranteed to give 100 percent satisfaction in every way. Return anything purchased from us at any time if it proves otherwise. We will replace it, refund your purchase price or credit your credit card, as you wish. We do not want you to have anything from L.L.Bean that is not completely satisfactory.*

Retailers also are employing creative devices like adventure tales and photo spreads of wildlife to catch a shopper's eye, hoping to secure purchases online or in a store. So, as noted in Table 15.1, sales are expected to grow 3.1 percent from 2011 to 2016, primarily due to higher-quality print and more specialized online versions of catalogs.<sup>22</sup>



Source: Catalogs.com



## Video Media

This form of direct advertising involves the use of videotapes or DVDs to present advertising messages. Video advertising is both more effective and less expensive than print advertising delivered via direct mail, and consumers are less likely to throw away an unsolicited video message than they are a brochure or other printed material. Moreover, such an approach serves as an attractive alternative to promoted Web links discussed in Chapter 13 (e.g., YouTube), as such material can be more permanent and sometimes of better quality than many Web links to advertising.

Consider the use of audiovisual advertising by a tourist destination. When a prospective tourist requests information, a disc could be mailed out that would contain the sights (video and pictures) and sounds (music, wildlife,

ocean waves, etc.) of the area and would present this information in a newsworthy and entertaining fashion. Videotapes and DVDs also have considerable potential in the area of B2B marketing. Visual presentations of new products can be mailed (or e-mailed) to prospective customers, who are encouraged to call for additional information or to arrange a personal sales visit.

## 15-4e CRM AND THE USE OF DATABASES

Through customer relationship management (CRM) software provided by companies such as Salesforce.com and Marketo, companies can store and manage potential and current customer information (e.g., contacts, account types, leads, sales opportunities) in one central location (e.g., cloud database). In theory, the idea of

**However you define satisfaction  
we guarantee it**

Whether your definition is style, comfort, years of use or enjoyment of the outdoors, it's backed by our 100% guarantee. No fine print. No ifs, ands or buts. And that holds true for everything we sell, including our new Thinsulate Fitness Vest. Every detail, from the quilted stitching right down to the zipper, is guaranteed to keep you satisfied, whether you're flying a kite, hiking or spending an evening under the stars. And if, for any reason, you have a problem, you can call us 24 hours a day, seven days a week and talk to an actual person right here in Maine. After 98 years of standing behind our products, we're confident they'll stand up to whatever you throw their way.

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\$49.99**

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\*Free shipping and handling applies to L.L.Bean's delivery service within the US and Canada. Limited time offer expires December 20, 2010. Limitations apply. See llbean.com for details.

Source: L.L. Bean

CRM is that it allows companies to gather customer data quickly, identifying the most valuable customers over time, and increasing customer loyalty by providing customized products and services. It also reduces the costs of serving these customers and makes it easier to acquire similar customers down the road.<sup>23</sup> As noted previously, the idea of CRM is to carefully manage data about individual customers and all their “touchpoints” to maximize loyalty. Yet, there have been problems with implementing CRM, including the following: (1) implementing CRM before creating customer strategy, (2) rolling out CRM before changing the organization to match it, (3) assuming that more CRM technology is better, and (4) stalking, not wooing, customers.<sup>24</sup> All of these issues point to the necessity of being customer-focused first, before any CRM implementation.

A careful development of one’s database, and use of data warehousing and mining tools, allows one to better predict who might buy in the future. An up-to-date database provides firms with a number of assets, including the ability (1) to direct the advertising efforts to those individuals who represent the best prospects for a company’s products or services, (2) to offer varied messages to different groups of customers, (3) to create long-term relationships with customers,

(4) to enhance advertising productivity, (5) to gain greater “share of customer” (i.e., a greater percentage of expenditures with your firm than with competitors), and (5) to calculate the lifetime value of a customer or prospect. Due to the importance of customer lifetime value, the following section focuses on this sixth database asset.

### Lifetime-Value Analysis

A key feature of database marketing is the need to consider each contact contained in a database from a lifetime-value perspective. That is, each present or prospective customer is viewed as not just a contact, but also as a *long-term asset*. Customer lifetime value is the *net present value* (NPV) of the profit that a company stands to realize on the average new customer during a given number of years. This concept is best illustrated using the data in Table 15.2.

Assume that a small specialty retailer has a database of 1,000 customers (see the intersection of row A and Year 1 column in Table 15.2). The following analysis illustrates how the average customer’s NPV can be calculated over a time frame of 5 years.<sup>25</sup> First, the *retention rate* (see row B) indicates the likelihood that people will remain customers of this particular retailer over the course of 5 years. It is

**Table 15.2** ▶ Customer Lifetime-Value Analysis

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue					
A Customers	1,000	400	180	90	50
B Retention rate	40%	45%	50%	55%	60%
C Average yearly sales	\$150	\$150	\$150	\$150	\$150
D Total revenue	\$150,000	\$60,000	\$27,000	\$13,500	\$7,500
Costs					
E Cost percentage	50%	50%	50%	50%	50%
F Total costs	\$75,000	\$30,000	\$13,500	\$6,750	\$3,750
Profits					
G Gross profit	\$75,000	\$30,000	\$13,500	\$6,750	\$3,750
H Discount rate	1	1.2	1.44	1.73	2.07
I NPV profit	\$75,000	\$25,000	\$9,375	\$3,902	\$1,812
J Cumulative NPV profit	\$75,000	\$100,000	\$109,375	\$113,277	\$115,088
K Lifetime value per customer	\$75.00	\$100.00	\$109.38	\$113.28	\$115.09

assumed that 40 percent of 1,000 customers in Year 1 will continue to be customers in Year 2 (i.e., 400 customers; see intersection of row A, Year 2 column); 45 percent of these 400 customers, or 180 customers, will remain into Year 3; 50 percent will remain in Year 4; and 55 percent will remain in Year 5.

Row C indicates that the *average yearly sales* in years 1 through 5 are constant at \$150. That is, customers on average spend \$150 at this particular retail establishment. Thus, the *total revenue*, row D, in each of the 5 years is simply the product of rows A and C. For example, the 1,000 customers in Year 1 who spend on average \$150 produce \$150,000 of total revenue; the 400 customers in Year 2 generate \$60,000 in total revenue; and so on.

Row E reflects the cost of selling merchandise to the store's customers. For simplification it is assumed that the cost is 50 percent of revenue. *Total costs* in each year, row F, are thus calculated by multiplying the values in rows D and E. *Gross profit*, row G, is calculated by subtracting total costs (row F) from total revenue (row D).

The *discount rate*, row H, is a critical component of NPV analysis and requires some discussion. The discount rate reflects the idea that money received in future years is not equivalent in value to money received today. This is because money received today, say \$100, can be immediately invested and begin earning interest. So \$100 received in the future, say in 3 years, is worth less than the same amount received today. Some adjustment is needed to equate the value of money received at different times. This adjustment is called the *discount rate* and can be expressed as:

$$D = (1 + i)^n$$

where  $D$  is the discount rate,  $i$  is the interest rate, and  $n$  is the number of years before the money will be received. The discount rate given in row H of Table 15.2 assumes an interest rate of 20 percent. Thus, the discount rate in Year 3 is 1.44 because the retailer will have to wait 2 years (from Year 1) to receive the profit that will be earned in Year 3. That is:

$$(1 + 0.2)^2 = 1.44$$

The *NPV profit*, row I, is determined by taking the reciprocal of the discount rate (i.e.,  $1 \div D$ ) and multiplying the gross profit, row G, by that reciprocal. For example, in Year 3, the reciprocal of 1.44 is 0.694, which implies that the present value of \$1 received 2 years later is only about \$0.69 at an interest rate of 20 percent. Thus, the NPV of the \$13,500 gross profit to be earned in Year 3 is \$9,375. (You should perform the calculation for years 4 and 5 to ensure that you understand the derivation of NPV. Recall that the reciprocal of a particular value, such as 1.44, is calculated by dividing that value into 1.)

The *cumulative NPV* profit, row J, simply sums the NPV profits across the years. This summation reveals that the cumulative NPV profit to our hypothetical retailer, who had 1,000 customers in Year 1, of whom 50 remain after 5 years, is \$115,088. Finally, row K, the *lifetime value per customer*, shows the average worth of each of the 1,000 people who were customers of our hypothetical retailer in Year 1. The average lifetime value of each of these customers, expressed as NPV over a 5-year period, is thus \$115.09.

Based on our example, the key issue is this: What can a marketer do to enhance the average customer's lifetime value? There are five ways to augment lifetime value:<sup>26</sup>

1. Increase the retention rate. The more customers a firm has and the longer they are retained, the greater the lifetime value. It therefore makes sense for marketers and advertisers to focus on retention rather than just acquisition. Database marketing is ideally suited for this purpose because it enables regular communication with customers (via blogs, frequency programs, social media, etc.) to build relationships, important in customer relationship management (CRM) practices today.
2. Increase the *referral rate*. Positive relations created with existing customers can influence others to become customers through positive word of mouth.
3. Enhance the *average purchase volume per customer*. Existing customers can be encouraged to purchase more of a brand. Product satisfaction and capable management of customer relations are means to building the base of loyal customers.
4. Cut *direct costs*. By altering the channel of distribution via direct marketing efforts, a firm may be able to cut costs and hence increase profit margins.
5. Reduce *marketing communications costs*. Effective database marketing can lead to meaningful reductions in marcom expenses because direct advertising often is more productive than mass-media advertising.

#### Internal Mailing lists

Based on a company's own house list of present or prospective customers.

#### External Mailing lists

Lists that are public, including house lists of other companies and other compiled lists.

#### House lists

A form of internal lists, these are lists based on a company's own internal list of present or prospective customers.

### Types of Mailing Lists

Success with direct mail depends on the quality of mailing lists contained in a company's database. There are two broad categories of lists: **internal** (house lists) and **external** (public lists, including house lists of other companies and compiled lists). **House lists** are based on a company's own internal list of present or prospective customers. As noted previously, Netflix has a list of over 44 million households in the United States in its database.<sup>27</sup> Because house lists contain the names of customers who previously responded to a company's offering, they are generally more valuable than external lists.

The external list comes in two forms. The first, **house lists of other companies**, is bought by a firm to promote its own products. These lists are effective because they comprise the names of people who have responded to another related company's direct-response offer. The greater the similarity of the products offered by both the buyer and the seller of the list, the greater the likelihood that the purchased list will be effective.

**Compiled lists**, the second type of external list, include lists purchased from another company (a "compiler") that specializes in list compilation. Examples of list compilers are infoUSA, Hoovers, Experian, and Acxiom. They combine raw data from sources, such as local yellow page and white page directories, online public information, public government state data, association data, and other publishing to make a comprehensive marketing list. List brokers can provide the right match between the company's needs and the thousands of lists on the market.

Compiled lists are not as desirable as house lists, however, for two important reasons. The first is because they do not contain information about the willingness of a person to purchase the specific item by mail. Second, the individuals or companies included on the list may have had to pay a fee to belong to an association representing the primary source for some lists. Therefore, it is very important to ask compilers about exactly how the lists provided were compiled in the first place.

### The Practice of Data Mining

Databases (aka "big data") can be massive in size with millions of addresses and dozens of variables for each database entrant. With the availability of specialized software, companies can mine their databases for the purpose of learning more about customers' buying behavior. The goal of **data mining** is to discover hidden facts contained in databases. Sophisticated data miners look for revealing relations among the variables contained in a database for purposes of using these relationships to better target prospective customers, develop cooperative marketing relations with other companies, and otherwise better understand who buys what and when, how often, and along with what other products and brands they make their purchases.

Consider, for example, a credit card company that mines its huge database and learns that its most frequent and largest-purchase users are disproportionately more likely than the average credit card user to vacation in exotic locations. The company could use this information to design an online promotional offering that has an exotic vacation site as the grand prize. As another example, suppose a furniture chain mining its database learns that families with two or more children rarely make major furniture purchases within 2 years of buying a new automobile. Armed with this

information, the chain could acquire automobile purchase lists and then direct advertisements to households that have not purchased a new automobile for two or more years.

Another use of databases is to segregate a company's customer list by the *recency* (R) of a customer's purchase, the *frequency* (F) of purchases, and the *monetary value* (M) of each purchase. Companies typically assign point values to accounts based on these classifications. Each company has its own customized procedure for point assignment (i.e., its own *R-F-M formula*), but in every case more points are assigned to more recent, more frequent, and more expensive purchases. The R-F-M system offers tremendous opportunities for database mining and mail targeting. For example, a company might choose to send out free catalogs (or a link to online catalogs) only to accounts whose point totals exceed a certain amount.

#### House lists of other companies

A form of external lists, these are other companies' lists that they comprise the names of people who have responded to another related company's direct-response offer.

**Compiled lists** A form of an external list that includes lists purchased from another company ("a compiler") that specializes in list compilation.

**Data mining** To discover hidden facts and relationships contained in databases.

## 15-5 Outbound And Inbound Telemarketing

As noted in Table 15.1, telephone marketing (aka "teleservices") is a dominant form of direct advertising expenditures with an estimated \$38.1 billion to be spent by 2016, and is third in direct marketing sales estimated to be \$310 billion in 2016.<sup>28</sup> Telemarketing entails both outbound telephone usage to sell products over the phone or perform other marketing functions (e.g., arranging test drives for the Saab 9-5) and inbound telephone marketing efforts that are directed at taking orders and servicing customers.

### 15-5a OUTBOUND TELEMARKETING

Many companies use the telephone ("inside sales") to support or even replace their conventional sales forces. Telemarketing uses outbound calls from salespeople for purposes of (1) opening new accounts, (2) qualifying advertising leads, and (3) servicing existing business, including reorders and customer service. Outbound telemarketing is integrated with advertising, direct mail, websites, catalog sales, and face-to-face selling.

#### Who Should Use Outbound Telemarketing?

Telemarketing is not appropriate for all sales organizations. The following eight factors should be considered when evaluating the suitability of introducing a telephone sales force.<sup>29</sup>

1. An initial consideration is an evaluation of the *importance of face-to-face contact*. The more essential it is, the less appropriate is outbound telemarketing.
2. A second consideration is *geographical concentration*. Telephone selling may represent an attractive

alternative to in-person selling if customers are highly dispersed. If, however, customers are heavily concentrated (such as apparel makers in Manhattan or automobile manufacturers in Detroit), minimal travel time is required and personal selling is probably preferable.

3. *Economic considerations* involving average order size and total potential should be estimated to determine the cost effectiveness of in-person sales. In cases of small and marginal accounts, customers may be served more economically by telephone.
4. A fourth area for evaluation is *customer decision criteria*. Telephone sales may be sufficient if price, delivery, and other quantitative criteria are paramount, but in-person sales may be essential in instances where product quality, dealer reputation, and service are uppermost in importance.
5. A fifth factor is the *number and type of decision makers* typically involved in purchasing a company's product. Face-to-face contact is typically necessary when several decision makers are involved, using different buying criteria—for example, when an industrial engineer, a purchasing agent, and a financial representative all contribute to a purchase decision.
6. Another consideration is the *nature of the purchase*. Routine purchases (such as office supplies) can be handled easily by phone, whereas purchases of more complex products will likely require face-to-face interactions.
7. The *status of the major decision maker* is a seventh consideration. The telephone is acceptable for buyers, purchase agents, and engineers, but probably not for owners, presidents, and vice presidents.
8. A final consideration is an evaluation of the *specific selling tasks* that telemarketing is or is not capable of performing. For example, telephone representatives may be particularly effective for prospecting and postsale follow-ups, whereas in-person sales effort is needed for the intervening sales task—preapproach, approach, presentation, objection handling, and closing.

### 15-5b INBOUND TELEMARKETING

#### Toll-Free (800, 844, 855, 866, 877, 888) Numbers

Toll-free numbers (“800 numbers”) are virtually everywhere. Every time you open a magazine, turn on the television, or pick up a newspaper, you read or hear,

The advertisement for Omaha Steaks features a list of products: 4 (4 oz.) Boneless Pork Chops, 4 (4 oz. approx.) Boneless Chicken Breasts, 2 (4 1/2 oz.) Stuffed Sole with Scallops & Crabmeat, 8 (3 oz.) Gourmet Franks, and 4 (5 3/4 oz.) Stuffed Baked Potatoes. The regular price is \$178.00, and the current price is \$49.99. The ad also includes a 'Cutlery Set' offer with a 'FREE Cutting Board' and 'FREE Shipping' on every shipping dress. The Omaha Steaks logo is prominently displayed, along with the toll-free number 1-800-811-7832 and the website www.OmahaSteaks.com/celebration. On the right side, there are images of 'CHICKEN BREASTS', 'STUFFED SOLE', and 'GOURMET FRANKS'. The bottom right corner includes the copyright notice ©2009 OCG Omaha Steaks, Inc.

Figure 15.4 ▶ Prominent Display of a Toll-Free Number

“Call 1-800-XXX-XXXX.” An 800-number telecommunication program uses an incoming WATS (wide area telecommunication service) telephone system to encourage potential customers to request product or service information, place direct orders, express complaints or grievances, request coupons or other sales-promotion materials, and inquire about the nearest dealers or outlets. For example, the consumer receives a direct mailing from Omaha Steaks and, attracted by an enticing offer (“Save \$128”) and some free gifts, places an order via the 800 number that is prominently displayed at the bottom of the ad (see Figure 15.4). Interestingly, research has shown that at the start of a direct response campaign, 70 percent make inbound calls to learn about a company compared to 30 percent who go online. Yet, as the direct response ads continue to air, the percentage of consumers that make online contact increases due to rising brand awareness.<sup>30</sup>

Customer-service representatives who receive 800 calls can provide immediate responses to requests for merchandise and product information and can handle complaints. Additionally, representatives can record callers' names and addresses to initiate immediate follow-ups by sending promotional materials. Also, the effectiveness of an advertising campaign can be measured quickly. The advent of sophisticated call-center technology (called ACDs for automatic call distributor) has substantially facilitated and improved incoming telephone service. Interestingly, with 400,000 agents, the Philippines has now surpassed India as the major call center destination for this estimated \$150 billion global industry.<sup>31</sup>

#### Telemarketing Sales Rule (TSR)

Used to regulate against untoward telemarketing practices

### 15-5c MAJOR TELEMARKETING REGULATION

The Federal Trade Commission in 1995 introduced the **Telemarketing Sales Rule (TSR)** to regulate against untoward telemarketing practices. The key provisions of the rule

**Table 15.3** ▶ Key Provisions of the Telemarketing Sales Rule**Telemarketers must:**

- Initially identify themselves, their business, and the goods or services they are selling to the customer.
- Tell customers the odds of winning any prizes while explaining that no purchase or payment is necessary to win them.
- Clearly and completely explain their offerings and their price(s), payment terms, and the customer's financial commitment by placing a telephone order.
- Obtain and tape record customer's express oral authorization for a sale before checking account debiting.
- Maintain complete employment records; all advertising, marketing, and promotional materials (including telemarketing scripts); and for contests, lists of the names and addresses of all prize winners and descriptions of those prizes valued at \$25 or more.
- Identify, maintain lists of, and comply with rules regarding customers who request that they not be contacted again by telemarketers.

**Telemarketers must not:**

- Assist or facilitate deceptive or abusive telemarketing acts.
- Launder credit cards (i.e., illegally use credit information obtained for one sale toward another unauthorized transaction).
- Use threats, intimidation, or profane or obscene language toward customers.
- Call customers before 8 A.M. or after 9 P.M. (local time zones).

are listed in Table 15.3. In addition, in 2003, the Federal Trade Commission (with the Federal Communications Commission) initiated the **National Do Not Call Registry**, based on a Congressional mandate (and revision later in 2007), allowing consumers to register (only once) to maintain their phone numbers on a do-not-call list. At last report, approximately 210 million U.S. households were on this list.<sup>32</sup> Cell phone numbers need not be included on the registry to avoid unsolicited calls. FCC regulations prohibit telemarketers from calling a cellular phone number with an automatic dialer or making “robo” calls (permissible if prior consent given).

Placing one's number on the National Do Not Call Registry will stop most, but not all, unsolicited calls. However, there are exceptions, including if one has a business line, calls from political organizations, nonprofit organizations, companies for which one has an existing business relationship (up to 18 months after his or her last purchase, payment, or delivery), and bill collection agencies (during reasonable hours).<sup>33</sup> Yet, a person can specifically ask the company not to call again.

## 15-6 Other Media

Table 15.4 lists “other” advertising media covered in this chapter and usually are used in a supplementary capacity to support IMC programs that place primary emphasis on advertising. Yet, there are times when these

**National Do Not Call Registry** Based on a Congressional mandate (and revision later in 2007), allows consumers to register (only once) to maintain their phone numbers on a do-not-call list

**Brand placement** A marketing strategy whereby an advertiser promotes a brand by placing it within the context (i.e., in a program scene or story) of a selected medium (e.g., a TV, film, online, or gaming program), the primary source for some lists

**Table 15.4** ▶ Framework for Various Forms of “Other” Advertising Media

- Brand Placements
- Yellow Pages Advertising
- Video Game Advertising
- Cinema Advertising
- A Collection of Alternative Ad Media

“other” media may serve in a stand-alone capacity. For example, some brands—especially for younger segments—may require only a video game ad campaign to achieve success or use the “other” media solely when their budgets cannot afford traditional ad media.

## 15-7 Brand Placements

**Brand placement** (sometimes referred to as “product placement”) is a marketing strategy whereby an advertiser promotes a brand by placing it *within the context* (i.e., in a program scene or story) of a selected medium (e.g., a TV, film, online, or gaming program).<sup>34</sup> (The term *branded entertainment* includes brand placement, as well as event and sponsorship marketing, as covered in Chapter 21.) It has been estimated that brand-placement spending in the United States reached \$6.01



billion in 2014 and is estimated to grow to \$11.44 billion in 2019.<sup>35</sup> The United States, Mexico, and Brazil account for 80 percent of the brand placement expenditures in the world and recent growth has been fueled by the value of television, digital and music integrations (e.g., music videos featuring Lady Gaga, Beyoncé, Britney Spears, Rihanna, DJ Khaled, and Dr. Dre).<sup>36</sup> Readers are referred to the chapter endnotes for a growing list of research studies on brand placement.<sup>37</sup>

In comparison with traditional mass-media advertising, brand placements in movies, TV programs, etc. have certain distinct advantages and disadvantages. First, in terms of advantages, brand placements generally are less intrusive than advertisements and thus less likely to be avoided. Second, because consumers often dislike blatant marketing appeals, brand placements are less likely to be summarily rejected as just another persuasive attempt. Third, when a brand is appropriately connected with the plot or characters of a movie (or TV program, song, etc.), there is a strong potential for the placement to augment a brand's image and to build an emotional connection with the target audience. Finally, a prominent placement can create a memorable association serving to enhance consumers' memories (recognition and recall) of a brand and possible selection from among competitive options.

On the downside, marcom practitioners lose some control of how their brands are

positioned when movie and TV directors decide how exactly brands are placed in an entertainment event. Another disadvantage of brand placements is the difficulty of measuring their effectiveness and their ROI. Finally, prices of brand placements are spiraling upward, and many brand managers consider the cost unreasonably high. For example, 79 percent of major marketers surveyed in a poll the Association of National Advertisers conducted believe branded-entertainment deals are overpriced.<sup>38</sup>

In sum, brand placements offer many potential advantages, but these do not come free of cost. We now discuss brand placements in movies and in TV programs.

### 15-7a BRAND PLACEMENTS IN MOVIES

Brand placements in movies date back to the 1940s, yet the frequency is greater now than ever. It is virtually impossible to attend a movie without seeing various well-known brands (e.g., Apple, Coca-Cola, Ford, Nike, and Sony) appearing in these movies. In fact, it is likely that a record was set with 97 brands placed in the movie, *Talladega Nights: The Ballad of Ricky Bobby* (a satire about NASCAR racing featuring Will Farrell). Some of the featured brands in the movie were ACDelco, Advanced Auto Parts, Bennigan's, Budweiser, Checkers, Chevrolet, Coca-Cola, Domino's Pizza, ESPN, FedEx, Fig Newton, Food Lion, Ford, FOX, Goodyear, GQ, Halliburton, Hardee's, Havoline, Honda, Huffy Bicycle Company, Hummer, Jim Beam, Kentucky Fried Chicken, Kodak, Lowe's, Lucky Charms, M&M's, Mac



AF archive/Alamy Stock Photo

Tools, McDonald's, Miller, Mobil, Mopar, Motorola, MTV, NASCAR, NBC, Nextel, Old Spice, Pepsi, Perrier, Pontiac, Powerade, PUMA, QVC, Rally's Hamburgers, Shake 'N Bake, Sharpie, Sony VAIO, SPEED Channel, Sprint, Subway, Sunoco, Taco Bell, TAG Heuer, Target, Tide, Tylenol, United Auto Workers (UAW), Waffle House, Walmart, Winnebago, and Wonder Bread! Interested readers can see the brands that are featured in your favorite films by going to the following website: <http://www.brandchannel.com/category/brandcameo>. This source has been tracking brand placements in movies since the early 2000s and identifies which brands are placed in the most films. For example, in 2015, Mercedes-Benz was the brand placed in the most films (31), followed by a tie between Apple (7) and Sony (7). The movie *Furious 7* led all movies that year with 48 brands placed in the movie.<sup>39</sup>

Do brand placements work? There is some evidence that brand awareness and recall increase with more prominent placements.<sup>40</sup> Also, in a study of 928 brand placements in 159 films, researchers found an inverted-U effect between brand stock returns and time (in days).<sup>41</sup> That is, returns gradually increased to a point (16 days after release date), followed by a price stabilization and decline. One caveat to the short-term success of brand placements is that overexposing brands in the same film reduced stock returns.

In general, it would seem that advertisers have little to lose and much to gain when using this form of supplemental marketing communications. The typical price for a brand placement ranges from as low as \$25,000 to into the millions.<sup>42</sup> Several factors determine how much a brand placement is worth and thus how much it should cost a brand marketer to place a brand in a particular movie.<sup>43</sup> A first determinant is the amount of time the brand gets on screen. Placements in which a brand is in the foreground of a scene and in which the brand logo is clearly seen are more valuable to a brand and lead to higher prices than when the brand is in the background and the logo is difficult to detect. Second, brand placements are more valuable (and priced higher) when characters in the movie use the brand and perhaps mention it and exclaim its virtues. A third determinant of a placement's value is whether the brand appears during an important plot point in the movie (if it does, the placement is worth more).

Based on a large global study that a major advertising media company conducted (with over 11,000 interviews with consumers from 20 countries), younger consumers appear to be the most responsive to brand placements in movies.<sup>44</sup> Compared to older age groups, 16- to 24-year-olds were the most likely to notice brand placements in movies (57%) and to consider trying the brands seen in films (41%). Perhaps the most interesting finding was the difference across countries in the percentages of consumers saying they would try a brand if they saw it in a film. The percentages for a subset of countries were Mexico (53%), Singapore (49%), India (35%), Hong Kong (33%), the United States (26%), Finland (14%), Denmark (14%), the Netherlands (9%), and France (8%). Consumers from the latter four countries

objected to brand placements because they felt they interfered with the film-making process. Brand placements in film for companies such as Coca-Cola, PepsiCo, and Colgate-Palmolive represent an important strategy in countries such as India.<sup>45</sup>

### 15-7b BRAND PLACEMENTS IN TV PROGRAMS

The topic of brand placements in TV programs was briefly mentioned in Chapter 12 when discussing television as a mass-advertising medium. A few additional comments are appropriate at this time. Brand placements in TV programs are prevalent. In fact, a study of prime-time TV programs determined that brands are placed in these programs an average of once every 3 minutes.<sup>46</sup> Brand-placement spending on television is even greater than in movies, accounting for perhaps as much as 70 percent of total brand-placement expenditures across all media outlets. The substantial increase in brand placements on TV has been associated with the growth of reality television programming. Programs such as *American Idol*, *Survivor*, and *The Apprentice* (and *New Celebrity Apprentice*) represent near-perfect contexts in which to place brands and provide brand managers with an alternative form of exposure to the traditional 30-second commercial. Of course, brand placements are not limited just to reality shows; they can be observed on most successful TV programs. Even reruns of TV sitcoms are being digitally remastered to include brands in scenes where they did not exist when initially produced.<sup>47</sup>

*Advertising Age* has cited some of the “best” and “worst” brand placements in TV shows of all time. At the top of the list of the “best” included 1,000 Pontiac Solstice roadster cars sold in just 14 minutes following an episode of *The Apprentice* based on contestants designing a brochure for the Solstice.<sup>48</sup> Following the program, viewers could visit the Pontiac website to print out a certificate to order one of the first 1,000 ones built. At the other end, one of the “worst” also appeared in *The Apprentice* in which Domino's Pizza paid \$1 million to sponsor competing teams developing and selling their new meatball pizza.<sup>49</sup> Donald Trump, the show's host at the time, then appeared in an ad for Domino's meatball pizza during the program. Unfortunately, a competitor, Papa John's, was able to appear in a competing 30-second ad during the NBC program selling their own meatball pizza!

### 15-8 Yellow-Pages Advertising

The “yellow pages” (<http://adsolutions.yip.com/local-solutions/print-yellow-pages>) represent a major advertising medium that consumers turn to when they are seeking a product or service supplier and are prepared to make a purchase. The online and print versions of the yellow pages together have produced annual global revenues exceeding \$23 billion; yet they have a current negative revenue growth rate of -1.5 percent.<sup>50</sup> One reason for this decline is a reduced reliance on *print* directories. However, it is estimated that



future digital (online) growth will soon offset declines in print revenues. By 2015, 53 percent of global yellow pages revenues were digital, compared with just 29 percent in 2011.<sup>51</sup> Over 7,000 localized yellow-pages directories are distributed annually to hundreds of millions of consumers. There are more than 4,000 headings for different product and service listings. Local businesses place the majority of yellow-pages ads, but national advertisers also are frequent users of the yellow pages. For example, in a recent year, the following national companies all invested over \$20 million advertising in the yellow pages: ServiceMaster (\$51 million), U-Haul (\$38 million), State Farm Insurance (\$35 million), Budget, and Ryder (\$20.5 million).<sup>52</sup>

At the consumer level, an estimated 60 percent of all American adults use the yellow pages at least once in a typical week. The heaviest yellow-pages users tend to fall most in the 25-to-49 age category, are college educated, and have relatively high household incomes (\$60,000 and up).<sup>53</sup> Some of the major reasons people use yellow pages include saving time spent shopping around for information, saving energy and money, finding information quickly, and learning about products and services. Yet, no doubt, consumers have other choices online (e.g., Google searches, Yelp!) even versus online yellow-pages options.

## 15-9 Video-Game Advertising

Brand managers and marcom practitioners are continually seeking ways to get their messages before difficult-to-reach consumers such as millennials. Although skewed slightly male (now 48% female), video games provide an excellent advertising medium for this purpose. These games typically are available on game consoles (e.g., Xbox One, Xbox 360) or online, and marketers either customize their own games or incorporate their brands into existing games. Whereas *in-game advertising* refers to advertising and promotion (e.g., background displays, in-game billboards, a commercial while the game loads) in a video game, *advergaming* refers to a game specially made to advertising (i.e., about) the product, such as Chex Quest or General Mills' "All-Star Baseball" starring the Trix Rabbit.<sup>54</sup> The producers of video games now routinely pursue tie-ins with brand marketers, who pay for advertising space within the games. U.S. video-game advertising totaled only about \$1 billion in 2010, yet is set to reach \$7.2 billion in 2016.<sup>55</sup> Global mobile-gaming revenue in 2016 is estimated to reach \$36.4 billion.<sup>56</sup> It is easy to understand why video games represent a potentially valuable ad medium, considering that popular games sell millions of units, and users of these games play for an average of 40 hours before growing tired of them.<sup>57</sup> The top video games of 2015 included "Call of Duty: Black Ops III," "Madden NFL 16," "Fallout 4," "Star Wars: Battlefront," and "Grand Theft Auto V."<sup>58</sup> In the United States, approximately 190 million households will use a next-generation video-game console, with 80 percent of these households



Source: Pokémon/Nintendo

playing online.<sup>59</sup> Brain scanning research has revealed that video-game users tend to be better at multitasking, decision making, and creativity than nonusers.<sup>60</sup>

Perhaps the future of gaming and video-game advertising lies with the arrival of *virtual reality* (VR) and *augmented reality* (AR) technologies. Through a headset, VR replicates an environment (real or imagined) and simulates users' presence in it with interactions. AR blends digital images with a user's view of the real world from their phone's camera. Perhaps the best example of AR technology and revenue from in-app purchases is that of the widely popular Pokémon Go game that topped 15 million downloads in a few days and increased the value of Nintendo Co. by \$9 billion!<sup>61</sup> Pokémon Go is now featured in *Insights Online* in MindTap.



Augmented Reality: The Pokémon Go Craze

### 15-9a MEASURING VIDEO-GAME AUDIENCES

Although growing at a reasonably rapid rate, expenditures on video gaming still are small in comparison to those on TV and other media. Nevertheless, Nielsen (of TV ratings fame) has developed a service called “Nielsen Mobile Game Tracking,” which is a 360-degree tracker that surveys a unique group of 1,200 mobile gamers each week. Through this service, Nielsen is able to measure game-playing behavior and to capture key demographics of players.<sup>62</sup>



Source: Activision

### 15-10 Cinema Advertising

In addition to placements of brands in movies, the movie theater is another option for placing advertising messages.<sup>63</sup> Expenditures on cinema advertising in the United States amounted to \$857 million in 2016 and are expected to climb to \$908 million by 2020. Cinema advertising revenues continue to be dwarfed by box office revenues, which are expected to grow 1.2 percent annually from 2016 (\$10.3 billion) through 2020 (\$11 billion).<sup>64</sup> Research has demonstrated that cinema advertisements that appear prior to a featured film do *not* antagonize consumers.<sup>65</sup>

Younger consumers, those in the 12-to-24 demographic, are more positively disposed toward cinema advertising than older individuals, making this an attractive option for brand marketers.<sup>66</sup> The prospect that cinema advertising has a bright future is perhaps best evidenced by Nielsen Media Research, which offers Nielsen Cinema, an in-theater audience measurement service that cinema companies and advertisers use for buying and selling cinema advertising.

### 15-11 Alternative Advertising Media

There is a medley of creative alternative media, all of have minor, but potentially useful roles to play *as part of* an integrated marcom program. For example, Figure 15.5 is an advertisement from the 3M Company, suggesting that Post-it Notes can be used as a powerful ad medium reaching potential customers day after day, note after note. Figure 15.6 is a photo taken at a professional football stadium (the Carolina Panthers stadium in Charlotte, North Carolina), showing a cup holder emblazoned with an advertisement for Coca-Cola.<sup>67</sup>

Why let space go to waste when it can be sold as an advertising outlet? Consider, for example, the space

available on the sides of the many garbage trucks that daily navigate city streets. The maker of Glad trash bags put a message saying “New York City tough” on 2,000 New York City garbage trucks and 450 street sweepers. During a 2-month advertising period, Glad’s ad campaign generated about 17 million impressions (i.e., gross rating points) and boosted the brand’s citywide market share by 2 percentage points.<sup>68</sup>

Advertisers have even turned to restroom space as a venue to convey their messages. For example, Axe deodorant from Unilever has been advertised in public restrooms in major U.S. markets (especially in bars).<sup>69</sup> An enterprising firm called The Fruit Label Company has used apples and other fruits and vegetables to carry mini-ads for movies and other products. Levi Strauss & Co. advertised Levi’s 501 jeans on the back covers of *Marvel* and *DC* comics, an excellent medium because these two comic-book companies combined sell more than 10 million copies of their comic books every month. The comics provided Levi Strauss & Co. with an outlet for reaching the notoriously difficult-to-reach segment of boys ages 12 to 17.

Another interesting ad medium is skywriting. A company named Skytypers—with bases in California, Florida, and New York—“writes” sky messages in the form of white cloud formations. At a U.S. Open tennis tournament in Flushing Meadows, New York, tennis patrons saw messages for brands such as Heineken, Dunkin’ Donuts, and Geico. A message of 25 to 30 letters costs between \$25,000 and \$30,000 and could be seen by upwards of 2.5 million people in the 400-square-mile area surrounding the site of the U.S. Open.<sup>70</sup>

Finally, even the human body has been used as an advertising medium. A British company has paid students

**Figure 15.5** ▶ 3M's Post-it Notes as an Advertising Medium



## Get on the Post-it® brandwagon.

Send a strong message to your customers. Put your brand on the brand that stands for quality. Post-it®

Post-it® Custom Printed Notes are a terrific vehicle for your message. With more sizes, shapes, colors and dispensers than ever, Post-it® Notes are a great way to:

- Increase brand awareness
- Launch new products
- Build traffic and increase sales
- Promote events

Get on the Post-it® brandwagon, and go with a promotional product that delivers one good impression after another.

For free application ideas or to learn more, call 1-800-669-1110, ext. 10.

Or visit us at [www.3m.com/promote](http://www.3m.com/promote)




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**3M Innovation**



Courtesy of Terence A. Shimp

**Figure 15.6** ▶ A Football Stadium's Cup Holders as an Advertising Medium

the equivalent of about \$8 an hour to walk up and down busy streets with their foreheads temporarily imprinted with brand names. The company has a group of about

1,000 students who are willing to serve as walking billboards. Tattoo advertising also has appeared in the United States. Dunkin' Donuts ran a forehead tattoo promotion in conjunction with the National Collegiate Athletic Association (NCAA) March Madness basketball tourney. One hundred students from 10 universities in Massachusetts, Illinois, Georgia, and Florida earned between \$50 and \$100 per day to walk around their campuses with the Dunkin' Donuts logo temporarily tattooed on their foreheads.<sup>71</sup>

In conclusion, this brief discussion of alternative media was intended merely to demonstrate that virtually any blank surface can be converted into a creative space for an advertisement. However, advertisers must be mindful of the advice about IMC presented in Chapter 1: Contact brand users wherever and whenever possible, use all appropriate touch points to convey messages to increase brand awareness, and be sure to integrate messages so they speak with a single voice. Multiple media are to little avail if their messages are inconsistent or possibly even conflicting.



Source: Dunkin'

# Summary

This chapter has examined a variety of advertising media used in direct marketing. Figure 15.1 helped differentiate among key “direct” terms, such as *direct marketing*, *direct response advertising*, *direct mail*, and *direct selling*. Direct mail received the most extensive coverage in view of its widespread usage and huge investment in this medium. The functions and advantages and disadvantages of cataloging, and inbound and outbound telemarketing also were examined.

Direct (response) advertising is increasingly viewed as a critical component of successful IMC programs. Indeed, for many firms direct advertising is the cornerstone of their communications efforts. The increased sophistication of *customer relationship management* (CRM) and *database marketing* has been largely responsible for the growing use and effectiveness of direct advertising. Major advances in technology have made it possible for companies to maintain large databases containing millions of prospects and customers. This can enable the calculation of a customer’s lifetime value and help to build long-term relationships with consumers. Sophisticated data mining can look for interesting relationships used to target prospective customers, develop cooperative marketing relations, and otherwise better understand who buys what, and when, how often, and along with what other products and brands they purchase.

The chapter then examined “other media,” such as brand placements in movies and in TV programs. These placements provide advertisers with an opportunity to

reach consumers in a rather subtle fashion and to portray brands positively by connecting them with entertainment plots and characters.

Yellow-pages advertising and video-game advertising also received coverage in the chapter. The yellow pages (online as well as in print) are virtually a must for local advertisers in their quest to attract prospective customers and repeat purchases. Video game advertising (especially augmented reality) is a rapidly growing form of advertising that can provide marketers with tailored and tough-to-reach segments who are avid gamers.

Another interesting development in the search for alternative advertising media is the recent growth of cinema advertising. Most theaters now show commercials before presenting the featured movie. These ads often are the same (or variations of) ones shown on TV. The appeal of this medium is that it captures the attention of a young demographic group that can be difficult to reach via traditional media. Moreover, when shown prior to the commencement of the feature film, cinema advertising is viewed as less disruptive when compared to TV commercials.

The final section includes a medley of alternative advertising media (i.e., advertising options that generally are used to supplement mainstream media rather than to carry the full advertising load). The discussion included forms of advertising, such as placing ads on garbage trucks, advertising in restrooms, and using airplanes to skywrite ads.

## Discussion Questions

1. Explain the differences among direct marketing, direct-response advertising, direct mail, and direct selling.
2. Why has direct marketing enjoyed such rapid growth in recent years?
3. Explain the differences between customer relationship management (CRM) and database marketing. Why are these so important to direct marketing?
4. Refer to the ad for DIRECTV’s satellite system (see Figure 15.3). Assume the manufacturer of this product chose to use direct mail to sell the product in addition to advertising it in magazines. Explain how you, as a chief marketing officer (or brand manager) for this company, would acquire a mailing list. What characteristics of businesses would you select in generating the list? Be specific.
5. What should federal consumer protection agencies (e.g., Federal Trade Commission) do to prevent telemarketing abuses? What kind of prohibitions, if any, should be placed on telemarketing? Should there be any changes to the “do not call list” procedures? Should there be a “do not track list” for online marketing? How might it work?
6. Conduct 5 to 10 interviews with nonstudent adults regarding their personal experiences with and evaluations of telemarketing. Are they hassled often? Do they mind having telephone salespeople call them? What specific complaints do they have?

7. Virtually any space is a potential medium for a marketer’s advertisement. Identify several novel forms of advertising media that go beyond the “other” media described in this chapter. Describe the target for each of these novel media, and offer an explanation as to why, in your opinion, each novel medium is effective or ineffective.
8. Can you recall any prominent brand placements in movies you have seen lately? What were these placements? Were the products “positioned” in positive or negative contexts? How successful, in your opinion, were these placements?
9. Describe your use, if any, of yellow-pages advertising in recent weeks.
10. Provide two illustrative variables that a catalog marketer of men’s or women’s clothing (your choice) might include in its database.
11. Assume you are a direct marketer for a line of merchandise imprinted with the logos of major universities. These items are targeted to the fans and supporters of university athletic programs. Detail how you would compile an appropriate mailing list, one that would reach people who are most likely to purchase the logo merchandise. Use your college or university for illustration.
12. Following is a lifetime-value analysis framework similar to that presented in the chapter. Perform the calculations necessary to complete row K:
13. Assume that, 10 years after graduating from your university or college, you are appointed to your school’s Athletics Oversight Committee. The chair of the committee suggests that it would be useful to know the lifetime value of the average basketball season-ticket holder. Describe how you might go about estimating the average ticket holder’s lifetime value over the first 5 years starting with the year that he or she first purchases season tickets. Refer to Table 15.2 to assist you with this analysis. Make whatever assumptions you deem necessary and then conduct the analysis. Using a spreadsheet program such as Microsoft Excel would obviously facilitate your analysis.
14. What are your views on video game advertising? Respond by commenting about this advertising practice both from the perspective of advertisers and from the viewpoint of game players. What in-app advertising or purchases have you seen with augmented reality games, such as Pokémon Go?
15. Brand placements in movies and in TV programs represent a subtle, even covert, way to present a brand message. Traditional advertising, by comparison, is, in a manner of speaking, “in your face.” One therefore could argue that traditional advertising is a more honest form of communications than the practice of branded entertainment. What are your views on this? Might one argue that brand placements are even a bit deceitful?

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>Revenue</b>					
<i>A</i> Customers	2,000	___	___	___	___
<i>B</i> Retention rate	30%	40%	55%	65%	70%
<i>C</i> Average yearly sales	\$250	\$250	\$250	\$250	\$250
<i>D</i> Total revenue	___	___	___	___	___
<b>Costs</b>					
<i>E</i> Cost percentage	50%	50%	50%	50%	50%
<i>F</i> Total costs	___	___	___	___	___
<b>Profits</b>					
<i>G</i> Gross profit	___	___	___	___	___
<i>H</i> Discount rate	1	1.15	___	___	___
<i>I</i> NPV profit	___	___	___	___	___
<i>J</i> Cumulative NPV profit	___	___	___	___	___
<i>K</i> Lifetime value per customer	___	___	___	___	___

16. Visit <http://www.brandchannel.com/category/brand-cameo> and identify a movie that you either have seen or you are at least familiar with. Examine the brands that have been placed in that movie and comment on why you think these brands chose to be placed in that particular movie.
17. Given the chapter’s discussion of “alternative” forms of ad media (on garbage trucks, in restrooms, on people, etc.) and the implication that any unused space is a potential advertising medium, identify two “spaces” advertisers are not currently using that could be used for placing ad messages. What kinds of brands would advertise on each of your suggested spaces, and what would be an appropriate target audience for such messages? Do you think this form of advertising is appropriate?
18. What is your reaction to advertisements in movie theaters that precede featured films? Does such advertising disturb you, or do you find it perfectly acceptable?

# CHAPTER 16

## Media Planning and Analysis

### CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Describe the major factors used in segmenting target audiences for media planning purposes.
- 2 Discuss the challenges associated with programmatic ad buying and cross-platform media options.
- 3 Explain the meaning of reach, frequency, gross rating points, target rating points, effective reach, and other media concepts.
- 4 Discuss the logic of the three-exposure hypothesis and its role in media and vehicle selection.
- 5 Describe the use of the efficiency index procedure for media selection.
- 6 Distinguish the differences among three forms of advertising allocation: continuous, pulsed, and flighted schedules.
- 7 Explain the principle of recency and its implications for allocating advertising expenditures over time.
- 8 Perform cost-per-thousand calculations.
- 9 Review the application of media planning software and actual media plans.

### Marcom Insight

#### Is Super Bowl Advertising Worth the Expense?

The cost of placing a 30-second commercial on the National Football League Super Bowl increased from \$400,000 in 1984 to \$5 million in 2017, which equates to approximately \$166,666.67 per second. However, because the audience for the Super Bowl is enormous, totaling over 111.9 million American TV households, advertisers during the Super Bowl extravaganza justify the expense on grounds that the cost of reaching potential customers is reasonable.<sup>1</sup> In fact, nearly 35 percent of all Americans watch the Super Bowl. Super Bowl advertisers further justify their decision to advertise during the Super Bowl on the basis that consumers are much more engaged when viewing this program than they typically are when watching other TV programs.

Nevertheless, one may question whether the sizable investment in this television extravaganza can be justified, especially considering that 30-second spots on prime-time television programs sell for \$20,000 to \$600,000, with an average of \$112,000. Media planners at a company that specializes in media selection questioned whether the Super Bowl represented a prudent buy and proposed another way to spend the amount of money equivalent to purchasing a 30-second Super Bowl spot. They developed an alternative media



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plan that consisted of (1) buying advertising time on all network programs aired at the same time on Tuesday evening; (2) securing advertising time on all network programs aired at the same time on Sunday evening (e.g., Sunday night movies); and (3) purchasing a final single spot from the Fox network's Saturday night programming. (The Tuesday and Sunday night buys are called "roadblocks" because advertising purchased on all network programs aired simultaneously acts as a roadblock to ensure that all consumers viewing TV at this time will be exposed to the brand's advertising.) This alternative media plan was able to secure 13 prime-time advertising spots, or a total time of 6.5 minutes, compared with purchasing a single 30-second ad on the Super Bowl. Comparative GRPs (gross rating points, calculated by reach  $\times$  frequency and detailed later in the chapter) for the Super Bowl media buy and the alternative plan are as follows.

Whereas a single 30-second ad on the Super Bowl provided 40 GRPs based on the 18-to-49 age group, 42 GRPs based on the 25-to-54 group, and so on, the equivalently priced 13 spots yielded considerably more GRPs. For example, for all adults ages 25 to 54, the 78 GRPs from the 13 prime-time spots were 86 percent greater than the 42 GRPs generated by the Super Bowl advertisement.

Thus, one might conclude that advertisers should not advertise on the Super Bowl, but rather would be better served by investing their advertising money elsewhere. Correct? Not necessarily! One also needs to factor in the all-important issue of advertising impact. People react with a relatively unenthusiastic response to advertisements placed during the programs contained in the alternative (13-spot) media buy. Comparatively, advertisements placed during the Super Bowl are, like the program itself, a special event. For example, Kevin Hart's appearance in the 2016 Super Bowl commercial for the Hyundai Genesis

tracking system was viewed by critics as quite humorous and having a profound impact on the audience. It won *USA Today's* top Super Bowl Commercial as tracked by their Ad Meter ratings from 20,000 panelists. So, consumers look forward to new, humorous ads and product launches and often go online and talk about the ads well after the Super Bowl is over. In fact, more than 15 million people saw tweets about the 2016 Super Bowl telecast. Also, evidence indicates that people enjoy watching TV commercials during the Super Bowl. One survey determined that a sample of viewers indicated that they prefer viewing the ads to watching the game. Since journalists comment about Super Bowl advertisements in magazines and newspapers, and consumers share their own views online and in social media, advertisers receive a secondary form of brand contact. In short, all advertising does not have equivalent impact. When planners are buying advertising media, considerations, often subjective, other than mere comparisons of cost and rating points have to be factored into the decision.

Sources: Bradley Johnson, "CFOs Cringe at Price, But Bowl Delivers the Masses," *Advertising Age*, January 29, 2007, 8; Rob Frydlewicz, "Missed Super Bowl? Put Your Bucks Here," *Advertising Age*, January 30, 1995, 18; Joe Mantese, "Majority Prefer Super Bowl Ads, Socializing vs. the Game Itself," *MediaDailyNews*, February 7, 2005; "What It Costs: Ad Prices from TV's Biggest Buys to the Smallest Screens," *Advertising Age*, April 6, 2015, <http://adage.com/article/news/costs-ad-prices-tv-mobile-billboards/297928/>; "Marketing Fact Pact 2016," *Advertising Age*, December 21, 2015, 18–19; Rick Porter, "TV Ratings Sunday: Super Bowl 50 Is Massive but Not a Record," *TV by the Numbers*, February 8, 2016, <http://tvbythenumbers.zap2it.com/2016/02/08/tv-ratings-sunday-feb-7-2016-super-bowl-50/>; Chris Woodyard, "Hyundai's 'First Date' Wins USA TODAY's Super Bowl Ad Meter," *USA Today*, February 8, 2016, <http://www.usatoday.com/story/money/business/2016/02/07/super-bowl-ad-meter-picks-winner/79886286/>; "Super Bowl 2016 Data [Updated]," *Marketing Charts*, February 18, 2016, <http://www.marketingcharts.com/online/super-bowl-2016-data-65135/>.

## 16-1 Introduction

Several of the previous chapters have examined the message component of advertising strategy. Although effective messages are essential for successful advertising, these messages are of little use unless advertising media are selected that will effectively reach the intended target audience.<sup>2</sup> Chapter 12 examined the traditional print and broadcast media—magazines, newspapers, television, and radio. Chapter 13 focused on digital media, including online, mobile and app advertising, while Chapter 14 explored social media. Chapter 15 examined direct marketing, direct response advertising, and alternative ad media (e.g., product placements in movies and cinema advertising). This chapter goes beyond an examination of media choices and is devoted to strategic considerations of media planning and

buying. The present chapter describes the media planning process and the factors that go into selecting media.

### 16-1a SOME USEFUL TERMINOLOGY: MEDIA VERSUS VEHICLES

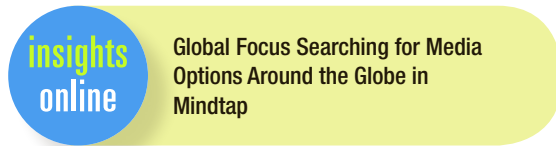
Advertising practitioners distinguish between advertising media and vehicles. **Media** are the general communication platforms that carry advertising messages—that is, television, magazines, newspapers, and so on. **Vehicles** are the specific broadcast programs or print choices in which advertisements are placed. For example, television is a specific medium, and *NCIS*, *CBS Evening News*, *Grey's Anatomy*, and *Sunday Night Football* are vehicles for carrying television advertisements. Magazines are another medium, and *Time*, *Runner's World*,

**Media** The general communication platforms that carry advertising messages.

**Vehicles** The specific broadcast programs or print choices in which advertisements are placed.



*Ebony*, and *Cosmopolitan* are vehicles in which magazine ads are placed. Each medium and each vehicle has a set of unique characteristics and virtues. Advertisers attempt to select those media and vehicles that are most compatible with the advertised brand in reaching its target audience affordably and conveying the intended message. The *Insights Online: Global Focus* in MindTap provides an online source for obtaining useful information about media vehicles in countries around the world. Be sure to visit this website to see the wealth of available information.



### 16-1b MESSAGES AND MEDIA: A HAND-IN-GLOVE RELATION

Advertising message and media considerations are inextricably related. Media and messages represent a hand-in-glove relationship, where each must be compatible with the other. It has been said that advertising creatives “can’t move until they deal with a media strategist.”<sup>3</sup> Creatives and media specialists must team up to design advertisements that effectively and efficiently deliver the right brand concept to the intended target audience. Advertising practitioners agree that reaching a specific audience effectively is the most important consideration in selecting advertising media.<sup>4</sup> Advertisers are placing more emphasis than ever on media planning, and media planners have achieved a level of unparalleled stature.<sup>5</sup> This is because an advertising message can be effective only when placed in the media and vehicles that best reach the target audience at a justifiable expense. Yet, much has changed in media planning recently, including challenges faced with programmatic ad buying (see below) and with the integration of many cross-platform (multichannel) media choices.

### 16-1c PROGRAMMATIC AD BUYING

**Programmatic ad buying** describes a series of tactics in purchasing online ad space, that includes fully automated ad buying, real-time auctions for ad inventory, and data-driven targeting efforts.<sup>6</sup> In this process, online advertising is aggregated, booked, flighted, analyzed, and optimized via software interfaces and algorithms. Programmatic ad buying has amounted to approximately \$5 billion recently, with the top categories including dating services, fitness and weight loss, gaming, home and garden, and business opportunities.<sup>7</sup> Based on your online behavior, you may have noticed such targeted ad efforts

#### Programmatic ad buying

A series of tactics in purchasing online ad space that includes fully-automated ad buying, real-time auctions for ad inventory, and data-driven targeting efforts.

#### Cross-platforms

A strategy that integrates multiple media sources, such as TV, social, search, and print, into a single marketing campaign.

appearing regularly in your news feed for your favorite social media app or program.

Yet, the amount spent on such buys is decreasing recently, as one major concern is with the quality of the ad creative itself that is served up as a result of a data-driven, programmatic ad buy. As one critic noted, “Shouldn’t ads actually work once a viewer sees them?”<sup>8</sup> That is, it could be argued that emotional connections, consumer engagement, and brand messaging should take precedence over data-driven frequency and exposures. The incorporation of creative performance measurement into the ad-buying systems is a related problem associated with this quality question. Currently, programmatic ad buys tend to favor leftover ad inventories sold at lower prices.<sup>9</sup> With the movement to higher-quality mobile ad video (as noted in Chapter 13), a lack of focus on quality and its measurement may present a challenge for advertisers relying solely on programmatic ad buying. Another recent issue that has appeared in media planning is how to best integrate the many cross-media and vehicle choices that are available.

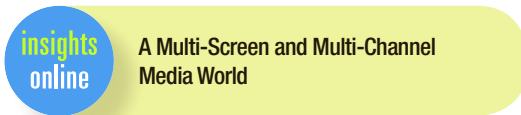
### 16-1d CROSS-MEDIA PLATFORMS

The choice of media and vehicles is, in many respects, the most complicated of all marketing communications decisions due to the variety of decisions that must be made. In addition to determining which general media categories to use (television, radio, magazines, newspapers, outdoor, online [mobile apps, video, social media], or alternative media), the media planner must also pick specific vehicles within each medium and decide how to allocate the available budget among the various media and vehicle alternatives. Moreover, consumers may be interested in interacting with programs (and ads) on multiple screens (“**cross-platforms**”) (e.g., smartphones, TV, gaming consoles, virtual reality, laptops) at the same time (see *Insights Online* below). Additional decisions involve choosing geographical advertising locations and determining how to distribute the budget over time. The complexity of media selection is made clear in the following commentary:

*An advertiser considering a simple monthly magazine schedule, out of a pool of 30 feasible publications meeting editorial environment and targeting requirements, must essentially consider over one billion schedules when narrowing the possibilities down to the few feasible alternatives that maximize campaign goals within budget constraints. Why over one billion possible schedules? There are two outcomes for each monthly schedule, either to use a particular publication or not to do so. Therefore, the total number of possible schedules equals 2 raised to the 30th power (i.e.,  $2^{30} = 1,073,741,800$ ) . . . Now imagine how the options explode when one is also considering 60 prime-time and 25 daytime*

*broadcast television network programs, 22 cable television networks, 16 radio networks, 4 national newspapers, and 3 newspaper supplements, with each vehicle having between 4.3 [i.e., the average number of weeks in a month] and perhaps as many as 20 or more possible insertions per month.*<sup>10</sup>

There has been some consensus on cross-platform measurement by using a comparable metric such as gross ratings points (GRPs: reach  $\times$  frequency, to be discussed later in the chapter), and by including creative quality in the measurement, conducting analytics when decisions are made, and having agreement as to data sharing and collaboration.<sup>11</sup> Firms such as Nielsen and comScore will be at the forefront of such integration of cross-platform measurement with several issues to be resolved. First, although GRPs help assess media exposure, some firms and services (Nielsen Catalina) are able to go further, for example, linking shopper card sales data with media exposure. Also, some have cautioned that marketing mix models (discussed in Chapter 2) linking “4P” and media data with sales should be able to include a measure of ad creativity as well.<sup>12</sup>



### 16-1e SELECTING AND BUYING MEDIA AND VEHICLES

As discussed in Chapter 9, traditional full-service advertising agencies usually have been responsible for both creating advertising messages for their clients’ brands and planning and buying media time and space in which to place those messages. However, an event that rocked the advertising industry in 2000 was General Motors’ (GM) decision to consolidate in a single company its media planning and buying for its many automobile brands. Whereas in the past media planning and buying took place in each advertising agency that represented each GM brand, *all* media planning was done in a single company under an organization referred to as “GM Planworks” until 2009. This unit handled media planning amounting annually to approximately \$3 billion. By consolidating media planning and buying, GM achieved significant cost savings for its various brands.<sup>13</sup> However, in 2009, GM changed its focus and reintegrated the GM account with Publicis’ Starcom MediaVest Group (SMG), then moved it to Aegis Carat in 2012 in an effort to increase efficiencies and even further cut costs.<sup>14</sup>

Other major corporations have tried to follow GM’s experiment in “unbundling” media planning from creative services. Unilever moved its \$700 million U.S. media buying clout from its various ad

agencies to a single media buyer. Likewise, Kraft Heinz consolidated its \$800 million North American media planning and buying account into a single media planner and buyer.

Traditional full-service advertising agencies have criticized these moves. They claim that creative services and media planning go hand in hand, and that the symbiotic relationship between these services is damaged when ad agencies are relegated to just creating ad messages while independent firms are fully responsible for planning media selection. A top official of a major ad agency had this to say:

*You can’t keep compartmentalizing each aspect of an account. Many of the insights we get come from the media side, and that informs the creative side and vice versa. I have a hard time believing that [ad agencies] can be as effective without that kind of close relationship.*<sup>15</sup>

The chief executive officer of a media planning company presented a counterperspective.

*Separating media buying and planning [from creative] can be beneficial to clients who work in a multibrand environment. Even though GM has different car lines, with different goals and strategies, there’s something to be said for bringing all the planning operations together into one centralized location. It gives them an opportunity to apply learning and strategic thinking across the portfolio in a way that’s faster and more efficient.*<sup>16</sup>

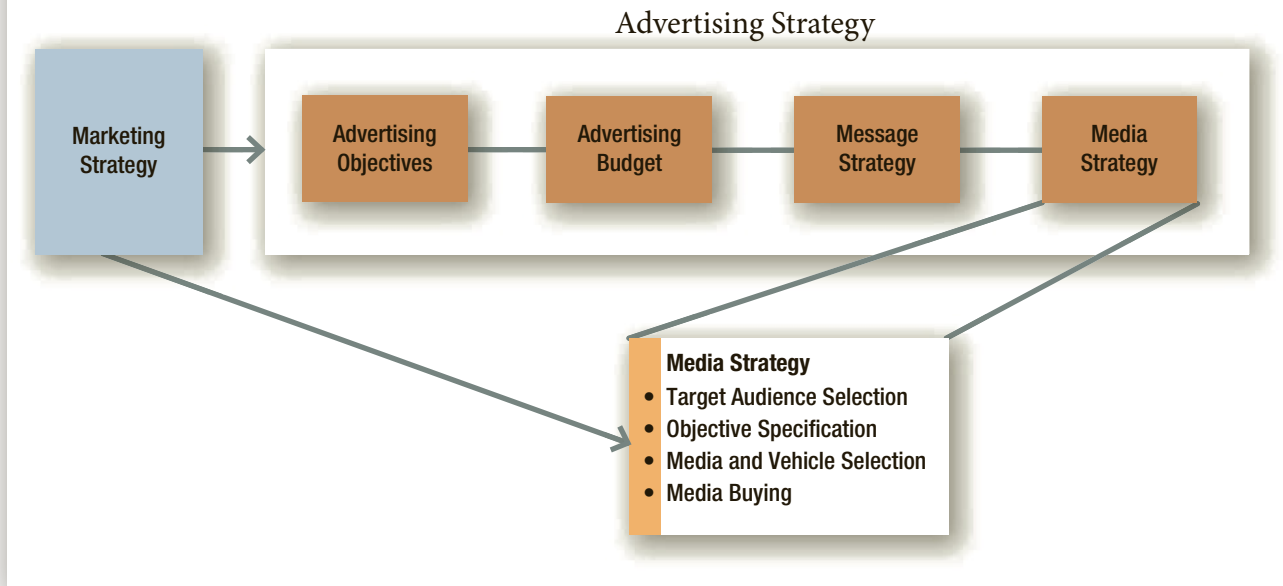
There obviously are arguments on both sides of the issue, yet the proverbial genie is now out of the bottle. The historical role of the all-powerful full-service advertising agency has diminished. As an example, programmatic ad buys with new digital networks—not a part of traditional agencies—have appeared recently (e.g., Deloitte Digital, Accenture Interactive). Perhaps of greatest significance is that this development accentuates the importance of the media planning activities of the advertising process. Creating effective advertising messages is critical, but it is important also that these messages be placed effectively in the right media and vehicles.

## 16-2 The Media-Planning Process

**Media planning** is the design of a strategy that shows how investments in advertising time and space will contribute to the achievement of marketing objectives. The challenge in media planning is determining how best to *allocate* the fixed advertising budget for a particular planning period among ad media, across vehicles within media, and over time. In addition, there have been decisions on whether to continue to have, say, an 80 percent media to 20 percent production cost split, given the movement to lower cost, targeted online ads.<sup>17</sup> Some have even suggested a 70 (media cost)/30 (production cost) or 60/40 split.

**Media planning** The design of a strategy that shows how investments in advertising time and space will contribute to the achievement of marketing objectives.

Figure 16.1 ▶ Model of the Media-Planning Process



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In general, and as shown in Figure 16.1, media planning involves coordinating three levels of strategy: marketing, advertising, and media strategy. The overall *marketing strategy* (consisting of target market identification and marketing mix selection) provides the impetus and direction for the choice of both advertising and media

strategies. The *advertising strategy*—involving advertising objectives, budget, and message and media strategies—thus extends naturally from the overall marketing strategy.

For illustration purposes, let us consider an advertising campaign for the Smart Car. As background, the Smart Car entered the U.S. market as the “Fortwo” in early 2008. It

is the cousin of the European Smart Car that has been available since the late 1990s and has already sold more than 1.7 million in 66 countries.<sup>18</sup> The Smart Car is a vehicle with two seats that also has reasonable luggage space contained in a body that is 8 feet and 10 inches long.<sup>19</sup> Prices for different 2016 U.S. Smart Car models ranged from less than \$14,650 for the Coupe to over \$28,000 for the electric Cabriolet convertible.<sup>20</sup>

In other countries (as well as in the United States), the Smart Car has appealed to urban dwellers who need a small car for parking in the tight spaces that are common in larger cities and also those who desire a relatively inexpensive and gas-efficient (or electric) vehicle. We also might assume that prospective customers are cosmopolitan, environmentally

SMART CAR

[HOMEPAGE](#)
[READ MORE](#)

LOREM IPSUM DOLOR SIT AMET, CONSECTETUR ADIPISCING ELIT, SED DO EIUSMOD TEMPOR  
 INCIDIDUNT UT LABORE ET DOLORE MAGNA ALIQUA. UT ENIM AD MINIM VENIAM, QUI  
 NOSTRUD EXERCITATION ULLAMCO LABORIS NISI UT ALIQUIP EX EA COMMODO CONSEQUAT  
 DUIS AUTE IRURE DOLOR IN REPREHENDERIT IN VOLUPTATE VELIT ESSE CILLUM DOLORE EU  
 FUGIAT NULLA PARIATUR, EXCEPTEUR SINT OCCAECAT CUPIDATAT NON PROIDENT, SUNT IN  
 CULPA QUI OFFICIA DESERUNT MOLLIT ANIM ID EST LABORUM.

studio/workstock/Shutterstock.com

conscious, and adventuresome. In addition, the media strategy for the Smart Car naturally must extend from Smart USA's (a division of Daimler AG's Mercedes-Benz brand) strategy to sell, for example, approximately 10,000 Smart Cars at retail in 2017.

*Media strategy* is inextricably related to the other aspects of advertising strategy (see Figure 16.1). Let us assume that the Smart Car has a \$15 million advertising budget for 2017, which equates to \$1,500 advertising per each of the 10,000 cars that might be sold in 2017. Suppose further that the objective is to create brand awareness for the Smart Car among targeted consumers and to convey the image of a convenient, fuel-efficient, and adventurous car. Advertising strategy decisions simultaneously impose constraints on media strategy (e.g., \$15 million is the maximum amount that could be spent on the 2017 Smart Car campaign) and provide direction for media selection.

The media strategy itself consists of four sets of interrelated activities (see again Figure 16.1):

1. Selecting the target audience
2. Specifying media objectives
3. Selecting media categories and vehicles
4. Buying media

We now will examine the first three actions in greater detail.

### 16-3 Selecting the Target Audience

Effective media strategy requires, first, that the target audience be pinpointed. Failure to define the audience precisely results in wasted exposures; that is, some nonpurchase candidates are exposed to advertisements, whereas prime candidates are missed. Four major types of information are used in segmenting target audiences for media strategy purposes: (1) behavioral data, (2) geographic data, (3) demographics, and (4) lifestyle/psychographics. Product usage information (behavioral data), when available, generally provides the most meaningful basis for determining which target audience should be pinpointed for receiving an advertising message.<sup>21</sup> Geographic, demographic, and psychographic considerations are typically combined to define the target audience. For example, the target audience for the Smart Car might be defined in terms such as: men and women between the ages of 18 and 49 (a demographic variable), who have incomes exceeding \$50,000 (also demographic), who mostly live in urban centers (geographic), who are cosmopolitan, environmentally conscious, and adventuresome (psychographic characteristics). A target audience defined in such specific terms has obvious implications for both message and media strategy.

### 16-4 Specifying Media Objectives

The next media-planning consideration involves specifying the *objectives* that an advertising schedule is designed to accomplish during the planned advertising period. Media planners, in setting objectives, confront issues such as (1) what proportion of a target audience do we want to reach with our advertising message during a specified period, (2) with what frequency do we need to expose the audience to our message during this period, (3) how much total advertising is necessary to accomplish the first two objectives, (4) how should we allocate the advertising budget over time, (5) how close to the time of purchase should the target audience be exposed to our advertising message, and (6) what is the most economically justifiable way to accomplish the other objectives?

Practitioners have technical terms they associate with each of these six objectives: (1) *reach*, (2) *frequency*, (3) *weight*, (4) *continuity*, (5) *recency*, and (6) *cost*. The following sections treat each objective as a separate matter. A later section addresses their interdependence.

**Reach** The percentage of the target audience that is exposed, at least once, during a specified time frame to the vehicles in which the advertising message is included.

#### 16-4a REACH

Advertising managers and media specialists generally regard reaching specific audiences efficiently as the most important consideration when selecting media and vehicles.<sup>22</sup> The issue of reach deals with getting an advertising message heard or seen by the targeted audience. More precisely, **reach** represents the *percentage of the target audience* that is exposed, *at least once*, during a specified time frame to the *vehicles* in which our advertising message is inserted. The time frame the majority of media planners use is a *4-week period*. (Thus, there are 13 four-week media-planning periods during a full year.) Some media specialists also use the single week as the planning period.

Regardless of the length of the planning period, reach represents the percentage of all target customers who have an *opportunity to see or hear* the advertiser's message one or more times during this time period. (Advertising people use the expression *opportunity to see*, or *OTS*, to refer to all advertising media, whether visual or auditory.) Advertisers never know for sure (before advertising) whether members of their target audiences will actually see or hear an advertising message. Advertisers only know to which media vehicles the target audience is exposed. From these vehicle exposure data, it then can be inferred that people have had an opportunity to see the advertising message carried in the vehicles.

Other terms media planners use for describing reach are *I+* (read "one-plus"), *net coverage*, and *unduplicated audience*. (Both "net coverage" and "unduplicated audience" refer

to the *absolute* number in the target audience reached.) Later it will become clear why these terms are related to *reach*.

### Determinants of Reach

Several factors can increase the reach that is achieved with a particular media schedule: (1) use multiple media, (2) diversify vehicles within each medium, and (3) vary the dayparts in the case of radio and TV advertising.

Generally speaking, more prospective customers are reached when a media schedule allocates the advertising budget among *multiple media* rather than to a single medium. For example, if the Smart Car were advertised only on network television, its advertisements would reach fewer people than if it also were advertised on cable TV, in magazines, online, on the radio, and in national newspapers. If an advertiser were to advertise a brand only in, say, newspapers, it would miss 40 percent of the adult population in the United States that does not regularly read a daily newspaper. Likewise, advertising only on select TV programs would miss people who do not view those particular programs. Thus, using multiple media increases the odds of reaching a greater proportion of the target audience. In general, the more media options used, the greater the chances that an advertising message will come into contact with people whose media habits differ.

A second factor influencing reach is the *number and diversity of media vehicles used*. For example, if Smart Car's media planners were to choose to advertise this automobile in, say, just a single magazine (e.g., *Cosmopolitan*) rather than in a variety of magazines, the advertising effort would reach far fewer consumers. Using *Cosmopolitan* as an example, if Smart Car were advertised only in that particular magazine, the ad campaign would fail to reach all people in the target audience who do *not* read that magazine.

Third, *diversifying the dayparts* used to advertise a brand can increase reach. For example, network television advertising during prime time and cable television advertising during fringe times would reach more potential automobile purchasers than advertising exclusively during prime time.

In sum, reach is an important consideration when developing a brand's media schedule. Advertisers wish to reach the highest possible proportion of the target audience that the budget permits. However, reach by itself is an inadequate objective for media planning because it tells nothing about *how often* target customers need to be exposed to the brand's advertising message for it to accomplish its goals. Therefore, frequency of advertising exposures must also be considered.

### 16-4b FREQUENCY

**Frequency** signifies the number of times, on average, during the media-planning period that members of the target audience are exposed to the media *vehicles* that carry a brand's advertising message. Frequency actually represents a media schedule's *average frequency*, but media people

use the term *frequency* as a shorthand way of referring to average frequency.

To better understand the concept of frequency and how it relates to reach, consider the simplified example in Table 16.1. This example provides information about 10 hypothetical members of the target audience for the Smart Car and their exposure to *Cosmopolitan* magazine over four consecutive weeks. (We are assuming for purposes of this simplified example that *Cosmopolitan* is the sole vehicle used for advertising the Smart Car.) Audience member A, for example, is exposed to *Cosmopolitan* on two occasions, weeks two and three. Member B is exposed to *Cosmopolitan* all 4 weeks. Member C is never exposed to this magazine during the 4-week period. Member D is exposed three times, in weeks one, three, and four, and so on for the remaining six members of Smart Car's audience. Notice in the last column of Table 16.1 that for each week, only 5 of 10 households (50 percent) are exposed to *Cosmopolitan* and thus have an opportunity to see an advertisement for the Smart Car placed in this advertising vehicle. This reflects the fact that a single vehicle (in this case, *Cosmopolitan*) rarely reaches the full target audience.

### The Concept of Frequency Distribution

Presented at the bottom of Table 16.1 are the frequency distribution and summary reach and frequency statistics for the Smart Car's media schedule. A *frequency distribution* represents the percentage of audience members (labeled "Percentage  $f$ " in Table 16.1) who are exposed  $f$  times (where  $f = 0, 1, 2, 3,$  or  $4$ ) to the *Cosmopolitan* magazine and thus have an opportunity to see ads for the Smart Car carried in that magazine. The cumulative frequency column (labeled "Percentage  $f+$ ") indicates the percentage of the 10-member audience that has been exposed  $f$  or more times to *Cosmopolitan* magazine during this 4-week period (again,  $f = 0, 1, 2, 3,$  or  $4$ ).

For example, the percentage exposed at least two times is 70 percent. Note carefully that for any value of  $f$ , the percentage in the Percentage  $f+$  column simply represents the summation from the Percentage  $f$  column of that value plus all greater values. Reading from the Percentage  $f$  column in Table 16.1, you will see that the percentage of target audience members exposed exactly two times is 40 percent (namely, audience members A, E, I, and J). The percentage exposed exactly three times is 20 percent (members D and G) and the percentage exposed four times is 10 percent (member B). Therefore, the cumulative percentage of audience members exposed two or more times (i.e., the percentage  $f+$  when  $f = 2$ ) is 70 percent ( $40 + 20 + 10 = 70$ ).

We now are in a position to illustrate how both reach and frequency are calculated. It can be seen in Table 16.1 that 9 (i.e., the net coverage or unduplicated audience) of the 10 audience members for the Smart Car advertisement have been exposed to one or more ads during the 4-week advertising period. (Reading from the Percentage  $f+$  column,

**Frequency** The number of times, on average, during the media-planning period that members of the target audience are exposed to the media vehicles that carry a brand's advertising message

**Table 16.1** ▶ Hypothetical Frequency Distribution for the Smart Car Advertised in Magazine

WEEK	TARGET AUDIENCE MEMBER										TOTAL EXPOSURES
	A	B	C	D	E	F	G	H	I	J	
1		X		X	X		X		X		5
2	X	X			X		X		X		5
3	X	X		X				X		X	5
4		X		X		X	X			X	5
Total Exposure	2	4	0	3	2	1	3	1	2	2	

SUMMARY STATISTICS			
FREQUENCY DISTRIBUTION (f)	PERCENTAGE f	PERCENTAGE f+	AUDIENCE MEMBERS
0	10%	100%	C
1	20	90	F, H
2	40	70	A, E, I, J
3	20	30	D, G
4	10	10	B
Reach (1+ exposures) = 90			
Frequency = 2.2			
GRPs = 200			

with  $f = 1$ , it can be seen that the 1+ cumulative percentage is 90.) This figure, 90 percent, represents the *reach* for this advertising effort. Note that advertising practitioners drop the percent sign when referring to reach and simply refer to the number. In this case, reach equals 90.

*Frequency* is the average of the frequency distribution. In this situation, frequency equals 2.22. That is, 20 percent are reached one time, 40 percent are reached two times, 20 percent are reached three times, and 10 percent four times. Or, arithmetically, average frequency (or simply, frequency) equals in Equation 16.1:

$$\frac{(1 \times 20) + (2 \times 40) + (3 \times 20) + (4 \times 10)}{90} = \frac{200}{90} = 2.22$$

This hypothetical situation thus indicates that 90 percent of the Smart Car's target audience is reached by the advertising schedule and that they are exposed an average of 2.22 times during the 4-week advertising schedule in *Cosmopolitan*. This value, 2.2, represents this simplified media schedule's frequency. (The exact frequency is 2.22; however, media practitioners conventionally round frequency figures to a single decimal place.) Note carefully that the sum of all frequencies (the numerator in the previous calculation) is divided by the reach figure to obtain frequency (reach = 90).

### 16-4c WEIGHT

A third objective involved in formulating media plans is determining how much advertising volume (termed *weight* by practitioners) is required to accomplish advertising objectives. Different metrics are used in determining an advertising schedule's weight during a specific advertising period. This section describes three weight metrics: gross ratings, target ratings, and effective ratings. First, however, it will be useful to explain the meaning of ratings.

#### What Are Ratings?

The concept of ratings has a unique meaning in the advertising industry unlike its everyday meaning. When people typically use the word *rating*, they are referring to a judgment about something. For example, a restaurant (or a movie, album, etc.) might be rated on a five-star scale from terrible (= 1 star) to wonderful (= 5 stars), much like that found in crowd-sourced reviews like Yelp!. However, in the context of advertising, the term *ratings* refers to the percentage of an audience that has an *opportunity to see* an advertisement placed in that vehicle.

Let us illustrate the meaning of ratings, using television as an example. As of 2017, there were approximately 118.4 million households in the United States



Joe Seer/Shutterstock.com

who had television sets.<sup>23</sup> Therefore, a single **rating point** during this period represents 1 percent of all television households, or 1,184,000 households.

Suppose, for sake of example, that during 1 week in 2017 a TV program named *America's Got Talent* (on Tuesday evening) had roughly 11.3 million households tuned in. *America's Got Talent* ratings for Tuesday during that week would thus be 9.5 (i.e.,  $11.3 \div 118.4$ ), which would indicate that 9.5 percent of all TV households viewed *America's Got Talent* on Tuesday during this one weekly episode in 2017. This, quite simply, is the meaning of ratings. It is important to recognize that the concept of ratings applies to all media and vehicles, not just to television and TV programs.

#### A rating point

Represents 1 percent of a designated audience or entire population that has an opportunity to see an advertisement in a vehicle.

#### Gross rating points (GRPs)

The weight that a particular advertising schedule has delivered. GRPs are a product of reach times frequency.

### Gross Rating Points (GRPs)

Notice at the bottom of Table 16.1 that Smart Car's ad schedule in *Cosmopolitan* yields 200 GRPs. **Gross rating points (GRPs)** reflect the weight that a particular advertising schedule has delivered. The term *gross* is the key. GRPs indicate the total coverage, or *duplicated audience*, exposed to a particular advertising schedule. Compare these terms with the terms given earlier for the absolute number of those reached—that is, *net coverage* and *unduplicated audience*.

Returning to our hypothetical example of an ad for the Smart Car in *Cosmopolitan*, the reach was 90, meaning that 9 of the 10 households in our mini-audience were exposed to at least a single issue of *Cosmo* magazine. (Again, the "9" is the net coverage or unduplicated audience.) The gross rating points in this example amount to 200 GRPs because audience members were exposed multiple times (2.22 times on average) to the vehicles that carried the Smart Car ad during the 4-week ad schedule.

It should be apparent from this discussion that GRPs represent the arithmetic product of reach times frequency.

$$\begin{aligned}\text{GRPs} &= \text{Reach}(R) \times \text{Frequency}(F) \\ &= 90 \times 2.22 \\ &= 200\end{aligned}$$

By simple algebraic manipulation the following additional relations are obtained:

$$\begin{aligned}R &= \text{GRPs} \div F \\ F &= \text{GRPs} \div R\end{aligned}$$

In other words, with knowledge of any two pieces of information from among R, F, and GRPs, it is easy to calculate the third by simple mathematical derivation.

### Determining GRPs in Practice

In advertising practice, media planners make media purchases by deciding how many GRPs are needed to accomplish established objectives. However, because the frequency distribution and reach and frequency statistics are unknown before the fact (i.e., at the time when the media schedule is determined), media planners need some other way to determine how many GRPs will result from a particular schedule.

There is, in fact, a simple way to make this determination. GRPs are ascertained by simply summing the ratings obtained from the individual vehicles included in a prospective media schedule. Remember, GRPs are nothing more than *the sum of all vehicle ratings in a media schedule*. For example, during the summer week (with normally lower ratings) of August 22, 2017, the 10 most highly rated TV programs were as follows:

PROGRAM	NETWORK	HOUSEHOLD RATING
<i>America's Got Talent</i> —Tuesday	NBC	6.8
<i>America's Got Talent</i> —Wednesday	NBC	6.3
<i>60 Minutes</i>	CBS	5.1
<i>NCIS: Encore</i>	CBS	4.9
<i>Big Bang Theory</i> —Encore	CBS	4.8
<i>Better Late Than Never</i>	NBC	4.5
<i>America's Got Talent</i> —Wednesday 8 P.M.	NBC	4.4
<i>American Ninja Warrior</i>	NBC	4.1
<i>Big Brother</i> —Sunday	CBS	4.0
<i>Big Brother</i> —Wednesday	CBS	4.0

Source: "Nielsen Top 10 TV Ratings: Prime Broadcast Network TV Programs—United States," Nielsen Media Research, week of August 22, 2017, accessed September 1, 2017, <http://www.nielsen.com/us/en/top10s.html>. Copyrighted information of Nielsen, licensed for use herein.

Suppose by chance that an advertiser had placed a single ad on each of these TV programs during the week of August 22, 2017. This being the case, the advertiser would have accumulated 48.9 GRPs when advertising in these particular programs ( $6.8 + 6.3 + \dots + 4.0 = 48.9$ ). In short, the gross ratings generated by a particular media schedule simply equals the *sum of the individual ratings* obtained across all vehicles included in that schedule.

### Target Rating Points (TRPs)

A slight but important variant of GRPs is the notion of target rating points. **Target rating points (TRPs)** adjust vehicle ratings to reflect just those individuals *who match the advertiser's target audience*. Returning to the Smart Car example, let us assume that the advertising target for this model is primarily people between the ages of 18 and 49 who have incomes of \$50,000 or more and generally reside in urban areas. Considering the 10 TV programs listed previously, assume that, for simplicity, only 30 percent of the total audience exposed to each of these programs actually match Smart Car's target market. Hence, although placing a single ad in each of these programs yields 48.9 gross rating points, this same schedule produces only 14.67 target rating points (i.e.,  $48.9 \times 0.3 = 14.67$ ).

It should be obvious from this simple illustration that GRPs represent some degree of wasted coverage because some audience members fall outside the target audience the advertiser wishes to reach. Comparatively, target rating points, TRPs, represent a better indicator of a media schedule's *nonwasted weight*. GRPs equal *gross weight*, some of which is wasted; TRPs equal *net weight*, none of which is wasted.

### The Concept of Effective Reach

Alternative media schedules are usually compared in terms of the number of GRPs (or TRPs) that each generates. A greater number of GRPs (or TRPs) does not necessarily indicate superiority, however. Consider, for example, two alternative media plans that require the exact same budget. We will refer to these plans as Plan X and Plan Z. Plan X generates 95 percent reach and an average frequency of 2.0, thereby yielding 190 GRPs. (Note again that *reach* is defined as the proportion of the audience exposed one or more times to advertising vehicles during the course of a typical 4-week campaign.) Plan Z provides for 166.4 GRPs from a reach of 52 percent and a frequency of 3.2.

Which plan is better? Plan X is clearly superior in terms of total GRPs and reach, but Plan Z has a higher frequency level. If the brand in question requires a greater number of exposures for the advertising to achieve effectiveness, then Plan Z may be superior even though it yields fewer GRPs. By the way, the same comparison would apply as well if this example were in terms of TRPs rather than GRPs.

#### Target rating points (TRPs)

An adaptation of gross rating points (GRPs), these adjust a vehicle's rating to reflect just those individuals who match the advertiser's target audience.

#### Effective reach

Refers to the percentage of the target audience that is exposed to the ad schedule at least three times (i.e., 3+ exposures) during the media scheduling period.

It is for the reason suggested in the preceding comparison that many advertisers and media planners have become critical of the GRP and TRP concepts, contending that “[these concepts] rest on the very dubious assumption that every exposure is of equal value, that the 50th exposure is the same as the tenth or the first.”<sup>24</sup> Although the GRP and the TRP metrics remain very much a part of media planning, the advertising industry has turned away from the exclusive use of “raw” advertising weight toward a concept of media *effectiveness*.<sup>25</sup> The determination of media effectiveness takes into consideration *how often* members of the target audience have an opportunity to be exposed to advertising messages for the focal brand. Media practitioners often use the terms *effective reach* and *effective frequency* interchangeably to capture the idea that an effective media schedule delivers a sufficient but not excessive number of ads to the target audience. Although either term is acceptable, hereafter we will simply refer to *effective reach*.

**Effective reach** is based on the idea that an advertising schedule is effective only if it does not reach members of the target audience *too few* or *too many* times during the media scheduling period, which, as noted previously, is typically a 4-week period. In other words, there is a theoretical optimum range of exposures to an advertisement with minimum and maximum limits. But what constitutes too few or too many exposures? This, unfortunately, is one of the most complicated issues in all of advertising. The only statement that can be made with certainty is, “It depends!”

It depends, in particular, on considerations such as the level of consumer awareness of the advertised brand, its market share, the audience's degree of loyalty to the brand, message creativity and novelty, and the objectives that advertising is intended to accomplish for the brand. In fact, high levels of weekly exposure to a brand's advertising may be unproductive for loyal consumers because of a leveling off of ad effectiveness.<sup>26</sup> Specifically, brands with higher market shares and greater customer loyalty typically require *fewer* advertising exposures to achieve minimal levels of effectiveness. Likewise, it would be expected that distinctive advertising campaigns require *fewer* exposures to accomplish their objectives. The higher up the hierarchy of effects the advertising is attempting to move the consumer, the *greater* the number of exposures needed to achieve minimal effectiveness. For example, fewer exposures probably would be needed merely to make consumers aware that there is a brand named Smart Car than would be required to convince them that although Smart Car is small it is relatively safe.

### How Many Exposures Are Needed?

It follows that the minimum and maximum numbers of effective exposures can be determined only by conducting sophisticated



research. Because research of this nature is time-consuming and expensive, advertisers and media planners generally have used rules of thumb in place of research in determining exposure effectiveness. Advertising industry thinking on this matter has been heavily influenced by the so-called **three-exposure hypothesis**, which addresses the *minimum* number of exposures needed for advertising to be effective. Its originator, an advertising practitioner named Herbert Krugman, argued that a consumer's initial exposure to a brand's advertising initiates a response of "What is it?" The second exposure triggers a response of "What of it?" And the third exposure and those thereafter are merely reminders of the information that the consumer already has learned from the first two exposures.<sup>27</sup>

This hypothesis, which was based on little empirical data and a lot of intuition, has virtually become gospel in the advertising industry. Many advertising practitioners have interpreted the three-exposure hypothesis to mean that media schedules are *ineffective* when they deliver average frequencies of *fewer than three exposures* to the advertising vehicle in which a brand's advertisement is placed.

Although there is some intuitive appeal to the notion that frequencies of fewer than three are insufficient, this interpretation of the three-exposure hypothesis may be too literal and also fails to recognize that Krugman's hypothesis had in mind three exposures to an advertising *message* and not three exposures to vehicles carrying the message.<sup>28</sup> The difference is that vehicle exposure, or what we previously referred to as *opportunity to see (OTS)* an ad, is *not* tantamount to advertising exposure. For example, a viewer of a TV program will probably miss some of the commercials placed during a 30- or 60-minute program or will be inattentive to some of those that are aired.

#### Three-exposure hypothesis

An idea that addresses the minimum number of exposures (i.e., 3) needed for advertising to be effective.

Aside from this general misunderstanding of the three-exposure hypothesis, it must also be recognized that no specific number of minimum exposures—whether 3, 7, 17, etc.—is absolutely correct for all advertising situations. It cannot be overemphasized that what is effective (or ineffective) for one product or brand may not necessarily be so for another. "There is no magic number, no comfortable '3+' level of advertising exposures that works, even if we refer to advertising exposure rather than OTS."<sup>29</sup>

### Effective Reach Planning in Advertising Practice

The most widely-accepted view among media planners is that *fewer than 3 exposures* during a 4-week media schedule is generally considered ineffective, whereas *more than 10 exposures* during this period is considered excessive. The range of effective reach, then, can be thought of as *3 to 10 exposures* during a designated media-planning period.

The use of effective reach rather than GRPs as the basis for media planning can have a major effect on overall media strategies. In particular, effective reach planning generally leads to using *multiple media* rather than depending exclusively on television, which is often the strategy when using the GRP metric. Prime-time television is especially effective in terms of generating high levels of reach (1+ exposures), but may be deficient in terms of achieving effective reach (3+ exposures). Thus, the use of effective reach as the decision criterion often involves giving up some of prime-time television's reach to obtain greater frequency (at the same total cost) from other media.

This is illustrated in Table 16.2, which compares four media plans involving different combinations of media expenditures from an annual advertising

**Table 16.2** ▶ Alternative Media Plans Based on a \$25 Million Annual Budget and 4-Week Media Analysis

	PLAN A: TV (100%)	PLAN B: TV (67%), RADIO (33%)	PLAN C: TV (50%), MAGAZINES (50%)	PLAN D: TV (67%), OUTDOOR (33%)
Reach (1+ exposures)	69%	79%	91%	87%
Effective reach (3+ exposures)	29%	48%	53%	61%
Frequency	2.8	5.5	3.2	6.7
GRPs	193	435	291	583
ERPs	81	264	170	409
Cost per GRP	\$129,534	\$57,471	\$85,911	\$42,882
Cost per ERP	\$308,642	\$94,697	\$147,059	\$61,125

budget of \$25 million.<sup>30</sup> Plan A allocates 100 percent of the \$25 million budget to network television advertising, Plan B allocates 67 percent to television and 33 percent to network radio, Plan C splits the budget between network television and magazines, and Plan D allocates 67 percent to television and 33 percent to outdoor advertising.

Notice first that Plan A (the use of 100 percent TV) leads to the lowest levels of reach, effective reach, frequency, and GRPs. An even (50/50) split of TV and magazines (Plan C) generates an especially high level of reach (91 percent), whereas combinations of TV with radio (Plan B) and TV with outdoor advertising (Plan D) are especially impressive in terms of frequency, GRPs, and the percentage of consumers exposed three or more times.

More to the point, notice that the TV-only plan compared with the remaining plans yields far fewer GRPs and considerably fewer **effective rating points (ERPs)**. (Note that in Table 16.2 ERPs equal the product of effective reach, or 3+ exposures, times frequency; plan A, for example, yields 81 ERPs, i.e.,  $29 \times 2.8 = 81.2$ .) Plan D, which combines 67 percent TV with 33 percent outdoor advertising, is especially outstanding in terms of the numbers of GRPs and ERPs generated. This is because outdoor advertising is seen frequently as people travel to and from work and participate in other activities.

Should we conclude from this discussion that Plan D is the best and that Plan A is the worst? Not necessarily. Clearly, the impact from seeing one billboard advertisement is generally far less than being exposed to a captivating television commercial. This illustration points out a fundamental aspect of media planning: *subjective factors* also must be considered when allocating advertising dollars. Superficially, the numbers do favor Plan D. However, judgment and past experience may favor Plan A on the grounds that the only way to advertise this particular product effectively is by presenting dynamic action shots of people consuming and enjoying the product. Only television could satisfy this requirement. Other media (radio, magazines, and outdoor advertising) may be used to complement the key message TV ads drive home. (The strengths and limitations of each of these ad media are discussed in the following chapter.)

It is useful to return again to a point established in Chapter 8: *It is better to be vaguely right than precisely wrong*. Reach, frequency, effective reach, GRPs, TRPs, and ERPs are precise in their appearance but, in application, if used blindly, may be precisely wrong.

### An Alternative Approach: Frequency Value Planning

Advertising scholars have proposed an alternative approach to the three-exposure doctrine.<sup>31</sup> The objective of *frequency value planning* is to select that media schedule (from a set of alternative schedules) that generates the most exposure value per GRP—or, stated differently, the objective is to select that media schedule that provides a “bigger bang for

**Table 16.3** ▶ Exposure Utilities for Different OTS Levels

OTS	EXPOSURE UTILITY
0	0.00
1	0.50
2	0.63
3	0.72
4	0.79
5	0.85
6	0.90
7	0.94
8	0.97
9	0.99
10+	1.00

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the buck.” Frequency value planning is an approach that attempts to get the most out of an advertising investment in the sense of selecting the most *efficient* advertising schedule. The following implementation steps are involved:

**Step 1.** Estimate the *exposure utility* for each level of vehicle exposure, or OTS, that a schedule produces.<sup>32</sup> Exposure utility represents the worth, or value, of each

additional opportunity for audience members to see an ad for a brand during the period of an advertising schedule. Table 16.3 lists OTSs from 0 to 10+ and their corresponding exposure utilities. (Note that these utilities are not invariant across all situations but have to be determined

uniquely for each brand-advertising situation.) It can be seen that 0 vehicle exposures has, of course, an exposure utility of 0. One exposure adds the greatest amount of utility, assumed here to be 0.50 units; a second OTS contributes 0.13 additional units of utility (for an overall utility of 0.63); a third exposure contributes 0.09 more units to the second exposure (for an overall utility of 0.72 units); a fourth exposure adds 0.07 units of utility to the third exposure; and so on. One can see that this utility function reflects decreasing marginal utility with each additional OTS. At an OTS of 10, the maximum utility of 1.00 is achieved. Thus, this illustration proposes that OTSs in excess of 10 offer no additional utility. By graphing the utilities in Table 16.3, one can readily see that the function is nonlinear and concave to the origin. In other words, each additional exposure contributes decreasing utility.

**Step 2.** Estimate the *frequency distribution* of the various media schedules that are under consideration. Software programs, such as the program discussed later in

**Effective rating points (ERPs)** Equals the product of effective reach, or 3+ exposures, times frequency.

the chapter, are available for this purpose. Table 16.4 shows the distributions for two alternative media schedules. Reading in Table 16.4 from column B (Schedule 1) and column D (Schedule 2), it can be seen that 15 percent of the target audience is estimated to be exposed zero times to Schedule 1 (8 percent exposed zero times to Schedule 2), 11.1 percent of the target audience is estimated to be exposed exactly one time to Schedule 1 (21.0 percent are exposed one time to Schedule 2), 12.5 percent of the audience exposed exactly two times to Schedule 1 (17.6 percent to Schedule 2), 13.2 percent three times to Schedule 1 (13.6 percent to Schedule 2), and so on.

**Step 3.** Estimate the *OTS value at each OTS level*.<sup>33</sup> Entries in the *OTS value* columns in Table 16.4 (column C for Schedule 1, column E for Schedule 2) are calculated at each OTS level (OTS = 1, 2, 3, . . . , 10+) by simply taking the arithmetic product of the Exposure Utility at each OTS level times the Percentage of Target column. Therefore, at an OTS of one exposure, the exposure value is  $0.5 \times 11.1 = 5.55$  for Schedule 1 and  $0.5 \times 21.0 = 10.5$  for Schedule 2. At an OTS of two exposures, the exposure value is  $0.63 \times 12.5 = 7.875$  (Schedule 1) and  $0.63 \times 17.6 = 11.088$  (Schedule 2), and so on.

**Step 4.** Determine the *total value across all OTS levels*. After calculating the value at each OTS level, the *total value* is obtained by simply summing the individual exposure values ( $5.55 + 7.875 + 9.504 + \dots + 10.5 = 66.481$  for Schedule 1;  $10.5 + 11.088 + 9.792 + \dots + 1.6 = 66.482$  for Schedule 2, which is virtually identical to that for Schedule 1).

**Step 5.** Develop an *index of exposure efficiency*. This index is calculated by dividing each schedule's *total value* by the number of GRPs produced by that schedule. Total GRPs are determined from the data in Table 16.4 in the same way they were identified earlier from the data in Table 16.1. Specifically, Schedule 1's total of 398.6 GRPs (see bottom of Table 16.4) is calculated as  $(1 \times 11.1) + (2 \times 12.5) + (3 \times 13.2) + \dots + (10 \times 10.5)$ . (You should ensure that you understand this by calculating the GRPs for Schedule 2.) The index of exposure efficiency for Schedule 1 is 0.167 (i.e.,  $66.481 \times 398.6$ ), whereas the index value for Schedule 2 is 0.199 (i.e.,  $66.482 \times 333.8$ ).

What can be concluded from these calculations? With higher index values representing greater *efficiency*, it should be clear that Schedule 2 in Table 16.4 is the more efficient media schedule. That is, Schedule 2 has a higher efficiency index than Schedule 1 because Schedule 2 accomplishes an

**Table 16.4** ▶ Frequency Distributions and Valuations of Two Media Schedules

OTS	SCHEDULE 1			SCHEDULE 2	
	(A) EXPOSURE UTILITY	(B) PERCENTAGE OF TARGET	(C) OTS VALUE (A × B)	(D) PERCENTAGE OF TARGET	(E) OTS VALUE (A × D)
0	0.00	15.0%	0.000	8.0%	0.000
1	0.50	11.1	5.550	21.0	10.500
2	0.63	12.5	7.875	17.6	11.088
3	0.72	13.2	9.504	13.6	9.792
4	0.79	11.0	8.690	10.9	8.611
5	0.85	8.4	7.140	8.6	7.310
6	0.90	6.3	5.670	6.6	5.940
7	0.94	5.0	4.700	5.2	4.888
8	0.97	3.9	3.783	3.9	3.783
9	0.99	3.1	3.069	3.0	2.970
10+	1.00	10.5	10.500	1.6	1.600
Total Value			66.481		66.482
GRPs			398.6		333.8
Index of Exposure Efficiency (Value/GRPs)			0.167		0.199

equivalent exposure value (66.482 versus 66.481), but with fewer GRPs and hence less expense. Moreover, whereas Schedule 1 reaches a high percentage of the target audience 10 or more times (i.e., 10+ OTS = 10.5 percent), Schedule 2 focuses more on reaching the audience at least one time rather than wasting expenditures on reaching the audience 10 or more times. The 1+ OTS for Schedule 2 equals 92 percent, compared with Schedule 1's 1+ OTS of 85 percent.

Although this method of frequency value planning is theoretically sounder than the three-exposure heuristic, the latter is embedded in advertising practice whereas the former was introduced more recently. The implication is not that this newer procedure should be dismissed out of hand; the point, instead, is that advertising practice has not as yet widely adopted the approach. It is only fair to note that the difficulty with implementing frequency value planning is in estimating exposure utilities, such as those presented in Table 16.3. There simply is no easy way to estimate exposure utilities, which is why many media planners prefer to employ rules of thumb.

#### 16-4d CONTINUITY

**Continuity** involves the matter of how advertising is allocated during the course of an advertising campaign. The fundamental issue is this: should the media budget be distributed uniformly throughout the period of the advertising campaign, should it be spent in a concentrated period to achieve the most impact, or should some other schedule between these two extremes be used? As always, the determination of what is best depends on the specifics of the situation. In general, however, a uniform advertising schedule may suffer from too little advertising weight at any one time. A heavily concentrated schedule, in contrast, can suffer from excessive exposures during the advertising period and a complete absence of advertising at all other times.

Advertisers have three general alternatives related to allocating the budget over the course of the campaign: *continuous*, *pulsing*, and *flighting* schedules. Figure 16.2 shows how advertising allocations might differ from month to month for a dairy company depending on the use of continuous, pulsing, or flighting schedules. Assume the annual advertising budget available to this marketer is \$3 million.

#### Continuous Schedule

In a **continuous advertising schedule**, an equal or relatively equal number of ad dollars are invested throughout the campaign. The illustration in Panel A of Figure 16.2 shows an extreme case of continuous advertising in which the advertiser allocates the \$3 million advertising budget in equal amounts of exactly \$250,000 for all 12 months.

Such an advertising allocation would make sense only if dairy products were consumed in essentially

equal quantities throughout the year. However, consumption is particularly high during May, June, July, and August when people increasingly eat ice cream, which is an especially important product in this company's product line and one for which sales are especially sensitive to advertising support. This calls for a *discontinuous* allocation of advertising dollars throughout the year.

#### Pulsing

In a **pulsing advertising schedule**, some advertising is used *during every period* of the campaign, but the amount of advertising varies from period to period. In Panel B of Figure 16.2, a pulsing schedule for this dairy company shows that its advertising is especially heavy during the high ice cream-consumption months of May through August (spending \$500,000 each month), but the company nonetheless advertises in every month throughout the year. The minimum advertising expenditure is \$50,000 even in the relatively low ice cream-sales months of January, February, November, and December.

#### Flighting

In a **flighting schedule**, the advertiser varies expenditures throughout the campaign and allocates *zero* expenditures in some months. As demonstrated in Panel C of Figure 16.2, the dairy company allocates \$600,000 to each of the four high ice cream-consumption months (May through August), \$200,000 each to moderate ice cream-consumption months (April, September, and October), but \$0 to the five low-consumption months (January, February, March, November, and December). To help remember this, a flighted schedule, just like the flight of a plane or bird, must come "down to the ground" (i.e., zero expenditures) at some point in the yearly campaign.

#### 16-4e REGENCY PLANNING (A.K.A. THE SHELF-SPACE MODEL)

Some advertising practitioners argue that flighted and pulsed advertising schedules are necessitated by the tremendous increases in media costs, especially the expense of network television advertising as few advertisers can afford to advertise consistently and heavily throughout the year. Also, discontinuous advertising (i.e., pulsing or flighting) goes hand in hand with the goal of achieving effective reach (3+) during any advertising period in which a brand manager chooses to have an advertising presence.

However, the logic of discontinuous scheduling has been challenged strongly by a New York media specialist named Erwin Ephron. Ephron and his supporters assert that the advertising industry has failed to prove the value of the effective reach (3+) criterion for allocating advertising budgets and that this dubious criterion leads

**Continuity** A media planning consideration that involves how advertising is allocated during the course of an advertising campaign.

#### Continuous advertising schedule

A type of schedule to allocate advertising over an advertising campaign where an equal or relatively equal number of ad dollars are invested throughout the campaign.

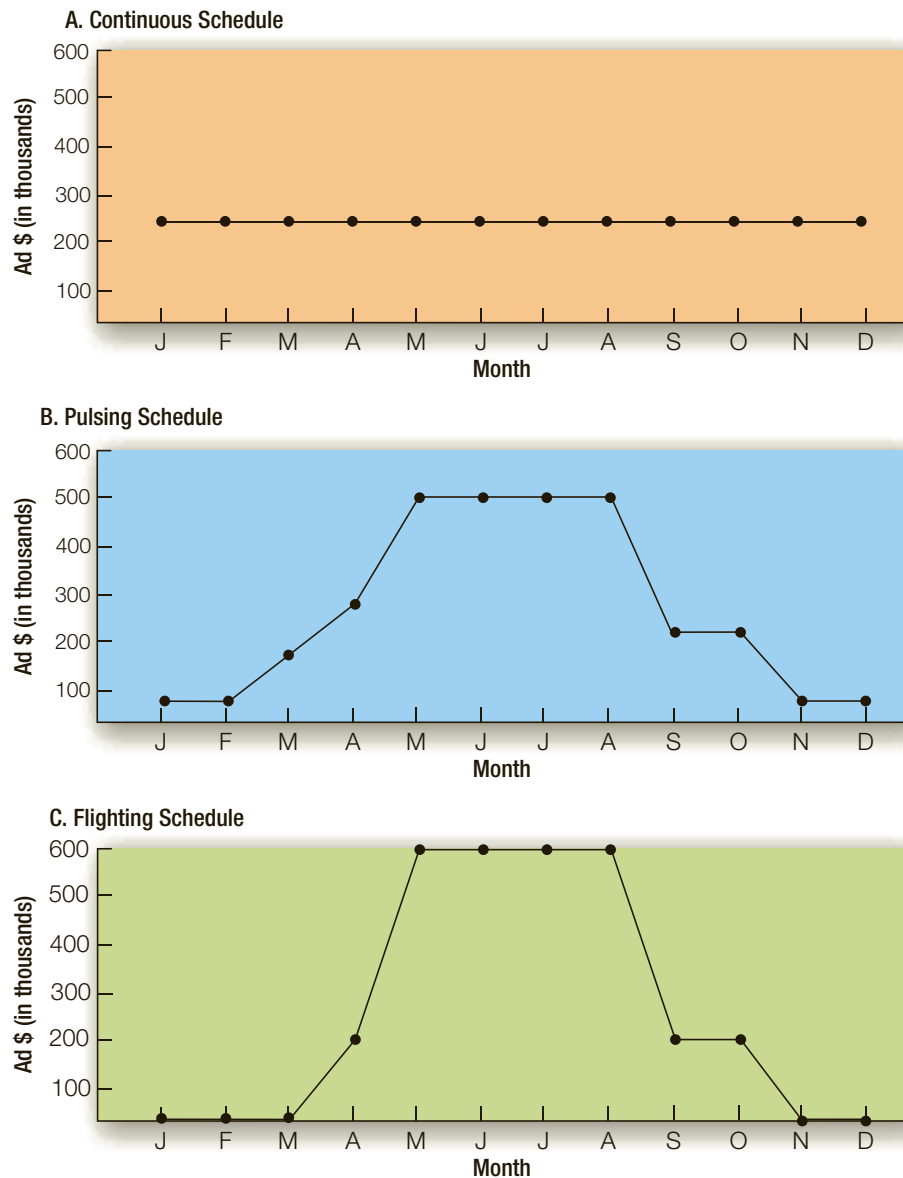
#### Pulsing advertising schedule

A type of schedule to allocate advertising over an advertising campaign where some advertising is used *during every period* of the campaign, but the amount of advertising varies from period to period.

#### Flighting schedule

A type of schedule to allocate advertising over an advertising campaign where advertiser varies expenditures throughout the campaign and allocates *zero* expenditures in some months.

**Figure 16.2** ▶ Continuous, Pulsing, and Flighting Advertising Schedules for a Brand of Ice Cream



inappropriately to flighted allocations. Ephron has formulated an argument favoring continuous advertising that he terms the *principle of recency*, also called the *shelf-space model*.<sup>34</sup> Because flighting is an on-and-off advertising proposition, by analogy, if retail shelves were out of stock for that brand during various times throughout the year, it could affect brand sales adversely.

The **recency principle**, or *shelf-space model*, is built on three interrelated ideas: (1) that consumers' *first exposure* to an advertisement for a brand is the most powerful; (2) that advertising's primary role is to influence brand

choice, and that advertising does indeed influence choice for the *subset of consumers who are in the market* for the product category at the time a brand in that category advertises; and (3) that achieving a *high level of weekly reach* for a brand should be emphasized over acquiring heavy frequency. Let us examine all three ideas.

### The Powerful First Exposure

Empirical evidence (albeit somewhat tentative) has demonstrated that the first exposure to advertising has a greater effect on sales than do additional exposures.<sup>35</sup> (The utility

function given previously in Table 16.3 also uses the logic that the first exposure has the greatest impact.) The empirical evidence mentioned above is based on single-source data, when a single household is exposed to brand advertising and also provides demographic and brand purchase data at the same time. The research produced provocative findings based on an extensive study of 142 brands representing 12 product categories (detergents, bar soaps, shampoos, ice cream, peanut butter, ground coffee, etc.). In the study, it was demonstrated that the first advertising exposure for these brands generated the highest proportion of sales and that additional exposures added very little to the first.<sup>36</sup>

### Influencing Brand Choice

The concept of recency planning is based on the idea that consumer needs determine advertising effects. Advertising is especially effective when it occurs *close to the time when consumers are in the market for a particular product*. There is, in other words, a window of advertising opportunity for capturing the consumer's selection of the advertised brand versus other brands in the product category. "Advertising's job is to influence the purchase. Recency planning's job is to place the message in that window."<sup>37</sup>

The logic, in other words, is that a brand can achieve greater sales volume by reaching more consumers a single time during an advertising period (a reach objective) rather than reaching fewer consumers more often (a frequency objective). Also, the advertising budget is not necessarily lower with recency planning; rather, the budget is allocated differently than is a flighted advertising budget. In particular, recency planning allocates the budget over more weeks throughout the year and invests less weight (fewer GRPs or TRPs) during the weeks in which advertising is undertaken. Recency planning uses *1 week*, rather than 4 weeks, as the planning period and attempts to reach as many target consumers as possible in as many weeks as the budget will permit.

### Optimizing Weekly Reach

Therefore, it can be argued that media planners should devise schedules that are geared toward providing a continuous (or near continuous) presence for a brand with the objective of optimizing *weekly reach* rather than effective reach as embodied in the three-exposure hypothesis.

The logic of recency planning can be summarized as follows:

1. Contrary to the three-exposure hypothesis, which has been interpreted to mean that advertising must *teach* consumers about brands (therefore requiring multiple exposures), the recency principle, or shelf-space model, assumes that the role of advertising is *not* to teach but to influence consumers' *brand selection*. "Unless it's a new brand, a new benefit, or a new use, there is not

much learning involved."<sup>38</sup> Thus, the purpose of most advertising is to remind us of, reinforce, or evoke earlier messages rather than to teach consumers about product benefits or uses.

2. With the objective of influencing brand selection, advertising should therefore reach consumers when they are ready to buy a brand. The purpose of advertising by this logic is to "rent the shelf" so as to ensure a brand presence close to the time when consumers make purchase decisions. *Out of sight, out of mind* is a key advertising principle.
3. Advertising messages are most effective when they are *close to the time of purchase*, and a single advertising exposure is effective if it reaches consumers close to the time when they are making brand-selection decisions.
4. The cost effectiveness of a single exposure is approximately *three times greater* than the value of subsequent exposures.<sup>39</sup>
5. Thus, rather than concentrating the advertising budget to achieve multiple exposures only at select times throughout the year, planners should allocate the budget to *reach more consumers more often*.
6. In a world without budget constraints, the ideal advertising approach would be to achieve a weekly reach of 100 (i.e., to reach 100 percent of the target audience at least one time) and to sustain this level of reach for all 52 weeks of the year. Such a schedule would yield 5,200 weekly reach points. Because most advertisers cannot afford to sustain such a constant level of advertising, the next best approach is to *reach as high a percentage of the target audience as possible for as many weeks as possible*. This goal can be accomplished by (1) using 15-second TV commercials as well as more expensive 30-second spots; (2) spreading the budget among cheaper media (e.g., radio) rather than spending exclusively on television advertising; and (3) buying cheaper TV programs (e.g., cable, syndicated) rather than exclusively prime-time network programs. All of these strategies free up advertising dollars and permit an advertising schedule that will reach a high percentage of the target audience continuously rather than sporadically.

#### Recency principle

Also called the *shelf-space model*, this principle is built on three interrelated ideas: (1) that consumers' *first exposure* to an advertisement for a brand is the most powerful; (2) that advertising's primary role is to influence brand choice, and that advertising does indeed influence choice for the *subset of consumers who are in the market* for the product category at the time a brand in that category advertises; and (3) that achieving a *high level of weekly reach* for a brand should be emphasized over acquiring heavy frequency.

### Toward Reconciliation: It Depends!

The concept of scheduling media to achieve a continuous rather than sporadic presence has considerable appeal. However, no single approach is equally effective for all brands. The logic of recency planning recognizes this when suggesting (in the first point previously) that for new brands, new benefits, or different ways of using a brand, the advertising objective indeed may be to teach rather than merely remind. Another advertising executive summarized the issue well.

*We've always believed that the first exposure is the most powerful, yet we don't want to have hard and fast rules. Every brand is a different situation. The leader in a category has different frequency needs than a competitor with less market share. It's not fair to say every brand has the same need for frequency.*<sup>40</sup>

So, what works best depends on the specific circumstances facing a brand. If the brand is *mature* and well established, then effective weekly reach (the shelf-space model) is probably an appropriate way to allocate the advertising budget. Conversely, if the brand is *new*, or if *new benefits or uses* for the brand have been developed, or if the advertising *message is complex*, then the budget should be allocated in a manner that achieves the frequency necessary to teach consumers (e.g., with flighting) about brand benefits and uses.

#### 16-4f COST CONSIDERATIONS

Media planners attempt to allocate the advertising budget in a cost-efficient manner subject to satisfying other objectives. One of the most important and universally used indicators of media efficiency is the cost-per-thousand criterion. **Cost-per-thousand (CPM)**, the *M* represents the Roman numeral for 1,000) is the cost of reaching 1,000 people who are readers, viewers, or listeners of the media vehicle. The measure can be refined to mean the cost of reaching 1,000 members of the target audience, excluding those people who fall outside the target market. This refined measure is designated **CPM-TM**.

CPM and CPM-TM are calculated by dividing the cost of an advertisement placed in a particular advertising vehicle by the vehicle's total-market reach (CPM) or by its target-market reach (CPM-TM):

$$\text{CPM} = \text{Cost of ad} \div \text{Number of total contacts reached} \\ \text{(expressed in thousands)}$$

$$\text{CPM-TM} = \text{Cost of ad} \div \text{Number of target market contacts reached} \\ \text{(expressed in thousands)}$$

The term *contacts* is used here to represent any type of advertising audience (television viewers, magazine readers, radio listeners, etc.) that is reached by a single advertising placement in a particular vehicle.

#### Illustrative Calculations

To illustrate how CPM and CPM-TM are calculated, consider the following unconventional advertising situation. During Saturday football games at a major university, a local airplane advertising service flies messages on a trailing device that extends behind the plane. The cost is \$500 per message. The football stadium holds 80,000 fans and is filled to capacity every Saturday. Thus, the CPM in this situation is \$6.25, which is the cost per message (\$500

divided by the number of people in thousands (80) who potentially are exposed to (i.e., have an opportunity to see, or OTS) an advertising message trailing from the plane.

Now assume that a new student bookstore uses the airplane advertising service to announce its opening to the approximately 20,000 students who are typically in attendance at each game. Because the target market in this instance is only a fraction of the total audience, CPM-TM is a more appropriate cost-per-thousand statistic. CPM-TM in this instance is \$25 (\$500 ÷ 20)—which of course is four times higher than the CPM statistic because the target audience is one fourth the size of the total audience.

To further illustrate how CPM and CPM-TM are calculated, suppose an advertiser promoted its brand on the reality program *American Idol*, and that during a particular week *American Idol*'s Nielsen rating is 16.2, meaning that viewers in almost 18.3 million households had an OTS for any commercial aired on that program. At a cost of \$780,000 for a 30-second commercial on Tuesday evening airings of *American Idol* during a recent season, the CPM is as follows:

$$\text{Total viewership} = 18,273,600 \text{ households}$$

$$\text{Cost of 30-second commercial} = \$780,000$$

$$\text{CPM} = \$780,000 \div 18,273.6$$

$$= \$42.68$$

If we assume that the advertised brand's target market consists only of girls and women between the ages of 13 and 34 and that this submarket represents 60 percent of the total audience—or 10,964,160 girls and women who view *American Idol*—then the CPM-TM is

$$\text{CPM-TM} = \$780,000 \div 10,964.16 = \$71.14$$

#### Use with Caution!

The CPM and CPM-TM statistics are useful for comparing the *cost-efficiency* of different advertising vehicles. They must be used cautiously, however, for several reasons. First, these are measures of cost-efficiency—not of effectiveness. A particular vehicle may be extremely efficient, but totally ineffective because it (1) reaches the wrong audience (if CPM is used rather than CPM-TM) or (2) is inappropriate for the product category and the brand advertised. By analogy, a Smart Car is undoubtedly more efficient in terms of miles per gallon than a large SUV, but may be less effective for one's purposes.<sup>41</sup>

A second limitation of CPM and CPM-TM measures is their *lack of comparability across media*. As is emphasized in the following chapter, the various media perform unique roles and are therefore priced differently. A lower

CPM for radio does not mean that buying radio time is better than buying a more expensive (CPM-wise) television schedule.

Finally, CPM statistics can be misused unless vehicles within a particular medium are compared on the same basis. For example, the CPM

#### Cost-per-thousand

The cost of reaching 1,000 people who are readers, viewers, or listeners of the media vehicle.

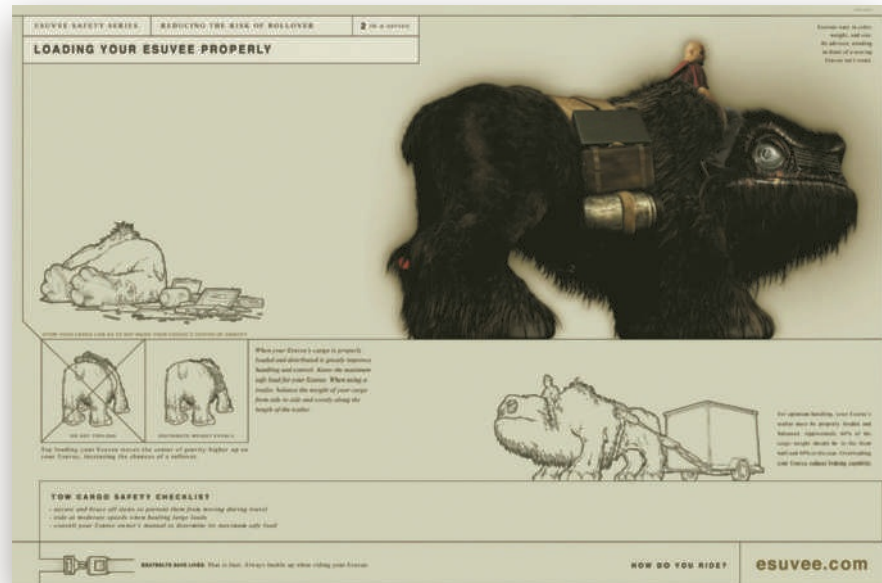
for an advertisement placed on daytime television is lower than that for a prime-time program, but this represents a case of comparing apples with oranges. The proper comparison would be between two daytime programs or between two prime-time programs rather than across dayparts. Similarly, it would be inappropriate to compare the CPM for a black-and-white magazine ad with a four-color magazine ad unless the two ads are considered equal in terms of their ability to present the brand effectively.

### 16-4g THE NECESSITY OF MAKING TRADE-OFFS

We have now discussed various media-planning objectives—reach, frequency, weight, continuity, recency, and cost—in some detail. Each was introduced without direct reference to the other objectives. It is important to recognize, however, that these objectives are actually somewhat at odds with one another. That is, given a fixed advertising budget (e.g., \$15 million for the Smart Car), the media planner cannot simultaneously optimize reach, frequency, and continuity objectives. Trade-offs must be made because media planners operate under the constraint of fixed advertising budgets. Therefore, optimizing one objective (e.g., minimizing CPM or maximizing GRPs) requires the sacrifice of other objectives. This simply is due to the mathematics of constrained optimization: multiple objectives cannot simultaneously be optimized when constraints (like limited budgets) exist.

With a fixed advertising budget, the media planner can choose to maximize reach or frequency but not both. With increases in reach, frequency is sacrificed and vice versa: if you want to reach more people, you cannot reach them as often with a *fixed* advertising budget; if you want to reach them more often, you cannot reach as many. In another sense, the brand manager faced with an advertising budget constraint (which always is the case), must decide whether frequency is more important (the three-exposure hypothesis) or reach is more imperative (the recency principle).

Thus, each media planner must decide what is best given the particular circumstances surrounding the advertising decision facing his or her brand. For example, if one needs to *teach* consumers about new brands, new uses, or complex messages, then achieving *effective reach* (3+ exposures) and *repetition* are particularly important. However, for established brands that already are well known by consumers, the advertising task is simply one of *reminding* consumers about the brand, best achieved by maximizing *reach*.



Source: "How Do You Ride? What Everyone Needs to Know about SUV Safety." Used with permission from Peppercom Strategic Communications.

### 16-5 Media-Scheduling Software

On top of the difficult task of making intelligent tradeoffs among sometimes opposing objectives (reach, frequency, etc.), there literally are thousands, if not millions, of possible advertising schedules that could be selected depending on how the various media and media vehicles are combined. Fortunately, this daunting task is facilitated by the availability of computerized models to assist media planners in selecting media and vehicles (e.g., with Telmar's ADPlus/InterMix Software). These models essentially attempt to optimize an objective function (e.g., selecting a schedule that yields the greatest level of reach or the highest frequency), subject to satisfying constraints such as not exceeding the upper limit on the advertising budget. A computer algorithm (a problem-solving computer program) searches through the possible solutions and selects the specific media schedule that optimizes the objective function and satisfies all specified constraints.

For illustration purposes, let us assume that a media planner has decided to invest \$6.5 million in a 1-month safety advertising campaign entitled "Esuvee," that will focus on young men in trying to reduce the almost 10,000 SUV rollover crashes in the United States.<sup>42</sup> The budget will be allocated between television and magazine advertising, with \$4.5 million to be invested on the former during the introductory month and another \$2 million to be spent on the latter. (To simplify the discussion, only the magazine component of the media schedule is described.) Assume further that the target market for the Esuvee Safety Campaign consists of men between the ages of 18 and 49, who have incomes exceeding \$45,000 and who are outdoor-oriented.



Using a computerized media-scheduling program to select the “best” magazine vehicles from a large set of magazine options would entail the following steps:

**Step 1.** Develop a *media database*. This initial aspect of media planning involves three activities: (1) identify prospective advertising vehicles, (2) specify their ratings, and (3) determine individual vehicle cost. Table 16.5 illustrates the essential information contained in the media database for the Esuvee.

**Table 16.5** ▶ Media Database for the Esuvee Safety Campaign

MAGAZINE	RATING	4C/OPEN COST*	MAXIMUM INSERTIONS**
<i>American Hunter</i>	5.7	\$49,040	1
<i>American Rifleman</i>	10.1	60,915	1
<i>Bassmaster</i>	6.3	38,063	1
<i>Car &amp; Driver</i>	17.6	187,269	1
<i>Ducks Unlimited</i>	3.0	37,390	1
<i>ESPN Magazine</i>	17.6	216,320	2
<i>Field &amp; Stream</i>	13.6	115,800	1
<i>Game &amp; Fish</i>	5.7	38,185	1
<i>Guns &amp; Ammo</i>	12.5	38,570	1
<i>Hot Rod</i>	11.9	92,020	1
<i>Maxim</i>	14.1	253,845	1
<i>Men's Fitness</i>	10.4	71,095	1
<i>Men's Health</i>	16.4	177,575	1
<i>Motor Trend</i>	14.0	165,065	1
<i>North American Hunter</i>	9.2	39,400	1
<i>Outdoor Life</i>	9.7	67,000	1
<i>Sporting News</i>	6.5	52,219	2
<i>Sports Illustrated</i>	34.5	352,800	4

\*4C/open stands for a full-page, four-color ad purchased without a quantity discount. Cost information is from *Marketers Guide to Media*, 34, New York: Prometheus Global Media, 2011, 159–161, 173–177.

\*\*Maximum insertions are based on how frequently a magazine is published. *Sports Illustrated* is published weekly, which would enable one ad in each of the weeks during the 4-week scheduling period. With the exception of *ESPN Magazine* and *Sporting News*, which are published every other week, all other magazines under consideration are published monthly.

**Step 2.** Select the *criterion for optimizing the media schedule*. Media-schedule optimization alternatives include maximizing reach (1+), effective reach (3+), frequency, and GRPs. In the illustration to follow, *maximizing reach* has been selected as the optimizing criterion for the Esuvee Campaign’s 1-month introductory magazine campaign.

**Step 3.** Specify *constraints*. These include (1) determining a *budget constraint* for the media planning period, and (2) identifying *the maximum number of ad insertions for each vehicle*. The introductory 1-month magazine budget constraint has been set at \$2 million. The computer algorithm is being “told,” in other words, to select magazines that maximize reach for an expenditure not to exceed \$2 million.

In addition to the overall budget constraint, magazine-insertion constraints also are identified in Table 16.5. The purpose of these insertion constraints is to ensure that the optimum solution does not recommend inserting more ads in a particular publication than can be run during the 4-week scheduling period. As can be seen in Table 16.5, with only three exceptions (*ESPN Magazine*, *Sporting News*, and *Sports Illustrated*), all remaining magazines are issued only once per month. Thus, the maximum number of insertions for most of the magazines in Table 16.5 is constrained to “1,” although up to “2” ads each will be permitted in *ESPN Magazine* and *Sporting News* and up to “4” ads in *Sports Illustrated*. Although advertisers sometimes run multiple ads for a brand in the same magazine issue, the simplifying assumption made here is that not more than one ad for the Esuvee Safety Campaign should be placed in any particular magazine per issue.

**Step 4.** The final step is to seek out the optimum media schedule according to the specified objective function and subject to satisfying the budget and number-of-insertion constraints. The following illustration reveals how this is accomplished.

#### 16-5a HYPOTHETICAL ILLUSTRATION: A ONE-MONTH MAGAZINE SCHEDULE FOR THE ESUVEE SAFETY CAMPAIGN

Let us assume that a media planner for the Esuvee Safety Campaign is in the process of choosing the optimal 4-week schedule from among magazines considered appropriate for reaching men ages 18 to 49 who have household incomes of \$45,000 or greater, and are outdoor-oriented (i.e., they like to hunt, fish, cycle, camp, enjoy sports, etc.). Based on 2010 U.S. Census data (the last major census), there were approximately 68,904,000 million male Americans aged 18 to 49, representing approximately (with rounding) 62 percent of all adult males. Also, based on 2010 U.S. Census data, approximately 38.4 million males 18 and older earn

\$45,000 or greater. On the assumption that only 62 percent of this group satisfies the Esuvee Campaign's age target of males 18 to 49 who earn \$45,000 or more, the target market is reduced to 23,768,224 prospective customers for the Esuvee Safety Campaign (i.e.,  $0.619852 \times 38.345$  million). Then, if one assumes almost 75 percent (i.e.,  $0.7436331$ ) of the group would be outdoor-oriented, the final target market for our example would be 17,674,840 (with rounding). All subsequent planning is based on this estimate.

### The Esuvee Safety Campaign Database

The media planner has prepared a database consisting of 18 magazines considered suitable for reaching the target audience (see again Table 16.5). These magazines were selected because they are read predominantly by male readers, engaging in outdoor activities such as hunting, fishing, and sports, and having household incomes of \$45,000 or greater.

The second key input was magazine ratings. Ratings (see the second column in Table 16.5) were determined by dividing each magazine's audience size by the size of Esuvee Safety Campaign's target market, which, as indicated, is estimated at just under 17.7 million potential customers.<sup>43</sup> Next, costs (the third column) were designated according to the price each magazine charged for a one-time placement of a full-page, four-color advertisement. Finally, maximum insertions (the last column) were based on each magazine's publication cycle. As noted previously, 15 of the 18 magazines are published once per month, whereas *ESPN Magazine* and *Sporting News* are published bimonthly and *Sports Illustrated* is published weekly. Thus, only one ad each can be placed during the 4-week period in 15 of the magazines, whereas it is possible to place up to two ads each in *ESPN Magazine* and *Sporting News* and up to four ads in *Sports Illustrated*.

### The Objective Function and Constraints

The information in Table 16.5 was input into Telmar's ADPlus (InterMix) computerized media scheduling program.<sup>44</sup> With this information, the program was instructed to maximize reach (1+) without exceeding a budget of \$2 million for this 4-week introductory magazine advertising campaign.

### The Optimal Schedule

Had advertisements been placed in all 18 magazines listed in Table 16.5 (including multiple insertions in *ESPN Magazine*, *Sporting News*, and *Sports Illustrated*, that were permissible), the total advertising cost would have amounted to over \$2.5 million. This amount would have gone over the limit, because a \$2 million budget constraint was imposed on magazine advertising. It thus was necessary to select from these magazines such that the budget constraint was met and the goal to maximize reach was satisfied. This is precisely what media-scheduling algorithms accomplish.

Given 18 magazines with different numbers of maximum insertions in each, there are numerous combinations

of magazines that could be selected. However, in a matter of seconds, the scheduling algorithm identified the single combination of magazines that would maximize reach for an expenditure of \$2 million or less. The solution is displayed in Table 16.6.

Table 16.6 shows that the optimal schedule consists of three ads in *Sports Illustrated*, two ads in *Sporting News*, and one ad each in 12 other magazines. (Four magazines—*ESPN Magazine*, *Maxim*, *Men's Health*, and *Motor Trend*—were not included in the final solution. An examination of Table 16.5 reveals that these magazines are relatively expensive in view of the ratings delivered.) The total cost of this schedule is \$1,997,585, which is under the specified upper limit of \$2 million by \$2,415. Note that the inclusion of any single additional advertisement would have exceeded the imposed budget limit. The least expensive magazine of the four that is not included is *Motor Trend* at a cost of \$165,065. Had an advertisement been placed in this magazine (or in *ESPN Magazine*, *Maxim*, or *Men's Health*), the total cost would have exceeded the budget constraint of \$2 million. The solution in Table 16.6 is the optimum solution for maximizing reach subject to satisfying the budget constraint.

### Interpreting the Solution

Let us carefully examine the data in Table 16.6. Notice first that the information in the upper-left corner provides details about the media schedule (ad agency, campaign, target size and description, and message-to-vehicle ratio). This message-to-vehicle ratio is shown in Table 16.6 to equal 52.5 percent. This value represents the likelihood that consumers who are exposed to the magazine vehicle *also* will be exposed to the advertising message within it. The expectation is that 52.5 percent of consumers exposed to any particular magazine in the Esuvee Safety Campaign's schedule will actually attend to an Esuvee safety ad inserted in these magazines. This ratio, although a rough estimate, was obtained from a survey of media directors who were asked to identify the message-to-vehicle ratios they use for different media categories.<sup>45</sup> The corresponding ratios for television, radio, and newspapers have been estimated at 32 percent, 16 percent, and 16 percent, respectively.<sup>46</sup> These certainly can be imperfect estimates, not necessarily applicable to every situation (e.g., Super Bowl, World Cup).

The next key information to observe in Table 16.6 is the *frequency distribution* for the vehicle and for the message. Conceptually these are identical, but the percentages in the message distribution are lower for the reasons described in the previous paragraph. For the *vehicle frequency distribution*, recall the earlier discussion (see Table 16.1) of the 10-household market for the Smart Car advertised in *Cosmopolitan* magazine. It will be helpful to review the concepts of (1) exposure level ( $f$ ); (2) frequency distribution, or percentage of audience exposed at each level of  $f$  (Percentage  $f$ ); and (3) cumulative frequency distribution (Percentage  $f+$ ). When  $f$  equals zero,

**Table 16.6** ▶ ADPlus Magazine Schedule for the Esuvee Safety Campaign

	FREQUENCY (f) DISTRIBUTIONS				
	f	VEHICLE		MESSAGE	
		%f	%f+	%f	%f+
XYZ Ad Agency	0	35.1	100.0	63.4	100.0
Esuvee Safety Campaign	1	16.7	64.9	9.5	36.6
September 2016	2	9.6	48.2	7.1	27.1
Target: 17,674,840	3	8.7	38.6	5.8	20.0
Males/18–49/\$45K HHI/ Outdoor	4	8.6	30.0	4.6	14.3
Message/Vehicle = 52.5%	5	7.6	21.4	3.4	9.7
	6	5.8	13.8	2.5	6.3
	7	3.8	8.0	1.6	3.8
	8	2.2	4.2	1.0	2.2
	9	1.1	2.0	0.6	1.1
	10+	0.5	0.5	0.3	0.3

	SUMMARY EVALUATION	
	VEHICLE	MESSAGE
Reach (1+)	64.9%	36.6%
Effective reach (3+)	38.6%	20.0%
Gross rating points (GRPs)	232.2	121.9
Average frequency (f)	3.6	3.3
Gross impressions (000s)	41,041.0	21,546.5
Cost-per-thousand (CPM)	\$48.67	\$92.71
Cost-per-rating point (CPP)	\$8,603	\$16,386

VEHICLE LIST (14)	RATING	GRPS	AD COST	CPM-MSG	ADS	TOTAL COST	MIX
<i>Guns &amp; Ammo</i>	12.5	12.5	\$38,570	\$33.25	1	\$38,570	1.9%
<i>North American Hunter</i>	9.2	9.2	39,400	46.15	1	39,400	2.0
<i>American Rifleman</i>	10.1	10.1	60,915	65.00	1	60,915	3.0
<i>Bassmaster</i>	6.3	6.3	38,063	65.11	1	38,063	1.9
<i>Game &amp; Fish</i>	5.7	5.7	38,165	72.19	1	38,165	1.9
<i>Men's Fitness</i>	10.4	10.4	71,095	73.67	1	71,095	3.6
<i>Outdoor Life</i>	9.7	9.7	67,000	74.44	1	67,000	3.4
<i>Hot Rod</i>	11.9	11.9	92,020	83.33	1	92,020	4.6

(Continued)

<i>Sporting News</i>	6.5	13.0	52,219	86.58	2	104,438	5.2
<i>Field &amp; Stream</i>	13.6	13.6	115,800	91.76	1	115,800	5.8
<i>American Hunter</i>	5.7	5.7	49,040	92.72	1	49,040	2.5
<i>Sports Illustrated</i>	34.5	103.5	352,800	110.20	3	1,058,400	53.0
<i>Car &amp; Driver</i>	17.6	17.6	187,269	114.67	1	187,269	9.4
<i>Ducks Unlimited</i>	3.0	3.0	37,390	134.31	1	37,390	1.9
Totals		232.2		\$ 92.71	17	\$1,997,585	100.0%

the Percentage  $f$  and Percentage  $f+$  values in Table 16.6 are 35.1 and 100, respectively. This is to say that the 35.1 percent of the 17.7 million target audience members for the Esuvee Safety Campaign will *not* be exposed to any of the 14 magazines that made it into the optimal solution and that are listed at the bottom of Table 16.6. The cumulative frequency when  $f$  equals zero is of course 100—that is, 100 percent of the audience members will be exposed zero or more times to magazine vehicles in Esuvee Safety Campaign's 4-week advertising schedule.

Note further that Percentage  $f$  and Percentage  $f+$  are 16.7 and 64.9 when  $f$  equals 1. That is, the computer program estimates that 16.7 percent of the target audience will be exposed to *exactly* one of the 14 magazines, and 64.9 percent of the audience will be exposed to one or more of the magazines during this 4-week period. Note carefully under the summary evaluation in the middle of Table 16.6 that vehicle *reach* equals 64.9 percent. With reach defined as the percentage of the target audience exposed one or more times (i.e.,  $1+$ ), the level of reach is determined merely by identifying the corresponding value in the Percentage  $f+$  column, which, when  $f$  equals 1, is 64.9 percent. It should also be clear that because 35.1 percent of the audience is exposed zero times, the complement of this value ( $100 - 35.1 = 64.9$  percent) is the percentage of the audience exposed one or more times—that is, the percentage of the audience reached.

Therefore, this optimum schedule yields a *vehicle reach* of 64.9, which is the maximum level of reach that any combination of the 18 magazines included in the database (see Table 16.5) could achieve within a budget constraint of \$2 million.

This optimal schedule produces 232.2 GRPs. These GRPs, by the way, are calculated by multiplying the ratings for each magazine by the number of ads placed in that magazine and then summing [(*Guns & Ammo* =  $23.5 \times 1$ ) + (*North American Hunter* =  $9.2 \times 1$ ) + . . . (*Ducks Unlimited* =  $3.0 \times 1$ ) = 232.2 GRPs].

Further, this magazine schedule is estimated to reach the audience an average of 3.6 times (see *average*

*frequency* under the summary evaluation in Table 16.6). Having defined earlier that frequency equals GRPs  $\div$  reach, you can readily calculate that the level of frequency equals  $232.2 \div 64.9 = 3.5778$ , which is rounded in Table 16.6 to 3.6.

*Effective reach* (i.e.,  $3+$ ) is 38.6 percent. That is, nearly 39 percent of the total audience is exposed to three or more vehicles. This value is obtained from the frequency distribution at the top of Table 16.6 by reading across from  $f = 3$  to the corresponding Percentage  $f+$  column.

The *cost-per-thousand* (CPM) is \$48.67. This value is calculated as follows: (1) audience size is 17,674,840; (2) 64.9 percent—or approximately 11,470,971 of the audience members—are reached by the schedule of magazines shown in Table 16.6; (3) each person reached is done so on average 3.5778 times (in Table 16.6, frequency is presented only to a single decimal point and is rounded up to 3.6); (4) the number of gross impressions, which is the number of people reached multiplied by the average number of times they are reached, is thus 41,041,000 (see summary evaluation in Table 16.6); (5) the *total cost* of this media schedule is \$1,997,585 (see the bottom of the Total Cost column in Table 16.6); and (6) therefore, the CPM is  $\$1,997,585 \div 41,041 = \$48.67$ .

Finally, the *cost-per-rating point* (CPP) is \$8,603. This is calculated simply by dividing the total cost by the number of GRPs produced (i.e.,  $\$1,997,585 \div 232.2$  GRPs).

Does Table 16.6 present a good media schedule? In terms of reach, the schedule is the best possible one that could have been produced from the combinations of 18 magazines that were input into the media scheduling algorithm and subject to a \$2 million budget constraint. No other combination from among these magazines could have exceeded this schedule's reach of 64.9 percent. Note carefully, however, that this *opportunity to see* (OTS) the ad for the Esuvee Safety Campaign is not tantamount to having actually seen the ad. Indeed, under the *message* frequency distribution, the ad message for the Esuvee Safety Campaign is estimated to reach only 36.6 percent of the audience one or more times. Such a result would be inadequate were it not for the

fact (as noted earlier) that television advertising is to be run simultaneously with the magazine schedule. The combination of these media can be expected to produce much more impressive numbers and to achieve the Esuvee Safety Campaign introductory advertising objectives.

### There's No Substitute for Judgment and Experience

It is important to emphasize that media models such as what has just been illustrated do not make the ultimate scheduling decision. All they can do is efficiently perform the calculations needed to determine which single media schedule will optimize some objective function such as maximizing reach or GRPs. Armed with the answer, it is up to the media planner to determine whether the media schedule satisfies other, nonquantitative objectives such as those described in the following chapter.

## 16-6 Review of Media Plans

Now that fundamental issues in media scheduling have been identified, it will be useful to consider two actual media plans—Diet Dr Pepper and the Food and Drug Administration's (FDA's) "The Real Cost" Campaign.

### 16-6a THE DIET DR PEPPER PLAN

An award-winning advertising campaign for Diet Dr Pepper that the Young & Rubicam advertising agency developed illustrates a media schedule for a consumer packaged good.<sup>47</sup> Although this is not a current schedule, the fundamentals are as applicable now as when the schedule was implemented.

#### Campaign Target and Objectives

The target audience for Diet Dr Pepper consisted primarily of adults ages 18 to 49 who were present or prospective diet soft-drink consumers. The objectives for the Diet Dr Pepper ad campaign (titled "The Taste You've Been Looking For") were as follows:

1. To increase Diet Dr Pepper sales by 4 percent and improve its growth rate to at least 1.5 times that of the diet soft-drink category.
2. To heighten consumers' evaluations of the key product benefit and image factors that influence brand choice in this category: it is refreshing, tastes as good as regular Dr Pepper, is a good product to drink at any time, and is a fun brand to drink.
3. To enhance those key brand-personality dimensions that differentiate Diet Dr Pepper from other diet drinks—particularly that Diet Dr Pepper is a unique, clever, fun, entertaining, and interesting brand to drink.

#### Creative Strategy

The creative strategy for Diet Dr Pepper positioned the brand as "tasting more like regular Dr Pepper." This was

a key claim based on research revealing that nearly 60 percent of initial trial users of Diet Dr Pepper were motivated by the desire to have a diet soft drink that tasted like regular Dr Pepper. The cornerstone of the campaign entailed the heavy use of 15-second commercials, which historically had not been used by major soft-drink brands, Coca-Cola and Pepsi-Cola; they preferred the entertainment value of longer commercials. The aggressive use of 15-second commercials enabled Diet Dr Pepper to convey its key taste claim ("Tastes more like regular Dr Pepper") and differentiate the brand from competitive diet drinks. Moreover, by employing cheaper 15-second commercials, it was possible to buy considerably more commercial spots and hence achieve greater weekly reach (recall the prior discussion of the shelf-space model), to obtain greater frequency, and to generate more weight for the same advertising budget. Diet Dr Pepper's advertising expenditures for the year totaled \$20.3 million.

#### Media Strategy

The advertising schedule for Diet Dr Pepper generated a total of 1,858 GRPs, with a cumulative *annual* reach of 95 and approximate frequency of 19.6. These media-weight values were accomplished with the national media plan summarized as a flowchart in Table 16.7.

Each of the 12 months and the week-beginning dates (Mondays) are listed across the top of the chart. Table entries reflect the GRPs each TV vehicle achieved for each weekly period based on targeted adults in the age category 18 to 49. The first entry, a 41 for the *NFL Championship Games*, indicates that placing advertisements for Diet Dr Pepper during the football games televised the week beginning January 17 produced 41 GRPs. Ten additional GRPs were garnered by placing an ad on the *Road to the Super Bowl* program that aired during the week of January 24.

Note that the Diet Dr Pepper media plan consisted of (1) placing advertisements during professional and college football games (SEC stands for Southeastern Conference); (2) sponsoring various special events (e.g., the *Country Music Awards* and golfing events); and (3) continuously advertising during prime time, on late-night television, on syndicated programs, and on cable stations.

At the bottom of Table 16.7 is a summary of GRPs broken down by week (e.g., 86 GRPs during the week beginning January 10), by month (e.g., 227 GRPs during January), and by quarter (e.g., 632 GRPs produced during the first quarter, January through March). It can be seen that the media schedule was *flighted* insofar as advertisements were placed during approximately two-thirds of the 52 weeks with no advertising during the remaining weeks. In sum, the media schedule was designed to highlight Diet Dr Pepper during special events and to maintain continuity throughout the year with prime-time network ads and less expensive support on syndicated and cable programming.

**Table 16.7** ▶ Media Plan for Diet Dr Pepper

	JAN				FEB				MAR				APR				MAY				JUN						
	27	3	10	17	24	31	7	14	21	28	7	14	21	28	4	11	18	25	2	9	16	23	30	6	13	20	
<b>ADULTS 18–49 GRPs</b>																											
<b>SPORTS</b>																											
NFL Championship Games				41																							
Road to the Superbowl					10																						
FOX “Game of the Week”																											
NBC “Game of the Week”																											
NBC Thanksgiving Game																											
ABC Monday Night Football																											
4Q Sports Total				41	10																						
SEC Championship Game																											
SEC-CFA Regular Game																											
SEC Thanksgiving Game																											
SEC Local/Conference Fee																											
SEC Sponsorship Total																											
<b>TOTAL SPORTS</b>				41	10																						
<b>EVENTS</b>																											
McDonald’s Golf Classic																				1							
Daytime Emmy Awards																					23						
Country Music Awards																				32							
Garth Brooks Special																				12							
Michael Bolton Sponsorship																											
May Event Print																				17	18						
JC Penney LPGA Golf																											
Harvey Penick Special																									1		
Diners Club Golf																											
<b>TOTAL EVENTS</b>																				61	18	17	41	1			
<b>CONTINUITY</b>																											
Prime			53				53				53	54			34	35			35					35			
May Event Prime Scatter																			29	28							
Late Night			6	5					5		5				3				3			4					
Syndication			14		14				13		13				8				8			8				8	
Cable			13		14				14		14				11				11			11					
<b>TOTAL CONTINUITY</b>			86	126	15	86	81				85	68			56	57			54	86	28	86	58				43
Integration-to-date																											
<b>Total Diet Plan</b>			86	126	15	86	81				85	68			56	57			54	147	46	103	127	59		43	
<b>A18–49 GRPs/Week</b>																											
<b>Amount Over Budget</b>																											
<b>A18–49 GRPs/Month</b>			227			167				238				167				477					102				
<b>A18–49 GRPs/Quarter</b>							632												746								

(Continued)

Table 16.7 ▶ Continued

	JUL					AUG				SEP				OCT				NOV				DEC					
	27	4	11	18	25	1	8	15	22	29	5	12	19	26	3	10	17	24	31	7	14	21	28	5	12	19	
<b>ADULTS 18–49 GRPs</b>																											
<b>SPORTS</b>																											
NFL Championship Games																											
Road to the Superbowl																											
FOX “Game of the Week”																											
NBC “Game of the Week”																											
NBC Thanksgiving Game																											
ABC Monday Night Football																											
4Q Sports Total																											
SEC Championship Game																											
SEC-CFA Regular Game																											
SEC Thanksgiving Game																											
SEC Local/Conference Fee																											
SEC Sponsorship Total																											
<b>TOTAL SPORTS</b>																											
<b>EVENTS</b>																											
McDonald’s Golf Classic																											
Daytime Emmy Awards																											
Country Music Awards																											
Garth Brooks Special																											
Michael Bolton Sponsorship																											
May Event Print																											
JC Penney LPGA Golf																											
Harvey Penick Special																											
Diners Club Golf																											
<b>TOTAL EVENTS</b>																											
<b>CONTINUITY</b>																											
Prime																											
May Event Prime Scatter																											
Late Night																											
Syndication																											
Cable																											
<b>TOTAL CONTINUITY</b>																											
Integration-to-date																											
<b>Total Diet Plan</b>																											
<b>A18–49 GRPs/Week</b>																											
<b>Amount Over Budget</b>																											
<b>A18–49 GRPs/Month</b>																											
<b>A18–49 GRPs/Quarter</b>																											
	75					51				52				91				108				103					
	178												302														

## 16-6b THE FDA'S "THE REAL COST" CAMPAIGN

Each day in the United States, over 2,600 youth under the age of 18 smoke their first cigarette, with the end result that over 480,000 eventually die each year in the United States due to smoking-related diseases.<sup>48</sup> Tobacco use is almost always initiated during adolescence, leading many health professionals to describe it as a pediatric disease. In fact, over 88 percent of current adult smokers begin their habit before age 18.<sup>49</sup> Thus, these statistics highlighted the need for a stronger, more-targeted youth tobacco prevention effort. So, in February 2014, the \$115 million Real Cost Campaign was launched nationally across multiple media platforms, including television, radio, print, digital, and out-of-home.<sup>50</sup>

### Campaign Target and Objectives

The Real Cost Campaign's primary target were more than 10 million youth aged 12 to 17 years in the United States who were either open to trying smoking or who were already experimenting with cigarettes. By "experimenting," this means that they have smoked less than 100 cigarettes in their lifetime, but at least one.

The objective of the campaign was to communicate three key messages to youth: (1) loss of control due to addiction; (2) the negative health consequences of tobacco use in terms of personal "costs;" and (3) to increase knowledge about the dangerous chemicals in tobacco products. It is hoped that this would lead to increased knowledge, negative beliefs and attitudes toward smoking, intentions to quit (or not to continue to experiment) and reduce smoking behavior. A longitudinal assessment of these objectives from the campaign continues at the time of this writing.

### Creative Strategy

The campaign began with a focus on general market at-risk youth, with plans for expansion to rural smokeless tobacco use, and multicultural, and LGBT tobacco usage. The general market creative ad executions portrayed smoking as a bully controlling their life, the dangers of almost 7,000 chemicals produced as a result of smoking, and immediate (e.g., skin, teeth) and long-term (e.g., lung) damage that occurs due to smoking. Copy testing and tracking efforts were used to make sure campaign spots were on target and received by youth in markets shown.

### Media Strategy

An integrated media campaign was designed to generate high levels of reach and frequency among the target group of at-risk youth aged 12 to 17, with a total planned paid media GRPs of 6,695. The initial national media schedule is presented in Table 16.8. It first will be noted that TV advertising started the week of February 10th, including prime-time network and cable (prime-time and non-prime-time) spots. The TV campaign was flighted, as it was not run during the following 7 weeks: April 21, May 26, July 14, August 25, September 29, October 27, and December 8. This can be helpful in the measurement of campaign effects during those stoppage periods. Note that the TV campaign accumulated 3,520 GRPs across the year, representing about 49 percent of the total GRPs for that year. In breaking down prime-time network spots, a total of 82 GRPs  $[(10 \times 6) + (2 \times 11)]$  were purchased during the year, with the bulk of TV GRPs coming from non-prime-time cable spots (2,611 GRPs). Online video, cinema, digital display and search, magazines, and weekly radio rounded out the schedule in that year.

So far, the Real Cost Campaign and its media plan have been successful, with the Campaign receiving a Gold Effie Award in the Disease Awareness and Education category recognized for "its insightful communications strategy, outstanding creative, and success in market." Two, multiyear outcome evaluations will be conducted to assess how the Campaign is reaching its objectives for these at-risk youth.



Source: FDA.gov

The FDA's Real Cost Campaign



Table 16.8 ▶ Media Plan for the FDA's "The Real Cost" Campaign

**THE REAL COST**  
2014 NATIONAL MEDIA PLAN

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	T12-17
	27/3	10/17/24/3/10/17/24/31/7/14/21/28/5/12/19/26/2/9/16/23/30/7/14/21/28/4/11/18/25/1/8/15/22	7/14/21/28/5/12/19/26/2/9/16/23/30/7/14/21/28/4/11/18/25/1/8/15/22	1/8/15/22/29/6/13/20/27/3/10/17/24/1/8/15/22	5/12/19/26/2/9/16/23/30/7/14/21/28/4/11/18/25/1/8/15/22	2/9/16/23/30/7/14/21/28/4/11/18/25/1/8/15/22	7/14/21/28/4/11/18/25/1/8/15/22	1/8/15/22/29/6/13/20/27/3/10/17/24/1/8/15/22	6/13/20/27/3/10/17/24/1/8/15/22	3/10/17/24/1/8/15/22	1/8/15/22	GRPs
<b>DEMO: Teens 12-17 National Plan</b>	70% :30's / 25% :15's											
<b>Broadcast TV</b>	100% :30's											
Prime	10/10/10/10/10							11/11				82
Cable Prime	23/23/23/23/23/20/20/20/20/20							20/20/10/10				828
Cable	79/79/79/79/79/79/79/79/79/79							65/65/64/64				2611
<b>Weekly Broadcast TV GRPs</b>	112/112/112/112/112/99/90/90/90							85/85/85/85				3,520
Online Video	33/33/33/33/33/22/22/25/13/13/13/16/14/14/14/14/14/16/17/17/17/17/17/17/17/25/17/17/25/17/17/25/17/16/16/16/16/25/17/17											900
Cinema	10/10/10/10/10/10							9/9/9/9/9/9/9/9/9/9				241
<b>Weekly Broadcast/Video/Cinema GRPs</b>	155/155/155/155/155/142/112/112/112/25/112/112/112/112/25/103/103/103/103/103/25/106/106/106/106/25/111/102/102/25/97/97/97/25/117/116/116/116/116/25/97/97											4,661
<b>Digital Display/Search</b>												
Digital	54/54/54/54/54/54/54/54/54/54											
Search												
<b>Weekly Digital Display GRPs</b>	54/54/54/54/54/54/54/54/54/54											1,456
<b>Magazines</b>												
Weekly Magazine GRPs		7/8/8/8/4/1/1/1/4/4/4/4/1/2/2/2/2/5/7/7/7/3										115
<b>Network Radio (.30's)</b>												
<b>Weekly Radio GRPs</b>	20/20/20/20/20/20/20/20/20/20											464
<b>Total National Weekly GRPs</b>	209/209/229/236/237/224/182/179/155/68/165/164/167/167/80/158/158/155/155/156/156/78/158/134/137/139/139/58/140/128/128/128/51/123/123/125/53/145/144/144/142/142/51/123/123											6,695
<b>Total National Quarterly GRPs</b>	1,573	1,963	1,679	1,489								6,695

**Paid Media Summary:**  
 Broadcast TV GRPs: 3,520  
 TV Frequency: 45.9  
 TV Reach: 77%  
 Online Video GRPs: 900  
 Cinema GRPs: 241  
 Total Video GRPs: 4,661  
 Teen Magazines: 16 x Insertions  
**Grand Total Paid Media GRPs: 6,695**

# Summary

Selection of advertising media and vehicles is one of the most important and complicated of all marketing communications decisions. Media planning must be coordinated with marketing strategy and with other aspects of advertising strategy. The strategic aspects of media planning involve four steps: (1) selecting the target audience toward which all subsequent efforts will be directed; (2) specifying media objectives, which typically are stated in terms of reach, frequency, gross rating points (GRPs), or effective rating points (ERPs); (3) selecting general media categories and specific vehicles within each medium; and (4) buying media.

A variety of factors influence media and vehicle selection; most important are target audience, cost, and creative considerations. Media planners select media vehicles by identifying those that will reach the designated target audience, satisfy budgetary constraints, and be compatible with and enhance the advertiser's creative message. This can be challenging due to the use of programmatic ad buys and cross-platform integration. There are numerous ways to schedule media insertions over time, but media planners have typically used some form of pulsed or flighted schedule whereby advertising is on at times,

off at others, but never continuous. The principle of recency, also referred to as the shelf-space model of advertising, challenges the use of flighted advertising schedules and argues that weekly efficient reach should be the decision criterion of choice because it ensures that advertising will be run at the time when consumers are making brand selection decisions.

The chapter provided detailed explanations of the various considerations media planners use in making advertising media decisions, including the concepts of reach, frequency, GRPs, ERPs, and cost and continuity considerations. Media vehicles within the same medium and daypart are compared in terms of cost using the cost-per-thousand criterion.

The chapter included a detailed discussion of a computerized media-selection model (Telmar's ADPlus InterMix software). This model requires information about vehicle cost, ratings, maximum number of insertions, and a budget constraint and then maximizes an objective function subject to that budget. Optimization criteria include maximizing reach (1+), effective reach (3+), frequency, or GRPs.

The chapter concluded with descriptions of media plans for Diet Dr Pepper and the FDA's "The Real Cost" Campaign.

## Discussion Questions

- Why is target audience selection the critical first step in formulating a media strategy?
- Compare and contrast TRPs and GRPs as media selection criteria.
- Contrast the term *reach* with its related terms *net coverage* and *unduplicated audience*.
- A television advertising schedule produced the following vehicle frequency distribution:
 

F	PERCENTAGE F	PERCENTAGE F+
0	31.5	100.0
1	9.3	68.5
2	7.1	59.2
3	6.0	52.1
4	5.2	46.1
5	4.6	40.9
6	4.1	36.3
7	3.7	32.2
8	3.4	28.5
9	3.1	25.1
10+	22.0	22.0
- What is the reach for this advertising schedule?
- What is the effective reach?
- How many GRPs does this schedule generate?
- What is the frequency for this schedule?
- Assume that the TV advertising schedule in Question 4 cost \$2 million and generated 240 million gross impressions. What are the CPM and CPP?
- A publication issue called the *Leading National Advertisers in Advertising Age* is an invaluable source for determining how much money companies invest in advertising. Go online through your library site and find the most recent version of this issue. Identify the advertising expenditures and the media used in advertising the following companies: Apple, General Mills, Nike, and Procter & Gamble.
- Discuss issues associated with cross-platform (multi-channel) media integration. Are there common metrics to help with this integration?
- Do you trust programmatic ad buying to, for example, serve up the right number and type of targeted display and video ads based on your online search preferences?
- With reference to the three-exposure hypothesis, explain the difference between three exposures to

- an advertising message versus three exposures to an advertising vehicle.
10. When an advertiser uses the latter, what implicit assumption is that advertiser making?
  11. Describe in your own words the fundamental logic underlying the principle of recency (or what also is referred to as the shelf-space model of advertising). Is this model always the best model to apply in setting media allocations over time?
  12. A TV program has a rating of 17.6. With approximately 118.4 million television households in the United States as of 2017, what is that program's CPM if a 30-second commercial costs \$600,000? Now assume that an advertiser's target audience consists only of people ages 25 to 54, which constitutes 62 percent of the program's total audience. What is the CPM-TM in this case?
  13. Which is more important for an advertiser: maximizing reach or maximizing frequency? Explain in detail.
  14. Reach will be lower for an advertised brand if the entire advertising budget during a 4-week period is devoted to advertising exclusively on a single program than if the same budget is allocated among a variety of TV programs. Why?
  15. Following are the ratings and number of ad insertions on five cable TV programs designated as C1 through C5: C1 (rating = 7, insertions = 6); C2 (rating = 4, insertions = 12); C3 (rating = 3, insertions = 20); C4 (rating = 5, insertions = 10); and C5 (rating = 6, insertions = 15). How many GRPs would be obtained from this cable TV advertising schedule?
  16. Assume that in Canada there are 14 million TV households. A popular TV program, *Hockey Night in Canada*, aired at 6 P.M. and had a *rating* of 5.7 and a 10 *share*. At the 6 P.M. airtime, how many TV sets were tuned into this or another program? (Hint: Ratings are based on total households, whereas share is based on just the households that have their TV sets on at a particular time, in this case at 6 P.M. Because the numerator value remains constant in both the calculation of ratings and share values, by simple algebraic manipulation you can determine from the rating information the number of households with their sets on.)

# Measuring Ad Message Effectiveness

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Explain the rationale and importance of ad message research.
- 2 Discuss the different stages of ad message research.
- 3 Describe the various research techniques used to measure consumers' recognition and recall of advertising messages.
- 4 Illustrate measures of emotional reactions to advertisements.
- 5 Explain the role of persuasion measurement, including pre- and post-testing of consumer preferences.
- 6 Discuss the meaning and operation of single-source measures of advertising effectiveness.

## Marcom Insight

### Lessons in Ad Copy Testing and Tracking: The National Youth Anti-Drug Media Campaign

In general, there are *four stages in advertising research*: (1) copy development, (2) a rough stage, (3) copy testing (i.e., pretesting), and (4) tracking (i.e., posttesting). In copy development, initial ideas are developed from points on the creative brief discussed in Chapter 10 and screened in focus groups. Then, the final (or nearly final) ads are copy tested by consumers in the target market. Finally, after appearing in the media, the ads are tracked using surveys usually measuring ad recall, attitudes, intentions, and behavioral (e.g., sales) data.

In addition, a very important issue in ad research is whether your ad *caused* an intended outcome (e.g., sales, behavioral change). This calls for an evaluation of *causality* (e.g., Did X [the ad] cause Y [a targeted behavior]?) and requires three conditions to be met: (1) X should vary with Y, (2) X should come before Y, and (3) the need to eliminate alternative explanations for Y.

Perhaps one of the best examples of the ad research stages and the notion of causality is that of the National Youth Anti-Drug Media Campaign (NYADMC). As briefly noted in Chapter 1, due to increases in adolescent drug use in the 1990s, the White House's Office of National Drug Control Policy (ONDCP) launched the largest public health ad campaign in U.S. history (see



Source: ONDCP.gov

http://abovetheinfluence.org and http://www.drugfree.org/resources for current sites). Beginning in 1995, an average of \$180 million was spent each year, mostly on national TV ads focusing on resistance skills, peer intervention, negative consequences, and modeling positive behaviors. (Important online messages and public relations efforts also were made.) In addition to parents, the primary targets for the campaign were adolescents aged 12 to 17 years old. (See Figure 17.1 for the ONDCP research process.) For Stages 1 and 2 of the ad research process, input from behavioral and creative briefs, the Partnership for a Drug Free America (PDFA), behavioral change experts, and adolescent drug surveys (“Monitoring the Future”), all served to aid the creative development of the ads. These ad ideas and themes then were presented in rough form (e.g., storyboards) and subjected to “formative creative evaluation panels” (i.e., focus groups) of youth, parents, and multicultural youth panels (Hispanic, African American, Asian, and American Indian) across the United States.

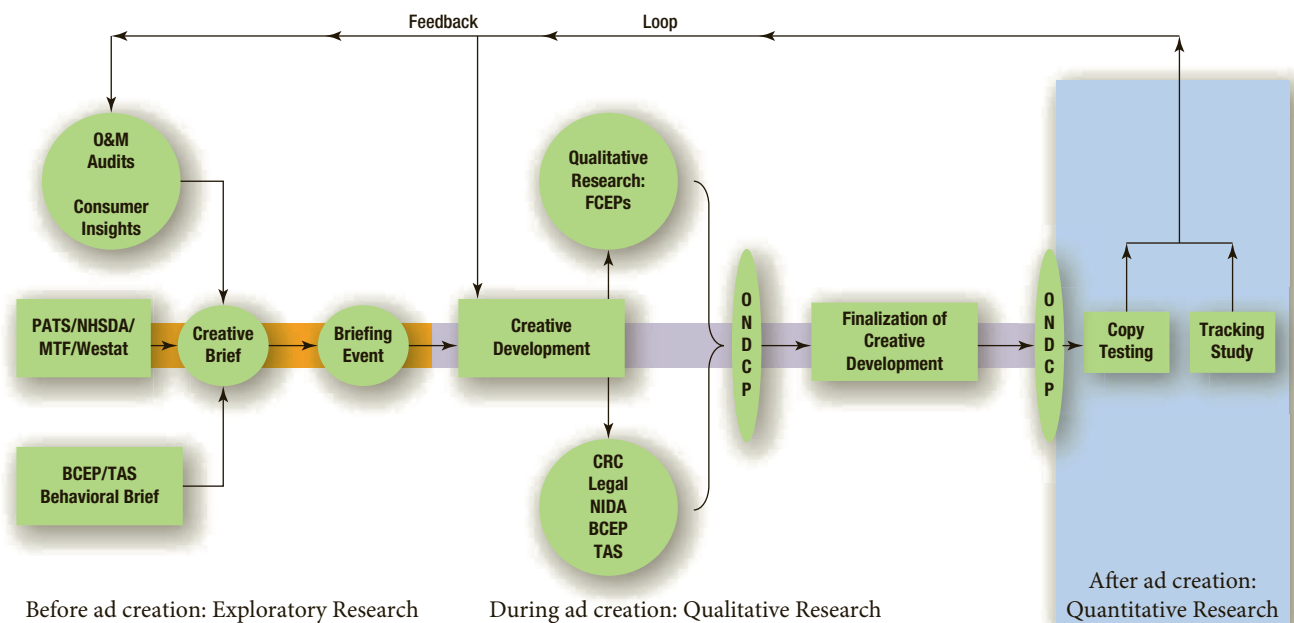
Following the finalization of the anti-drug ads (developed from pro bono work by agencies recruited by the PDFA), a rigorous copy testing procedure was used in testing youth and parents in Stage 3 of the ad research process. For each ad tested in the youth copy tests, the sample consisted of 200 African American, 200 Caucasian, and 200 Hispanic

youth, split 50/50 on grade (grades 7 to 8 vs. grades 9 to 10) and 50/50 on gender. For each ethnic group and grade, 50 youths were randomly assigned to either the test group (i.e., they see the anti-drug ad) or a non-exposure control group (i.e., they do not see the anti-drug ad). (Parents with at least one child in grades 7 to 10 were tested following the same procedure, yet with only 100 per ethnic group.)

The sample sizes were selected to detect differences of 10 percent or more between test and control groups with a power of 0.80, a 95 percent confidence level ( $p \leq 0.05$ ), and an observed within-group variance of 0.6. The copy tests only allowed those spots that significantly increased anti-drug beliefs and/or reduced intentions to use drugs versus control groups to appear in the televised media. The use of the control groups is very important in eliminating other alternative explanations for the beliefs and intention results, a key element in establishing causality. Other important measures, such as open-ended and diagnostic items (believability, attention, argument strength) also were taken.

In Stage 4, a set of researchers later tracked the effects of the campaign on anti-drug beliefs, intentions to use drugs, and actual use over time. Unfortunately for the researchers, no baseline (beginning) control measures specific to the campaign were taken. (Copy testing and tracking experts were assigned to the campaign after it started.) So, the next

**Figure 17.1** ▶ National Youth Anti-Drug Media Campaign Advertising Development/Research Process



**KEY:** O&M: Ogilvy & Mather, BCEP: Behavioral Change Expert Panel, PDFA: Partnership for a Drug-Free America, PATS: Partnership Attitude Tracking Study, FCEP: Formative Creative Evaluation Panel, CRC: Creative Review Committee, MTF: Monitoring the Future, NIDA: National Institute on Drug Abuse, TAS: Target Audience Specialist, NHSDA: National Household Survey on Drug Abuse

Source: Office of National Drug Control Policy (ONDCP).

“best” measure was to use ad recall, separating it into those with high and low ad recall scores, a proxy for lower and higher ad exposure. Researchers surveyed approximately 6,000 adolescents annually in their homes after the campaign began, with the same adolescents surveyed four times. Ninety-four percent of the youths reported seeing the ads, with a median frequency of 2 to 3 ads per week. Because the lower and higher ad exposure groups may have differed in their prior drug use, the researchers used covariates (e.g., sensation seeking) to try to control for or factor out these effects. In the end, the tracking study found mixed effects and some critics concluded that the campaign was ineffective and perhaps counterproductive. On the positive side, as the campaign progressed, anti-drug beliefs increased (yet without a control group, it could not be concluded that the campaign caused this trend). On the negative side, higher recall of the ads sometimes predicted greater intent to use 1 year later.

However, it was unclear whether these negative effects can be tied to the campaign itself. For example, research shows that advertising effects usually occur within days or weeks—not a year later. Moreover, *reverse causality* may have occurred such that adolescents who already formed an intent to use based on risk factors (or were using) paid more attention to the anti-drug ads (and maintained their intent due to the risk factors). An independent measure of ad exposure unrelated to the viewer’s intent (e.g., ad GRPs) might have been considered. Better yet, a true baseline no-exposure group or control group not exposed to the ads (and matched to the test group) would have been preferred.

Later research displayed more positive effects of the campaign on targeted groups (e.g., lower rates of use for eighth-grade girls), and for all adolescents when combined with in-school community interventions. Yet, the overall lesson for the evaluation of major ad campaigns, such as NYADMC, is that (1) careful planning with experts is important before

the campaign is launched, (2) control groups for both baseline exposure (tracking) and in the case of copy testing are critical, (3) screening for the affected target markets should be conducted, and (4) a consideration of all possible IMC “touch points” helps (e.g., in addition to national TV ads, one might consider in-school programs, public relations, social media, and so forth).<sup>1</sup> Certainly, the NYADMC had many (but not all) of these elements and provides a great model for discussion in the development and evaluation of major advertising campaigns.

Sources: Robert Denniston, “Planning, Implementing, and Managing an Unprecedented Government-Funded Prevention Communications Initiative,” *Social Marketing Quarterly* 10 (Summer 2004), 7–12; Diane Foley and Cornelia Pechmann, “The National Youth Anti-Drug Media Campaign Copy Test System,” *Social Marketing Quarterly* 10 (Summer 2004), 34–42; Cornelia Pechmann and Craig Andrews, “Copy Test Methods to Pretest Advertisements,” in *Wiley Encyclopedia of Marketing*, editors in chief Jagdish Sheth and Naresh K. Maholtra (vol. 4, *Advertising and Integrated Marketing Communications*, eds. Michael A. Belch and George E. Belch), West Sussex, UK: John Wiley & Sons, Ltd., 2011, 54–62; “National Youth Anti-Drug Media Campaign,” Communication Strategy Statement Supplement, Office of National Drug Control Policy: Washington, DC, August 2001, 1–27; Robert Hornik, Lela Jacobsohn, Robert Orwin, Andrea Plesse, and Graham Kalton, “Effects of the National Youth Anti-Drug Media Campaign,” *American Journal of Public Health*, 98, no. 12 (2008), 2229–2236; Cornelia Pechmann and J. Craig Andrews, “Methodological Issues and Challenges in Conducting Social Impact Evaluations” in *Scaling Social Impact: New Thinking*, eds. Paul N. Bloom and Edward Skloot, New York: Palgrave Macmillan, 2010, 217–234; Leendert Marinus Koyck, *Distributed Lags and Investment Analysis*, Amsterdam: North Holland Publishers, 1954; Christopher S. Carpenter and Cornelia Pechmann, “Exposure to the Above the Influence Antidrug Advertisements and Adolescent Marijuana Use in the United States, 2006–2008,” *American Journal of Public Health*, 101 (May 2011), 948–954; Michael D. Slater, Kathleen J. Kelly, Frank R. Lawrence, Linda R. Stanley, and Maria Leonora G. Comello, “Assessing Media Campaigns Linking Marijuana Non-Use with Autonomy and Aspirations: Be under Your Own Influence and ONDCP’s above the Influence,” *Prevention Science*, vol. 12 (online), 2011, 12–22.

## 17-1 Introduction to Advertising Research

Chapter 10 examined the role of advertising creativity, and Chapter 11 explored the role of endorsers and forms of advertising executions (e.g., humor and fear appeals). A well-defined value proposition is the key to advertising effectiveness, but there are many different types of creative advertising strategies (e.g., USP, brand image, and generic) and different message strategies that can accomplish the intended marcom objectives described in Chapter 8.

At the same time, the brand management team is responsible for researching whether proposed advertisements stand a good chance of being successful *prior* to

investing money in printing or airing ads. It would be presumptuous to assume that a proposed advertisement will be successful absent any research-based evidence. Yet, in your future marketing or advertising careers, you may hear colleagues give dismissive reactions to testing in that “we already know that,” or “I know this ad will [or won’t] work,” or “we already tested that in another region.” Unfortunately, such thinking avoids finding out exactly what *consumers* (not work colleagues) in your region *really* think about your brand or advertising. Moreover, the demand for *accountability* that is prevalent throughout business (recall the discussion in Chapter 2) necessitates that ads be tested before they are placed in media and then again during or after the period in which they have been printed or broadcast.

Sound business practice requires that efforts be made to determine whether advertising expenditures are justified, especially considering that it may cost up to \$500,000 (on average) to produce a national TV ad campaign. Accordingly, a significant amount of time and money are spent on testing message effectiveness. This chapter surveys some of the most important techniques used in the advertising research business.

### 17-1a IT IS NOT EASY OR INEXPENSIVE

Measuring message effectiveness is a difficult and expensive task. Nonetheless, the value gained from undertaking the effort typically outweighs the drawbacks. In the absence of formal research, most advertisers would not know whether proposed ad messages are going to be effective or whether ongoing advertising is doing a good job, nor could they know what to change to improve future advertising efforts. Advertising research enables management to increase advertising's contribution toward achieving marketing goals and yielding a reasonable return on investment.

Contemporary message research traces its roots to the nineteenth century, when measures of recall and memory were obtained as indicators of print advertising effectiveness.<sup>2</sup> Today, most national advertisers would not even consider airing a television commercial or placing a magazine advertisement without testing it first. A survey of the largest advertisers and advertising agencies in the United States determined that more than 80 percent of the respondents from each group pretest television commercials before airing them on a national basis.<sup>3</sup> Interestingly, these commercials typically are tested in a preliminary form rather than as finished versions. The purpose of testing commercials in rough form is to enable an economic means of screening out bad ideas at significantly lower expense than is necessitated in developing finished commercials.<sup>4</sup> Research has shown that results from testing prefinished commercials closely parallel those from tests performed on finalized commercials.<sup>5</sup> Finally, even with digital (online) media, in which there can be major context- and content-specific differences, approximately 75 percent of advertisers routinely test some digital ads during development.<sup>6</sup> The following section describes a variety of prefinished forms in which TV commercials typically are tested.

### 17-1b TESTING TV COMMERCIALS IN PREFINISHED (ROUGH) FORM

An advertising agency works from a creative brief that has been developed in conjunction with the client-side brand management team. As described in Chapter 10, the creative brief is a document designed to inspire copywriters by channeling their creative efforts toward a solution that will serve the interests of the client. The creative

brief also represents an informal pact between client and advertising agency that secures agreement on what an advertising campaign is intended to accomplish. Among other features, the creative brief identifies the brand positioning, the overall marketing strategy for the brand, and a statement of the brand's key value proposition. Working from this brief, copywriters and other agency personnel develop two or more creative executions that are considered suitable for accomplishing agreed-on objectives. However, rather than immediately producing a finished commercial, which can easily cost \$500,000 or more, it is practical and cost-efficient to test the advertising concept in a prefinished form. There are five prefinished forms that are tested in television commercial research. The form furthest removed from a finished commercial is the storyboard, whereas the other forms become more like a produced commercial as we progress from the animatics form to the liveamatics version. Each is briefly described here.<sup>7</sup>

1. *Storyboards*: This prefinished version presents a series of key visual frames and the corresponding script of the audio. The sequence of visual frames is literally pasted on a poster-type board, hence the storyboard name. The storyboard version, unlike a dynamic commercial, is completely static. Drawings of people replace the actual actors or celebrities who ultimately will appear in the finished commercial. Testing of storyboards often is done in focus group settings with small groups of consumers.
2. *Animatics*: This is a film or videotape of a sequence of drawings with simultaneous playing of audio to represent a proposed commercial. The animatic version maintains the primitive nature of the storyboard but incorporates an element of dynamism by videotaping the sequence of drawings.
3. *Photomatics*: A sequence of photographs is filmed or videotaped and accompanied by audio to represent a proposed commercial. This version is increasingly realistic because photographs of real people are displayed rather than, as in the case of storyboards or animatics, merely shown as drawn renderings of real people.
4. *Ripomatics* (also called steal-o-matics): Footage is taken from existing commercials and spliced together to represent the proposed commercial. Hence, the ripomatics version captures the realism of an actual commercial, but does not entail the huge expense associated with filming an original commercial.
5. *Liveamatics*: This prefinished version entails filming or videotaping live talent to represent the proposed commercial. This version is the closest to a finished commercial, but it does not fully represent the actual settings or talent that will be used in the finished commercial.

### 17-1c WHAT DOES ADVERTISING RESEARCH INVOLVE?

Advertising research encompasses a variety of purposes, methods, measures, and techniques. Broadly speaking, we can distinguish between two general forms of ad research: measures of *media effectiveness* and those of *message effectiveness*. Chapters 12 to 16 (especially Chapter 12) addressed the matter of media effectiveness and exposure; the present chapter focuses exclusively on measuring message effectiveness. (If one is interested in identifying other ads than one's own that have appeared in media, see the following media tracking services: <https://competitrack.com> or <http://www.mintel.com/mintel-comperemedia>.)

Achieving brand awareness, conveying copy points, influencing attitudes, creating emotional responses, and affecting purchase choices are the various foci of message research. In short, message research is undertaken to test the effectiveness of advertising messages. (Message research also is called *copy research*, or *copy testing*, but these terms are too limiting inasmuch as message research involves testing all aspects of advertisements, not just the verbal copy material.) For example, as shown in the *Marcom Insight*, tracking the overall effects of a campaign on beliefs, attitudes, intentions, and behavior usually is part of message research evaluation.

As mentioned in the *Marcom Insight*, there are four stages at which ad message research is usually conducted: (1) at the copy development stage; (2) at the “rough” stage (i.e., in prefinished form such as animatics and photomatics as previously noted); (3) at the final production stage, but prior to placing the ad in magazines, on TV, or in other media (i.e., pretesting with copy tests); and (4) after the ad has been run in media (i.e., posttesting with tracking studies).<sup>8</sup> In other words, advertising research involves both *pretesting* messages during developmental stages (prior to actual placement in advertising media) and *post-testing* messages for effectiveness after they have been aired or printed. Pretesting is performed to eliminate ineffective ads before they are ever run, whereas posttesting is conducted to determine whether messages have achieved established objectives.

Sometimes research is done under natural advertising conditions (e.g., field studies) and other times in simulated or laboratory situations. Measures of effectiveness range from simple paper-and-pencil instruments (such as attitude scales) to neurological devices (e.g., assessments of brain wave activity). It should be clear that there is no single encompassing form of message research. Rather, measures of advertising effectiveness are as varied as the questions that advertisers and their agencies want answered.

**Positioning Advertising Copy Testing (PACT)** A set of nine copy testing principles developed by leading U.S. advertising agencies.

### 17-1d INDUSTRY STANDARDS FOR MESSAGE RESEARCH

Although message-based research is prevalent, some of it may not be of the highest caliber. Sometimes it is unclear exactly what the research is attempting to measure, measures often fail to satisfy the basic requirements of sound research, and results occasionally have little to say about whether tested ads stand a good chance of being effective.

Members of the advertising research community have been mindful of these problems and have sought a higher standard of performance from advertising researchers. U.S. advertising agencies formulated a major document, called **Positioning Advertising Copy Testing (PACT)**, to remedy the problem of mediocre or flawed advertising research. The document is directed primarily at television advertising, but is relevant to the testing of advertising in all media.

The PACT document consists of nine message-testing principles.<sup>9</sup> More than mere pronouncements, these principles represent useful guides to how advertising research should be conducted. (Note that the developers of the PACT principles referred to copy testing rather than message research. The following descriptions retain the use of copy testing, although as noted previously, message research is a more apt label.)

#### Principle 1

A good copy testing system needs to provide measurements that are *relevant to the advertising objectives*. The specific objective(s) that an advertising campaign is intended to accomplish (such as creating brand awareness, influencing brand image, or creating warmth) should be the first consideration in determining the methods to assess advertising effectiveness. For example, if the objective for a particular advertising campaign is to evoke strong emotional reactions from viewers, a measure of brand awareness would likely be insufficient for determining if the message succeeded in accomplishing its objective.

#### Principle 2

A good copy testing system *requires agreement about how the results will be used in advance of each specific test*. Specifying the use of research results before data collection ensures that all parties involved (advertiser, agency, and research firm) agree on the research goals and reduces the chance of conflicting interpretations of test results. This principle's intent is to encourage the use of decision rules or action standards that, before actual testing, establish the test results that must be achieved for the test advertisement to receive full media distribution.

#### Principle 3

A good copy testing system provides *multiple measurements* because single measurements are generally inadequate to assess the totality of an ad's performance. The



process by which advertisements influence customers is complex, so multiple measures are more likely than single measures to capture the various advertising effects.

#### Principle 4

A good copy testing system is based on a *model of human response to communications*—the reception of a stimulus, the comprehension of the stimulus, and the response to the stimulus. Because advertisements vary in the impact they are intended to achieve, a good copy testing system is capable of answering questions that are patterned to the underlying model of behavior. For example, if consumers purchase a particular product for primarily emotional reasons, then message research should use a suitable measure of emotional response rather than simply measuring recall of copy points. It is interesting to note that message research has historically focused excessively on the rational, cognitive aspect of human behavior and devoted insufficient attention to emotions and feelings—factors that are increasingly being recognized by scholars and practitioners as just as important, if not more influential, than cognition in driving consumer behavior.<sup>10</sup> A later discussion will discuss the role of emotionality in advertising and in message-based advertising research.

#### Principle 5

A good copy testing system allows for consideration of *whether the advertising stimulus should be exposed more than once*. This principle addresses the issue of whether a single test exposure (showing an ad or commercial to consumers only once) provides a sufficient test of potential impact. Because multiple exposures are often required for advertisements to accomplish their full effect, message research should expose a test ad to respondents on two or more occasions when the communications situation calls for such a procedure.<sup>11</sup> For example, a single-exposure test is probably insufficient to determine whether an advertisement successfully conveys a complex benefit. Conversely, a single exposure may be adequate if an advertisement is designed solely to create name awareness for a new brand.

#### Principle 6

A good copy testing system recognizes that a more finished piece of copy can be evaluated more soundly; therefore, a good system requires, at minimum, that *alternative executions be tested in the same degree of finish*. Test results typically vary depending on the degree of finish, as, for example, when testing a photomatic or ripomatic version of a television commercial. Sometimes the amount of information lost from testing a less-than-finished ad is inconsequential; sometimes it is critical.

#### Principle 7

A good copy testing system *provides controls to avoid the bias normally found in the exposure context*. The context in which an advertisement is contained (e.g., the clutter or lack of clutter in a magazine) will have a substantial impact on how

the ad is received, processed, and accepted. For this reason, copy testing procedures should attempt to duplicate the eventual context of an advertisement or commercial.

#### Principle 8

A good copy testing system takes into account *basic considerations of sample definition*. This typically requires that the sample be representative of the target audience to which test results are to be generalized and that the sample size be sufficiently large to permit reliable statistical conclusions.

#### Principle 9

Finally, a good copy testing system can *demonstrate reliability and validity*. Reliability and validity are basic requirements of any research endeavor. As applied to message research, a **reliable** test yields *consistent* results each time an advertisement is tested, and a **valid** test *assesses what it is intended to assess* (e.g., being predictive of marketplace performance).

The foregoing principles establish a high set of standards for the advertising research community and should be viewed as mandatory if advertising effectiveness is to be tested in a meaningful way.

### 17-1e WHAT DO BRAND MANAGERS AND AD AGENCIES WANT TO LEARN FROM MESSAGE RESEARCH?

Message research is needed to provide *diagnostic information* about an advertisement's equity-enhancing and sales-expanding potential for brands (pretesting research) and to determine whether finalized advertisements actually accomplished these objectives (post-testing research).

For many years, members of the advertising community have attempted to figure out which measures of advertising best predict advertising effectiveness. Particularly notable is a major study funded by the influential Advertising Research Foundation (ARF) that evaluated which of 35 different measures best predict the sales effectiveness of television commercials.<sup>12</sup> Although representing a heroic effort, some critics have suggested that results from ARF's Copy Research Validity Project are inconclusive and controversial.<sup>13</sup> Probably the only definitive conclusion that can be made is that *no one measure is always most appropriate or universally best*. Each brand-advertising situation requires a careful assessment of the objectives that advertising is intended to accomplish and then the use of research methods that are appropriate for determining whether these objectives have been accomplished.

Given the scope of advertising research techniques in use, it would be impossible in this chapter to provide an exhaustive treatment. Literally dozens of methods for measuring message effectiveness have appeared over the years, and many companies specialize in measuring advertising effectiveness—firms such as the GfK Mediamark Research & Intelligence (MRI), the (former) Bruzzone Research Company, Kantar

**Reliable** A test that yields *consistent* results each time an advertisement is tested.

**Valid** A valid test assesses what it is intended to assess (e.g., being predictive of marketplace performance).

Millward Brown, Ameritest, Gallup & Robinson, Mapes and Ross, Ipsos ASI, MSW\*ARS, nViso, Nielsen Innerscope, and so on. Similarly, a new wave of firms has emerged that examine the effectiveness ad campaigns using “**big data**” (i.e., large data sets mined for ad relationships), such as Adobe, Beckon, comScore, datalogix, eXelate, IRI, Krux, MarketShare, MediaMath, Merkle, Teradata, and Neustar.<sup>14</sup>

## 17-2 Two General Forms of Message Research

Broadly speaking, message research comes in two general forms: qualitative and quantitative. We first will describe qualitative research somewhat briefly and then devote primary attention to quantitative methods. This is not because the latter is more important; rather, the simple fact is that quantitative research has dominated in the ad industry and has a more established history of use in comparison to qualitative procedures.

### 17-2a QUALITATIVE MESSAGE RESEARCH

This form of research is called *qualitative* because it is not based on producing numerical results and statistical analyses related to advertising copy and people’s responses to that copy. Rather, qualitative research is concerned with generating insights into and interpretations of those advertising elements that influence people’s responses to advertisements. Focus groups represent one form of qualitative ad research. For example, panels of (usually 6 to 10) focus group participants are presented with a storyboard version of a proposed new commercial, and then, with the probing of an experienced moderator, are urged to share their thoughts and feelings about the commercial.

More sophisticated forms of qualitative advertising research seek to better understand the meaning consumers derive from advertisements and the mental models that drive their thinking and behavior. One such method is *ethnographic research*. This form of research requires that advertising researchers fully immerse themselves into the study of the role that products and brands play in people’s lives. Ethnography relies less on asking large samples of people questions about their opinions and beliefs and more on in-depth *observations* of the behavior of a small number of consumers. Ethnographers observe people’s behavior in their homes or in other natural habitats where consumption and sometimes production of goods and services takes place. In addition to observing natural consumer behavior, ethnographic researchers also perform in-depth interviews with consumers to learn about their consumption behavior and the forces, such as advertising, that influence that behavior. Indeed, as explained in the *Insights Online: Global Focus* in MindTap, such observational techniques can be important due to differences in how consumers interact with and use brands around the world.<sup>15</sup>

**Big data** Large data sets that are mined for ad relationships.



© Jack Daniel's Tennessee Whiskey

insights  
online

Global Focus: Jack Daniels Old No. 7  
and Global Ad Research in MindTap

### The Zaltman Metaphor Elicitation Technique (ZMET)

A specific form of ethnographic research is the Zaltman Metaphor Elicitation Technique (ZMET).<sup>16</sup> This technique is based on several underlying premises, such as the fact that most human communication, especially in our digital world, involves *nonverbal elements* (pictures, scenes, and music), that people’s thoughts and feelings occur nonverbally as images, and that metaphors are the key mechanism for tapping into people’s thoughts and feelings.<sup>17</sup> (A *metaphor* is based on the idea that people understand and experience things in terms of other things. For example, we refer to someone as having “eagle eyes” to mean he or she has keen sight; we sometimes characterize products as “lemons” to suggest they are fatally flawed. Hence, “eagle eyes” and “lemons” are metaphors that stand for something else.) Metaphors serve to reveal people’s thoughts and shape them as well. By understanding the metaphors people use when thinking about brands, it is possible to apply this insight in developing advertising copy that resonates with people’s brand-relevant thoughts and feelings.

The details about how a ZMET is implemented are beyond the scope of this text. (Refer to the articles cited in endnote 16 for specifics.) However, the important takeaway from this brief discussion

is that qualitative research such as the ZMET can be invaluable as input into developing advertising copy. Thus, unlike the quantitative techniques that follow, ZMET is used as a basis for developing advertising copy rather than for testing that copy.

**Control group** A randomly-assigned group that is not exposed to the ad claims that are being tested.

The point is that advertising research is crucial in order to measure the effects that advertisements have so that improvements can be made on a continual basis.

### 17-2b QUANTITATIVE MESSAGE RESEARCH

Quantitative message research is concerned with measuring the effects an advertisement may have (pretest research) or has had (posttest research). The following sections discuss some of the more popular methods national advertisers use. Before our discussion, a first important point is that no ad should ever be placed in media prior to conducting at least *some* research, although more formal research is preferable (e.g., see *Marcom Insight*). Also, having a **control group** (i.e., a randomly assigned group not exposed to the ad claims tested, see PACT copy testing principle 7) is strongly encouraged to help with causal inferences (i.e., that your ad caused the effect desired).<sup>18</sup>

A second preliminary point that will set the stage for the detailed presentation of quantitative message research methods is contained in this quote:

*Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it.*<sup>19</sup>

What exactly does quantitative message research measure? Before determining precisely what to measure, it is important to know which types of responses or effects advertising is capable of eliciting (e.g., see PACT copy testing principle 4). What hierarchy of effects might advertising have? For example, advertisements can have a variety of effects beyond initial exposure, including the following: (1) creating brand awareness; (2) teaching prospective customers about brand features and benefits; (3) forging emotional connections with people; (4) influencing purchase-relevant beliefs and positively (or negatively!) affecting attitudes toward advertised brands; (5) shifting people's preferences from one brand to another; and, ultimately, (6) encouraging trial and repeat purchase behavior.

As a matter of convenience, we will categorize message research into four groups of measures: (1) recognition and recall, (2) emotional reactions, (3) persuasion, and (4) sales response. The intent is to provide a representative sampling of the primary measurement techniques that brand managers and their ad agencies use for measuring advertising effectiveness. These general categories and the specific measures contained within each category are summarized in Table 17.1.

**Table 17.1** ▶ Illustrative Message Research Methods

#### Measures of Recognition and Recall

- GfK MRI's Starch Ad Readership Studies (magazines)
- Bruzzone tests (TV)
- Day-after recall testing (TV)

#### Measures of Emotional Reactions

- BBDO Emotional Measurement System
- Facial imaging technology
- Brain imaging (fMRI)
- Self-reports
- Physiological tests and Biometrics

#### Measures of Persuasion

- Ipsos ASI: Connect method
- Ipsos ASI Next\*TV method
- MSW\*ARS' Brand Preference method ("ARS scores")

#### Measures of Sales Response (single-source systems)

- Nielsen Catalina's AdVantics on Demand

In brief, measures of *recognition and recall* assess whether advertising has successfully influenced brand awareness and influenced brand-related thoughts and feelings. Measures of *emotional reaction* provide indicators of whether advertisements have emotionally aroused consumers. Measures of *persuasive impact* represent pre-behavioral indicators of whether an advertisement is likely to influence purchase intentions and behavior. Finally, measures of *sales response* determine whether an advertising campaign has affected consumers' purchases of an advertised brand.

### 17-3 Measures of Recognition and Recall

After exposure to an advertisement, consumers may experience varying degrees of awareness, the most basic of which is simply noticing an ad without processing specific elements. Advertisers intend, however, for consumers to notice specific parts, elements, or features of an ad and associate those with the advertised brand. Recognition and recall both represent elements of consumers' memories for advertising information, but *recognition measures*, which can be equated with multiple-choice test questions, tap a more superficial level of memory compared with *recall measures*, which are similar to essay questions.<sup>20</sup> It also will be noted from the discussion of brand equity in Chapter 2 that recognition is a lower level of brand awareness than recall. Thus, brand managers want consumers not only to recognize a brand name and its attributes or benefits, but also to recall this information freely from memory without cues or reminders. Yet, some ad experts counter that recognition is quite useful as it is a better measure of forgetting than traditional measures of recall.<sup>21</sup> This is especially true with age-related and other processing factors that can limit recall.

Several commercial research firms provide advertisers with information on how well their ads perform in terms of generating awareness, which typically is assessed with recognition or recall measures. Three services are described in the following sections: GfK MRI's Starch Ad Readership Studies (magazine recognition), Bruzzone tests (television recognition primarily), and day-after recall tests (television recall).<sup>22</sup>

#### 17-3a STARCH AD READERSHIP STUDIES

Starch Ad Readership Studies, a testing service of a company named GfK MRI, measures the primary objective of a *magazine ad*—that is, to be seen and read. Starch primarily examines reader awareness of advertisements in large consumer magazines. Over 80,000 advertisements across approximately 2,500 issues are studied annually, involving about 150 national publications. The minimum sample size for

a Starch study is 125 respondents and is driven by how many ads are running in a particular issue. Today's Starch studies are conducted online, using multiple online panels for each sample. Interviews are conducted during the early life of a publication. Following a suitable waiting period after the appearance of a publication to give readers an opportunity to read or look through their issue, surveying starts between 7 and 10 days after the issue is on sale for a weekly publication, 14 days after on sale for a biweekly, and 21 days after on sale for a monthly publication.

Starch uses three consumer online panels for their sample, pre-screening panelists on their readership of measured titles to create sample pools from which to draw for specific surveys. Once invited to take a Starch survey based on the pre-screened information, panelists must qualify as readers of the particular issue of the title to proceed with the survey. The core questioning sequence within a Starch survey focuses on a group of ads within a magazine issue. Respondents are exposed to an ad and are asked, "Did you see or read any part of this advertisement?" If the respondent answers "no" for a particular ad, they are shown the next ad. If a respondent answers "Yes," a prescribed questioning procedure is followed to determine the respondent's awareness of various parts of the ad. Respondents are then classified as *noted*, *associated*, *read-any*, or *read-most*, and the proportion who have *taken any action* as a result of seeing the ad.<sup>23</sup>

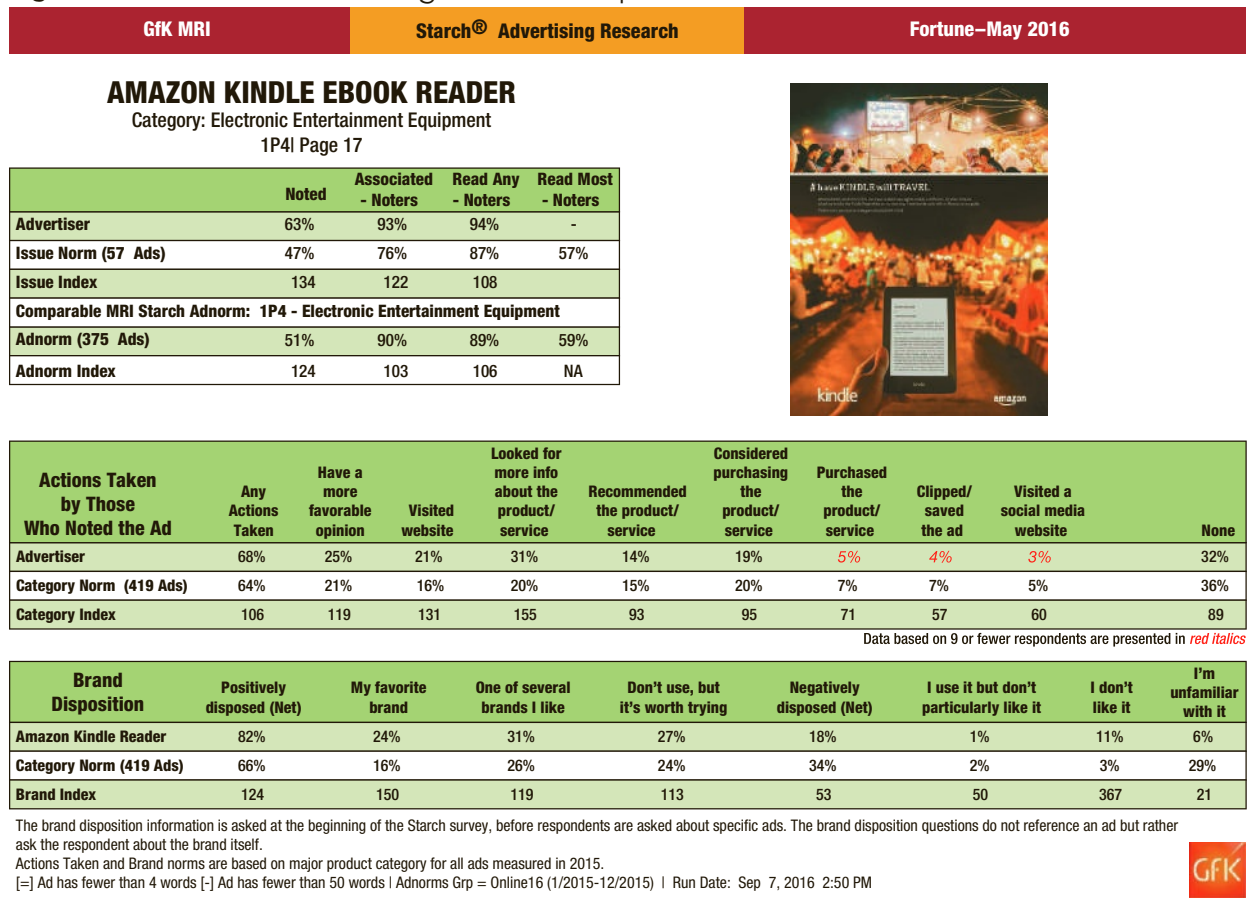
- *Noted* is the percentage of people interviewed who remembered having previously seen the advertisement in the issue being studied.
- *Associated* is the percentage of people interviewed who not only noted the ad, but also saw or read some part of it that clearly indicated the name of the brand or advertiser.
- *Read any* is the percentage of people interviewed who read any part of the ad's copy.
- *Read most* is the percentage of people interviewed who read half or more of the written material in the ad.
- *Any actions taken* is the percentage of people interviewed who not only noted the ad, but also took an action as a result of seeing the ad (a list of specific actions are presented to the respondent to choose from).

**Issue index** Index that compares an advertisement's scores against the average scores for *all* ads in the magazine issue.

**Adnorm index** Index that compares an advertisement's scores against other ads in the *same product category* as well as with the same size (e.g., full-page) and color classifications (e.g., four-color).

For each magazine advertisement that has undergone a Starch analysis, indices are developed for that ad's noted, associated, read-any, read-most, and actions taken scores. Two sets of indices are established: One index compares an advertisement's scores against the average scores for *all ads* in the magazine issue (called the **Issue Index**), and the second (called the **Adnorm Index**) compares an advertisement's scores against other ads in the *same product category* as well as with the same size (e.g., full-page) and color classifications (e.g., four-color). Thus, an advertisement that achieves

Figure 17.2 ▶ Starch Advertising Research Report



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an average value receives an index of 100. By comparison, a score of 130, for example, would mean that a particular ad scored 30 percent above comparable ads, whereas a score of 75 would indicate it scored 25 percent below comparable ads.

Figure 17.2 illustrates a Starch Advertising Research Report for an Amazon Kindle advertisement from a recent issue of *Fortune* magazine. This Amazon Kindle ad contains some body copy under a picture of the e-reader Kindle with a catchy (Twitter-focused) headline, “#have-KINDLEwillTRAVEL.” The Starch Ad Readership scores for this ad reflect that 63 percent of the respondents remembered having previously seen (i.e., *noted*) the ad, 93 percent *associated* it, 94 percent *read any* of it, and *read most* of the body copy did not have a score because the ad had fewer than 50 words. (For readers who are experienced with the Starch procedure, in the past Starch surveys were conducted in person and through the mail. When executed through the mail, Starch used to attach little yellow labels on advertisements years ago to indicate these percentages. Today's scores are delivered through separate reports available through an online portal as seen in Figure 17.2.)

As another example, a José Cuervo Especial tequila ad shows a man and a woman in wet bathing suits in a romantic embrace. It attracts attention and perhaps creates an emotional bond with the brand, even though only a small bottle of the tequila is shown in one corner of the ad. Containing virtually no body copy other than a three-word headline, “PURSUE YOUR DAYDREAMS,” this ad's noted, associated, read-some, and read-most scores also were quite good, at 58, 54, 39, and 39 percent, respectively.

A basic assumption of the Starch procedure is that respondents in fact do remember whether they saw a particular ad in a specific magazine issue. The Starch technique has sometimes been criticized because in so-called *bogus ad studies* (i.e., studies that use prepublication or altered issues), respondents report having seen ads that actually never ran. The company that conducts Starch studies does not consider such studies valid and claims that the bogus studies have not adhered to proper procedures for qualifying issue readers and questioning respondents. Research demonstrates that when properly interviewed, most respondents are able to identify

the ads they have seen or read in a specific issue with a high degree of accuracy; according to this research, false reporting of ad noting is minimal.<sup>24</sup> Recent research with eye tracking equipment (showing attention via “fixations” on ad elements) indicates that attention to ads predicted the ad-noted measure and attention to the brand predicted the association measure.<sup>25</sup> Yet, attention to the ad text did not predict the read-most scores. Also, consumers over claimed ad recognition with larger pictorials, smaller-sized brands, and larger text in ads. Based on their evidence, the researchers argue for an adjustment to bias in recognition test scores based on the proportion of consumers who would fixate on the ad or its elements five times or more.<sup>26</sup>

Due to the inherent frailties of people’s memories, it is almost certain that Starch scores do *not* provide exact percentages, but rather are biased to some degree by people reporting they have seen or read an ad when in fact they have not. Another potential source of bias is people reporting they have *not* seen an ad when, in fact, they have. Nonetheless, it is not exact scores that are critical, but rather comparisons between scores among different ads placed in the same magazine issue (Issue Index) or comparisons for the same type of ad placed in different magazines for the same product category (Adnorm Index). For example, the Amazon Kindle ad in Figure 17.2 obtained Adnorm Index scores of 124 (noted), 103 (associated), and 106 (read any). These indices mean that this ad performed 24 percent better than the average noted score (an index of 100 indicates an average-performing ad; hence  $124 - 100 = 24$  percent better) for all of the advertisements of similar size and color in different magazines for the “electronic equipment entertainment” category, 3 percent better than the average associated score, and 6 percent better than the average read-some score. It is obvious that this ad performed above average, especially for the noted category. Comparatively, the Adnorm indices for the José Cuervo Especial tequila ad discussed earlier are 107 (noted), 108 (associated), 105 (read some), and 229 (read most). Compared to similarly sized advertisements for the alcohol category, the provocative José Cuervo ad performed slightly above average in terms of noted, associated, and read-some scores, but dramatically above average with respect to its read-most score.

Because Starch has been performing these studies since the 1920s, and has compiled a wealth of baseline data, or norms, advertisers and media planners can make informed decisions concerning the relative merits of different magazines and informed judgments regarding the effectiveness of particular advertisements.

### 17-3b BRUZZONE TESTS

For years, the Bruzzone Research Company (BRC) provided advertisers with a test of consumer *recognition* of television commercials that have aired along with their evaluations of these commercials. (BRC also tested

magazine advertisements, but the discussion here is limited to TV commercials. Although the method is not active at the time of this writing, its procedure is very important as a recognition test due to the diagnostic measures offering insight into the effectiveness of televised commercials.) Historically, BRC mailed a set of photo-board commercials to a random sample of households and encouraged responses by providing a nominal monetary incentive. Starting in the late 1990s, BRC’s data collection turned to the Internet and away from mailed distribution, as testing commercials online proved more efficient, less costly, and equally valid to the mailing procedure.<sup>27</sup>

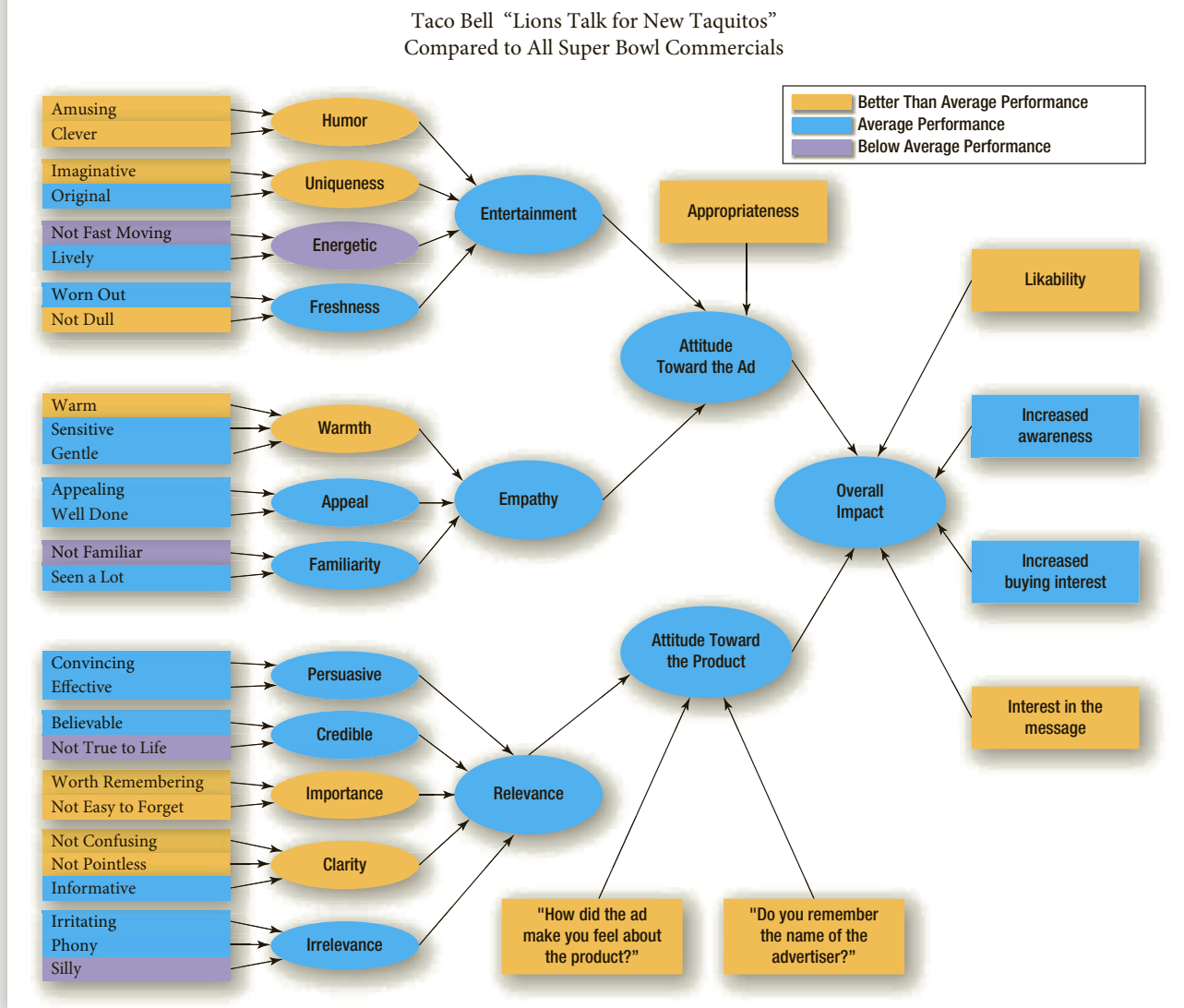
In its standard testing procedure, BRC would e-mail 15 commercials to a sample of online users. For each tested commercial, respondents first were asked this question: “Do you remember seeing this commercial on TV?” This question was followed by a series of six key scenes from the commercial and corresponding script. Immediately below the six-scene presentation were three response options: “Yes,” “No,” and “Not Sure.” Respondents who responded “Yes” (that they did remember seeing this commercial) continued answering a series of questions about the commercial. (Those who answered “No” or “Not Sure” skipped to the next tested commercial.) Importantly, anything that identified the advertiser (such as mentioning the brand name in the script) was removed (i.e., “masked”), so that the key outcome measure for those who noticed the commercial was whether they could remember the name of the advertised brand.

An example of an illustrative Bruzzone test is a Taco Bell commercial titled “Carne Asada Taquitos.”<sup>28</sup> This 30-second commercial first aired during a Super Bowl (<https://www.youtube.com/watch?v=7oN7X9z6Cc4>) and was tested by BRC shortly after the airing. The commercial focuses on two lions chitchatting about Taco Bell’s new (at the time) grilled steak taco, or, in Spanish, *carne asada taquitos*. The commercial is humorous in a low-key fashion, and is somewhat engaging and enjoyable.

The Bruzzone testing procedure first requested respondents to indicate whether they recalled seeing this commercial. Respondents subsequently were asked to indicate how interested they were in the commercial and how it made them feel about the advertised brand (Taco Bell’s grilled steak taco). Respondents also were requested to describe their feelings by checking any of 27 adjectives that, in their opinion, characterized the commercial—items such as amusing, appealing, believable, clever, and so on. Following these ratings, respondents indicated whether it was appropriate for the advertiser (Taco Bell, in this case) to air this commercial. They then made known how much they liked the commercial (from “Liked it a lot” to “Disliked it a lot”) and whether they remembered which brand was being advertised (the key outcome).

Because BRC had performed hundreds of such tests (BRC tested nearly 800 ads aired during the Super Bowls leading up to this commercial), it has established norms for average commercial performance against which a newly tested

**Figure 17.3** ▶ Advertising Response Model (ARM) for the “Carne Asada Taquitos” Commercial



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commercial can be compared. BRC’s Advertising Response Model (ARM) links responses to the 27 descriptive adjectives to consumers’ attitudes toward both the advertisement (attitude toward the ad) and the advertised product (attitude toward the product), and ultimately to the overall impact of the ad (overall impact). Figure 17.3 presents the ARM analysis for Taco Bell’s “Carne Asada Taquitos” commercial.


Notice first in the upper-right corner the color coding for this analysis. Specifically, adjectives coded in *yellow* indicate that the commercial performed better than average (compared to BRC norms), words coded in *light blue* reveal average performance, and those adjectives coded in *red* indicate below-average performance. A review of Figure 17.3 shows that the Taco Bell commercial scored above average on indicators of humor, uniqueness, warmth, importance, and clarity. At the same

time, the ad performed below average on energy (it was an intentionally subdued ad). Moving from left to right on Figure 17.3, it further can be seen that the ad performed at just an average level in terms of entertainment value, empathy, and relevance. As a result, the ad scored at just an average level (based on Bruzzone norms) in terms of both attitude toward the ad and attitude toward the product. The result was a Super Bowl commercial whose overall impact was in the average range for the dozens of Super Bowl commercials that Bruzzone tested in that year.

By comparison, consider another commercial sponsored by Anheuser-Busch titled “Thanking the Troops” (<https://www.youtube.com/watch?v=7IY9xjIHugo>). Perusal of the six key scenes in Figure 17.4 reveals that this commercial involves an airport setting in which passengers awaiting flights give a standing ovation to U.S. troops who are in

**Figure 17.4** ▶ Key Scenes and Questions from BRC's Test of the "Thanking the Troops" Commercial


Do you remember seeing this commercial on TV?



ading to their plane.

Yes  
 No  
 Not sure – I may have (if yes)

Q. How interested are you in what this commercial is trying to tell you or show you about the product?



Very interested  
 Somewhat interested  
 Not interested

Q. How does it make you feel about what's being advertised?

Good  
 OK  
 Bad  
 Not sure

Q. Please check any of the following if you feel they describe this commercial?

<input type="checkbox"/> Amusing	<input type="checkbox"/> Familiar	<input type="checkbox"/> Pointless
<input type="checkbox"/> Appealing	<input type="checkbox"/> Fast Moving	<input type="checkbox"/> Seen a lot
<input type="checkbox"/> Believable	<input type="checkbox"/> Gentle	<input type="checkbox"/> Sensitive
<input type="checkbox"/> Clever	<input type="checkbox"/> Imaginative	<input type="checkbox"/> Silly
<input type="checkbox"/> Confusing	<input type="checkbox"/> Informative	<input type="checkbox"/> True to life
<input type="checkbox"/> Convincing	<input type="checkbox"/> Entertaining	<input type="checkbox"/> Warm
<input type="checkbox"/> Cool	<input type="checkbox"/> Lively	<input type="checkbox"/> Well done
<input type="checkbox"/> Easy to forget	<input type="checkbox"/> Original	<input type="checkbox"/> Worn out
<input type="checkbox"/> Effective	<input type="checkbox"/> Phony	<input type="checkbox"/> Worth remembering


Q. Do you feel it is appropriate for them to air this commercial?

Very appropriate  
 Somewhat appropriate  
 Not very appropriate  
 Not at all appropriate

Q. Thinking about the commercial as a whole would you say you:

Liked it a lot  
 Liked it somewhat  
 Felt Neutral about it  
 Disliked it somewhat  
 Disliked it a lot

Q. We have removed the name. Do you remember which brand was being advertised?



Coors    Anheuser Busch    Heineken    Don't know

### 17-3c DAY-AFTER RECALL TESTING

Beginning in 1952, and for decades after, perhaps the most popular method for testing consumer recall of TV commercials was the "Burke Day-After Recall Test." Although no longer used by Burke, Inc., the day-after recall test serves as the model for many other recall tests. For example, Gallup & Robinson and Mapes and Ross are two well-known research companies that provide recall testing of ads placed in *print media*. Also, Ipsos ASI is a research firm that is particularly notable for testing consumer recall of *television commercials*. We first review the day-after recall procedure used by Burke and then examine the Ipsos ASI testing method.

#### Day-After Recall Test

Burke's Day-After Recall (DAR) procedure tested commercials that had been aired as part of normal television programming. The day after the first airing of a commercial, Burke's telephone staff conducted interviews with a sample of consumers. The sample included individuals who watched the program in which the commercial was placed and who were physically present at the time the commercial was aired. These individuals receive a product or brand cue. These individuals receive a product or brand cue, are asked if they saw the test commercial in question, and then are asked to recall all they can about it.

For each tested commercial, Burke reported findings as (1) *claimed-recall scores*, which indicate the percentage of respondents who recall seeing the ad; and (2) *related-recall scores*, which indicate the percentage of respondents who accurately describe specific advertising elements. These scores, along with verbatim statements of respondents, aided advertisers' decisions to air the commercial nationally, revise it first, or to drop it altogether.

#### The Ipsos ASI Next\*TV Method

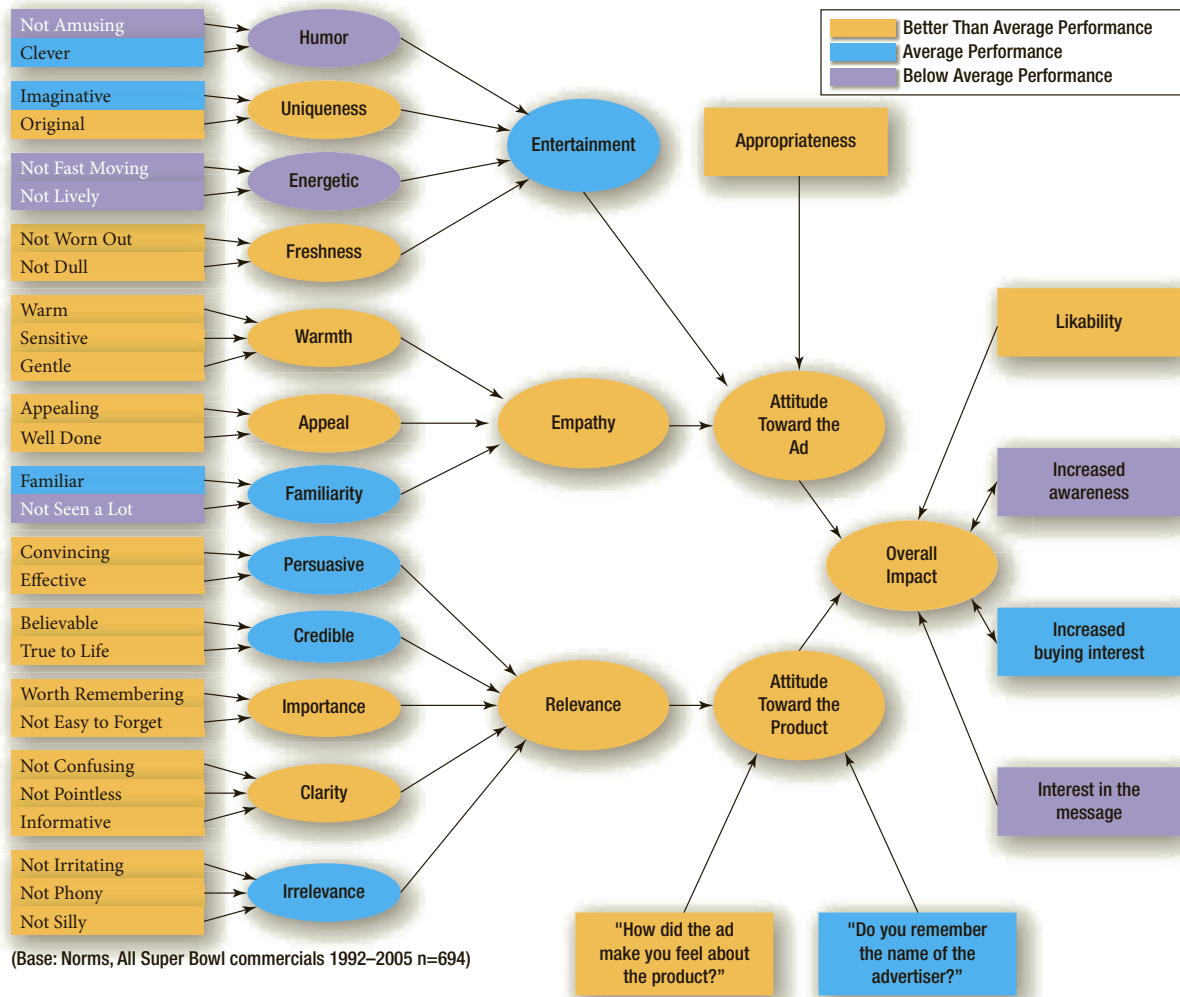
Ipsos is a French company that purchased ASI Market Research, an American company. This global marketing research firm (which goes by Ipsos ASI, The Advertising Research Company) performs advertising research in more than 87 countries. One of their important advertising research services is the Next\*TV® method. This method tests both the ability to recall and persuasive nature of television commercials using the following procedure:

1. The company recruits consumers by informing them that their task, if they agree to participate, is to evaluate a television program. This is actually a disguise because the real purpose of the research is to evaluate consumer responses to advertisements that are embedded in a TV program.
2. The company mails to a national sample of consumers a videotape that contains a 30-minute TV program (such as a situation comedy); embedded

route to their plane. Figure 17.5 presents the ARM analysis for this commercial. The "Thanking the Troops" commercial scored above average on indicators of uniqueness, freshness, warmth, persuasiveness, credibility, importance, and clarity. At the same time, the ad performed below average on energy and humor (it obviously was not intended to be energetic or humorous). Moving from left to right in Figure 17.5, it further can be seen that the ad performed at just an average level in terms of entertainment value but, as expected, above average in terms of empathy and relevance. As a result, the ad scored above average in terms of both attitude toward the ad and attitude toward the product, and the commercial's overall impact was above average. This was a highly effective commercial by Bruzzone standards, and in view of the emotional impact also a highly "watchable" ad.



**Figure 17.5** ▶ Advertising Response Model (ARM) for the “Thanking the Troops” Commercial



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within are television commercials. This procedure essentially replicates the actual prime-time viewing context.

3. Consumers are instructed to view the program (and, implicitly, the embedded advertising) from the videotape. The viewing context is thus actual, in-home viewing, the same as when consumers view any television advertisement under natural viewing conditions.
4. One day after viewing the videotaped TV program (and advertisements), Ipsos ASI personnel contact sampled consumers and measure their reactions to the TV program (in concert with the original disguise) and to the advertisements, which, of course, is the primary objective.
5. Ipsos ASI then measures message recall.

Ipsos ASI Next\*TV® employs the same basic methodology around the world. The in-home videotape methodology provides a number of advantages. First, the in-home exposure makes it possible to measure advertising effectiveness in a natural environment. Second, by embedding test advertisements in actual programming content, it is possible to assess the ability of TV commercials to break through the clutter, gain the viewer’s attention, and influence message recallability and persuadability. Third, by measuring recall 1 day after exposure, Ipsos ASI can determine how well tested commercials are remembered after this delay period. Fourth, the videotape technology allows the use of representative national sampling. Finally, by providing several alternative measures of persuasion, the Next\*TV® method allows brand managers and their ad agencies to select the measures that best meet their specific needs.



**Figure 17.6** ▶ BBDO Emotional Measurement System Photos Reflecting Disgust and Happiness

### The Recall Controversy

Considerable controversy has surrounded the use of recall as an indicator of advertising effectiveness.<sup>29</sup> For example, Coca-Cola executives reject recall as a valid measure of advertising effectiveness because, in their opinion, recall simply measures whether an ad is received, but not whether the message is accepted.<sup>30</sup> It also is known that measures of recall are biased in favor of younger consumers. This is to say that recall scores deteriorate with age progression.<sup>31</sup> Third, there is mounting evidence that the recall scores generated by advertisements are not predictive of sales performance; that is, regardless of which measure of recall is used, the evidence suggests that sales levels do not increase with increasing levels of recallability.<sup>32</sup> Finally, there is some evidence that recall testing significantly *understates the memorability* of commercials that employ *emotional or feeling-oriented themes* and is biased in favor of rational or thought-oriented commercials.<sup>33</sup> Research has even demonstrated a negative correlation between how well consumers recall ads and how much they like them.<sup>34</sup>

In closing this section, it is important to note that no single measure of advertising effectiveness is perfect for every situation. As we now discuss, measures in addition to recall (and recognition) also should be obtained.

## 17-4 Measurement of Emotional Reactions

Researchers have increasingly recognized that advertisements that positively influence receivers' feelings and emotions can be extremely successful. This is because consumer behavior is governed not by reason alone—or even primarily by reason—but also by gut feelings and emotions. Indeed, some brands are virtually loved because they connect with consumers by creating a strong emotional bond.

Given the importance of emotions in consumer behavior and the trend toward more advertising directed at

emotions, there has been a corresponding increase in efforts to measure consumers' emotional reactions to advertisements.<sup>35</sup> This is fully justified considering research has shown that ads that are better liked—often because they elicit positive emotions—are more likely to be remembered and to persuade.<sup>36</sup>

Advertising researchers can use the following ways to measure consumers' emotional responses to advertisements: (1) BBDO's Emotional Measurement System; (2) facial recognition technology; (3) brain imaging (fMRI); (4) self-report measures; and (5) physiological and biometric measures. Most of the following discussion is based on physiological and biometric measures, but a brief discussion is devoted to the first four.

### 17-4a BBDO'S EMOTIONAL MEASUREMENT SYSTEM

An interesting approach to measuring consumers' emotional reactions to ads is the use of photos to reflect different emotions. This nonverbal procedure originally was devised by the BBDO Worldwide ad agency (part of the Omnicom Group) years ago to measure reactions to TV commercials, because they had found that many people find it difficult to articulate their feelings. For example, words may not be readily available to express how we feel, or we may be reluctant to share our true feelings out of embarrassment.

BBDO spent 3 years testing hundreds of photos and refining its nonverbal procedure. This research culminated in a final collection of 53 photos that represent 26 universal emotional reactions: shame, fear, happiness, disgust, and so on. (See Figure 17.6 for similar examples.) The Emotional Measurement System is simple to use. After consumers have been exposed to a test commercial, they are given the deck of 53 photos and asked to set aside any or all of the photos that reflect how they felt after viewing the commercial. The frequency with which the 150 to 600 respondents choose a photo is then recorded, and a perceptual map is constructed. The perceptual map provides a vivid graphical representation of emotions that reflect a set of tested commercials and provides a convenient way to show how different commercials compare against one another based on the emotions they evoke.<sup>37</sup>

### 17-4b FACIAL IMAGING TECHNOLOGY

A psychologist, Dr. Paul Eckman, pioneered the study of facial expressions in the 1970s, cataloging over 5,000 facial muscle movements.<sup>38</sup> Today, companies such as Affectiva, Emotient, Eyeris, Sension, Nielsen Innerscope, and nViso use facial recognition software to detect emotions such as surprise, happiness, boredom, or disgust. Affectiva



**Figure 17.7** ▶ nViso Tracks Facial Muscles

reports it has measured 7 billion emotional reactions from 2.4 million face videos in over 80 countries. Interestingly, women smile more than men, Indonesia is least expressive, and South Africa most expressive. They have used webcams to monitor how consumers react to ads from Coca-Cola and Unilever, although some expressed concerns over consumer privacy.<sup>39</sup> As another example, nViso can send a TV commercial to a respondent's computer and then the webcam captures the most transitory of micro-expressions as they view the commercial. The nViso technology tracks 43 facial muscles in real time (see Figure 17.7) with an algorithm based on a facial coding system that translates these facial expressions into emotions such as happiness, surprise, fear, anger, disgust, sadness, etc.<sup>40</sup>

In a slightly different application of facial imaging technology, Kraft launched a sampling machine for Jell-O Temptations in New York and Chicago that used facial imaging to determine if the recipient is an adult or a child.<sup>41</sup> (The sample is only dispensed to adults, the intended target market.) Kraft also is working to determine if the recipient is smiling when receiving their sample!

#### 17-4c NEUROSCIENCE AND BRAIN IMAGING

Brain imaging is another technique now used extensively in advertising research. Brain imaging applies knowledge from the field of *neuroscience* and uses a functional magnetic resonance imaging (fMRI) device to detect changes in blood oxygenation and flow that occur in response to neural activity. When a brain area is more active, it consumes more oxygen to meet this increased demand, which increases blood flow to the active area. Greater blood flow into emotional centers of the brain indicates increased amounts of emotional response to advertisements. (As a reminder, you may recall reading in *Insights Online* in MindTap in Chapter 2 that described a neuroscience test of why consumers prefer Coca-Cola over Pepsi.)

This form of measurement continues to evolve as it relates to understanding emotional

reactions to advertisements. Nevertheless, some interesting marketing applications beyond advertising include its use in studying trade-offs in decision making, trust toward brands and companies, how consumers view price cues, and insight into sales negotiations.<sup>42</sup> In a recent study of six commonly used methods to assess ad effectiveness (i.e., self-reports, implicit measures, eye tracking, biometrics [see below], electroencephalography [EEG], and fMRI) by using sales over time and relating to GRPs, fMRI was found to explain the greatest variance in ad elasticities (sensitivity) beyond baseline measures.<sup>43</sup>

#### 17-4d SELF-REPORT MEASUREMENT

A fourth method widely used to determine consumers' emotional responses to advertisements is self-report measurement. Consumers' emotional reactions in response to advertisements are measured by asking them to self-report their feelings. Both verbal and visual self-reports are used for this purpose.<sup>44</sup> With *verbal self-reports*, researchers ask consumers to rate their emotional reactions to a particular advertisement on conventional rating scales. For example, respondents might be asked to indicate their degree of agreement or disagreement with a statement such as: "This ad gave me a warm feeling." *Visual self-reports*, in contrast, use cartoon-like characters to represent different emotions and emotional states. For each emotion that an advertisement might elicit, consumers select one of several cartoon characters to reflect their emotional reaction to the advertisement. Imagine, for example, that a researcher might use "smiling faces" varying in their degree of smiling to assess the strength of consumers' emotional reactions to a particular advertisement.

#### 17-4e PHYSIOLOGICAL TESTING AND BIOMETRICS

The fifth general method for measuring consumers' emotional responses to advertisements is physiological testing that measures any of several autonomic responses to advertisements. *Autonomic responses* occur in the autonomic nervous system, which consists of the nerves and ganglia that furnish blood vessels, the heart, the eyes, smooth muscles, and glands. In today's terminology, this has been referred generally to as "**biometrics**," the measurement and analysis of people's physical and biological characteristics. Because individuals have little voluntary control over the autonomic nervous system, researchers use changes in physiological functions to indicate the actual, unbiased amount of arousal resulting from advertisements. Such biometric responses include facial expressions, sweating, blood profiles, and heart rate.<sup>45</sup> Psychologists have concluded that these physiological functions are indeed sensitive to psychological processes of concern in advertising.<sup>46</sup>

**Biometrics** The measurement and analysis of people's physical and biological characteristics.

As an example, consider the case of the previously described José Cuervo Especial advertisement that promotes the advertised brand by placing it in the context of a young couple in a provocative embrace along with the suggestive headline, “Pursue your daydreams.” During pretesting of this ad, some people may respond that they really find it appealing. Others, when asked what they think of it, may indicate that they dislike the ad because they consider it too provocative and gratuitous. Still others may even feign aggravation to make (what they perceive to be) a favorable impression on the interviewer. Thus, measures of physiological arousal can help prevent self-monitoring of feelings and biased responses to standard paper-and-pencil measures.

### The Galvanometer

The **galvanometer** (also referred to as the *psychogalvanometer*) is a device for measuring *galvanic skin response*, or *GSR*. (*Galvanic* refers to electricity produced by a chemical reaction.) When some element in an advertisement activates the consumer’s autonomic nervous system, a physical response occurs in the sweat glands located in the palms and fingers. These glands open to varying degrees depending on the intensity of the arousal, and skin resistance drops when the sweat glands open. By sending a very fine electric current through one finger and out the other and completing the circuit through a galvanometer, testers are able to measure both the degree and the frequency with which an advertisement activates emotional responses.

There is evidence that GSR is a valid indicator of the amount of warmth an advertisement generates.<sup>47</sup> Many companies have found the galvanometer to be a useful tool for assessing the potential effectiveness of advertisements, direct-mail messages, package copy, and other marcom messages. Advertising research practitioners who use the galvanometer claim that it is a *valid* predictor (see PACT principle 9) of an advertisement’s ability to *motivate* consumer purchase behavior.<sup>48</sup> Indeed, in recognition of the galvanometer’s ability to reveal an advertisement’s motivational properties, practitioners also refer to GSR research as the Motivational Response Method, or MRM. An application of GSR research to facial muscles (e.g., smiling, frowning) has shown that although television and radio advertising evoked positive emotion about equally, television advertising (vs. radio) tended to generate slightly higher negative emotional reactions.<sup>49</sup>

### The Pupillometer

Using a device called a **pupillometer**, pupillometric tests in advertising are conducted by measuring respondents’ pupil dilation as they view a television commercial or focus on a printed advertisement. Respondents’ heads

**Galvanometer A** device (also referred to as a *psychogalvanometer*) for measuring *galvanic skin response*, or *GSR*. (*Galvanic* refers to electricity produced by a chemical reaction.)

**Pupillometer A** device used to measure respondents’ pupil dilation as they view a television commercial or focus on a printed advertisement, where greater dilation suggests positive reaction and smaller dilation suggests negative reaction.

are in a fixed position to permit continuous electronic measurement of changes in pupillary responses. Responses to specific elements in an advertisement are used to *suggest* positive reaction (greater dilation) or negative reaction (smaller relative dilation). Although not unchallenged, some scientific evidence since the late 1960s suggests that pupillary responses are correlated with people’s arousal to stimuli and perhaps even with their likes and dislikes.<sup>50</sup>

### Eye Tracking

Eye tracking is a methodology in which viewers are asked to look at an ad during which a sensor aims a harmless beam of infrared light at the eye. The beam then follows the movement of the eye and shows the exact spot in the ad on which the viewer is focusing. The eye movement is typically

divided into fixations and saccades, when the eye gaze pauses in a certain position (a fixation) and when it moves to another position (a saccade).<sup>51</sup> The resulting series of fixations and saccades (with direction, length of time, and sequence elements) is called a *scanpath* and can be labeled on the ad in question. Applications of eye tracking have included TV ads, print ads, online ads, brand logos, packaging, e-mail, and even fast-forwarding through commercials.<sup>52</sup> Eye tracking research has shown that dense features in ads tend to hurt brand attention and ad attitude, whereas creative design features tend to enhance brand attention, comprehension, and ad attitude.<sup>53</sup>

Other physiological measures tied to advertising over the years include voice-pitch analysis (VOPAN; measuring the tightness of vocal chords) and binocular rivalry (beaming one ad to one eye and another to the second), among others. One caution that is very important with the use of physiological measures is that although they may give an indication of overall arousal or engagement, they may not necessarily always indicate the true *valence* (i.e., the positive or negative direction) of this arousal or engagement. For example, even a “smile” may not always indicate a true positive emotion (e.g., some NBA players’ react with a sarcastic “smile” when called for a foul).

## 17-5 Measures of Persuasion

Measures of persuasion are used when an advertiser’s objective is to influence consumers’ attitudes toward and preference for the advertised brand. Firms that perform this type of research include, among others, Ipsos ASI and MSW\*ARS. The following sections describe the Ipsos ASI: Connect method, Ipsos ASI Next\*TV method and MSW\*ARS’ Brand Preference method. More discussion is devoted to the latter advertising research procedure because MSW\*ARS has a longer history (going back years for ARS) in documenting its commercial service.

### 17-5a THE IPSOS ASI: CONNECT® METHOD

One of the more recent and flexible tools that Ipsos ASI has used for copy testing is their ASI: Connect Method. It is a flexible tool that allows one to evaluate individual executions or multiple campaign elements across any media platform (e.g., digital) in markets around the world.<sup>54</sup> It is particularly suited for overall campaign evaluations in which multiple media are integrated. Although measures of reach, ad diagnostics, and emotions are measured, the primary focus is on their “ad effectiveness indicator,” that combines the effects of brand-related recall and persuasion into a single score. The ad effectiveness indicator has been validated with in-market sales.

### 17-5b THE IPSOS ASI NEXT\*TV® METHOD

This method was described in detail when previously discussing measures of ad recall. In brief, the Next\*TV® Method involves having a sample of consumers view videotapes of TV programs in their homes, and embedded in these programs are TV commercials. The day after consumers have viewed the program and commercials, researchers call them back and measure both their ability to recall the commercials and whether they have been persuaded. Persuasion is measured by assessing consumers’ attitudes toward advertised brands, their shift in brand preferences, and their brand-related buying intentions.

### 17-5c THE MSW\*ARS BRAND PREFERENCE METHOD

MSW\*ARS has a long history of message-testing research going back years with the use of ARS scores. This company tests individual selling propositions, completed television commercials, and other marcom messages. Commercials are tested at varying stages of completion ranging from rough-cut (e.g., animatics or photomatics) to finished form. For many years, the testing procedure was called the “ARS Persuasion Method,” where ARS stands for Advertising Research System and it produced “ARS Persuasion scores” or—in brief—“ARS scores.” In 2013, MSW\*ARS bought the system from comScore and changed the name from the “Share of Choice” method to the “MSW\*ARS Brand Preference Method.” The MSW\*ARS Brand Preference testing procedure with its ARS scores is as follows:

Commercials are exposed in regular ARS test sessions to [800 to 1,000] men and women [aged 16+] drawn randomly from [eight] metropolitan areas and invited to preview typical television material. Each test commercial and other unrelated commercials are inserted into the television programs. While at the central location, a measurement of ARS Persuasion is made by obtaining brand preferences

before and after exposure to the programs. The ARS Persuasion measure is the percent of respondents choosing the test product over competition after exposure to the TV material minus the percent choosing the test product before exposure.<sup>55</sup>

In other words, MSW\*ARS’ Brand Preference Method first has respondents indicate which brands they would prefer to receive from various product categories if their names were selected in a drawing to win a “basket” of free items (the *premeasure*). Among the list of products and brands is a “target brand” for which, unbeknownst to respondents, they subsequently will be exposed to a commercial that is being tested. After exposure to a television program, within which is embedded the test commercial, respondents again indicate which brands they would prefer to receive if their names were selected in a drawing (the *postmeasure*). The “ARS score” simply represents the post-measure percentage of respondents preferring the target brand minus the premeasure percentage who prefer that brand (see the following equation). (We use the brief term “ARS score,” as this has been used for years in research for this method.) A positive score indicates that the test commercial has shifted preference *toward* the target brand and reinforced brand preference among pre-choosers.

$$\text{ARS Score} = \text{Post \% for target brand} - \text{Pre \% for target brand} \quad (17.1)$$

ARS has tested over 40,000 commercials, and from these tests it has established—albeit not without challenge<sup>56</sup>—that its ARS scores predict the magnitude of actual sales performance when commercials are aired. That is, higher-scoring commercials generate greater sales volume and larger market share gains. Recently, in fact, MSW\*ARS demonstrated that their Brand Preference Method (with “ARS scores”) had a high correlation ( $r = 0.88$ ) with unit market share for 120 brands from over 7,200 respondents.<sup>57</sup> Additional and more detailed validation work on the ARS scores is now examined.

### Predictive Validity of ARS Scores

Based on the results of 332 commercials that were tested in seven countries—including Belgium, Germany, Mexico, and the United States—principals at (the former) ARSgroup have demonstrated how ARS scores relate to changes in market share.<sup>58</sup> A total of 148 brands (some with multiple commercials tested) representing 76 product categories were involved in the analysis. All 332 commercials were tested under the procedures described previously, and then market-share levels under actual in-market circumstances were compared during a period after advertising commenced for the brands versus a period prior to any advertising. Thus, the key issue is whether ARS scores accurately predict the magnitude of market-share gain (or loss) following advertising. That is, are the scores generated from

**Table 17.2** ▶ ARS Scores and In-Market Results

ARS SCORE RANGE	AVERAGE SHARE CHANGE	PERCENTAGE OF ADS ACHIEVING SHARE-POINT DIFFERENCE OF:			
		0.0+	0.5+	1.0+	2.0+
<2.0	-0.2	47%	12%	2%	0%
2.0–2.9	0.0	53	19	6	0
3.0–3.9	0.5	80	46	26	6
4.0–6.9	0.8	80	58	33	9
7.0–8.9	1.6	100	87	56	36
9.0–11.9	2.2	100	97	72	49
12.0++	5.4	100	100	94	83

Source: “Summary of the ARS Group’s Global Validation and Business Implications 2004 Update,” June 2004, 17. Reprinted with permission.

the ARS laboratory testing predictive of actual market-place performance? This obviously is a validity issue as described previously under PACT principle 9. Results from these 332 tests are presented in Table 17.2. This global validation revealed that ARS scores are predictive of market-share changes, yielding, in fact, a high correlation coefficient ( $r = 0.71$ ) and an impressive coefficient of determination ( $r^2 = 0.51$ ).

To understand fully what these results reveal, let us carefully examine the first row in Table 17.2. This row includes all commercials that received very low (less than 2.0) ARS scores, and implies that commercials scoring less than 2.0 are probably incapable of driving market-share gains. In fact, as shown under the “Average Share Change” column, commercials scoring less than 2.0 on the ARS measure experienced, on average, *losses* of 0.2 market-share points. Looking at the next four columns reveals that for those commercials yielding ARS scores of less than 2.0, only 47 percent were able to maintain market share or yield some small incremental growth. Comparatively, 53 percent (i.e.,  $100 - 47$ ) of these low-scoring commercials actually suffered market-share losses! Moreover, only 2 percent of these low-scoring commercials generated gains of one full market-share point or more, and none experienced gains of two or more share points.

At the other extreme, 100 percent of the highly effective commercials (i.e., those with ARS scores of 12.0 or higher) yielded positive share gains. Indeed, all 100 percent of these high-performance commercials produced gains of 0.5 share points or better, with 94 percent yielding

gains of at least 1.0 share point, and 83 percent providing gains of at least 2.0 share points. The average gain in market-share points for commercials receiving ARS scores of 12.0+ was an impressive 5.4.

Let’s examine one additional row of data, specifically; that for commercials receiving ARS scores in the middle range of 4.0 to 6.9. Commercials in this range yielded an average gain of 0.8 market-share points. Eighty percent of the commercials in this range either maintained or increased their brands’ market shares, with 58 percent of the commercials yielding share gains of 0.5 share points or greater, 33 percent producing gains of 1.0 full share point or more, and 9 percent generating gains of 2.0 or more share points. Entries for the other ranges can be interpreted in a similar fashion.

It is apparent from these 332 test cases that ARS scores are valid predictors of in-market performance. In sum, the higher the ARS score, the greater the likelihood that a tested commercial will produce positive sales gains when the focal brand is advertised under real-world, in-market conditions. This global study thus informs advertisers that they should not place advertising weight behind commercials that have tested poorly. Table 17.2 reveals, in fact, that commercials with a 2.0 or lower ARS score most likely will *not* produce a positive share gain, and that a large percentage (i.e.,  $100 - 53 = 47$  percent) of those scoring in the 2.0 to 2.9 range also are likely to suffer share losses. It is only when commercials test in the 3.0 to 3.9 range or higher that meaningful share gains can be anticipated.

MSW\*ARS has, of course, a vested interest in reporting that its testing system provides accurate predictions of marketplace performance; nonetheless, the fact that articles authored by ARS group's principals have been published in peer-reviewed journals (e.g., the *Journal of Advertising Research*) authenticates their conclusions. Moreover, advertising scholars have provided independent endorsement of the ARS technique.<sup>59</sup>

## 17-6 Measures of Sales Response (Single-Source Systems)

Determining the sales impact of advertising is—as discussed in Chapters 2, 8, and 9—a most difficult task. However, research procedures now are capable of assessing the effects an advertising campaign has on a brand's sales—especially in the case of consumer packaged goods (CPG).

So-called single-source systems (SSSs) have evolved to measure the effects of advertising on sales. SSSs became possible with the advent of three technological developments: (1) *electronic television meters*, (2) *optical laser scanning* of universal product codes (UPC symbols), and (3) *split-cable* (TV set top) technology. *Single-source systems* gather purchase data from panels of households using optical scanning equipment and merge them with household demographic characteristics and, most important, with information about causal marketing variables, such as advertisements, that influence household purchases. The following section describes one major single-source system: Nielsen Catalina Solutions (NCS)' AdVantics on Demand that launched in August 2013.<sup>60</sup> (A second one, IRI's BehaviorScan, was recently discontinued.)

### 17-6a NIELSEN CATALINA'S ADVANTICS ON DEMAND

There are two very interesting characteristics of Nielsen Catalina Solutions (NCS) data-collection procedure. First, and most important, it collects purchase data with a joint venture with IRI in their "National Consumer Panel" (NCP). NCP provides actionable consumer data by having its hundreds of panel households use *handheld scanners*. These scanners are located in panel members' homes. Upon returning from a shopping trip, NCP panelists are directed to record purchases of *every bar-coded product purchased*, regardless of the store where purchased—a major grocery chain, independent supermarket, mass merchandiser, or wholesale club.<sup>61</sup>

A second distinguishing characteristic of NCP is that panel members also use their handheld scanners to enter any coupons used and to record all store deals and in-store features that influenced their purchasing decisions. Each panel member transmits purchases and other data to Nielsen every week, including their online behavior that

is tracked separately and initial demographics as part of agreeing to be in the panel. Nielsen provides advertisers and their agencies with invaluable information about the short- and long-term effects of advertising.

Nielsen Catalina Solutions (NCS)' AdVantics on Demand is a Web-based platform for continuous optimization of national TV advertising allowing media companies to match TV viewing to consumers based on actual retail purchase data.<sup>62</sup> So, the single source data is a composite of multiple media consumption ("watch data") and purchase behavior ("buy data") with initial panel demographics. The shopping ("buy") data is supplied by Catalina Marketing and the Nielsen/IRI National Consumer Panel resulting in nearly 60 million households from 26 major grocery chains in the United States. A portion of this panel (650,000) has agreed to participate in Nielsen Catalina Solutions' AdVantics on Demand measuring what they watch on television in addition to their retail purchase behavior. Cable set-top boxes and local metered market data provide household viewing records, with individuals not recorded directly.

**Single-source data** Consists of (1) household demographic information; (2) household purchase behavior; and (3) household exposure to (or, more technically, the opportunity to see) new television commercials that are tested under real-world, *in-market* test conditions.

Panel members provide Nielsen Catalina Solutions (NCS) with detailed demographic information, including age, gender, family size, number of digital sets, time of day, programming genre, the type of media used, and who in the household does most of the shopping. NCS then combines all these data into a *single source* and thereby determines which households purchase which products and brands and how responsive they are to advertising and other purchase-causing variables. Thus, **single-source data** consist of (1) household demographic information; (2) household purchase behavior; and (3) household exposure to (or, more technically, the opportunity to see) new television commercials that are tested under real-world, *in-market* test conditions.

The availability of cable TV set top boxes enables NCS (with the cooperation of cable companies and advertisers) to intercept a cable signal before it reaches households, *split the signal*, and send different advertisements to two panels of households (test versus control). Hence, the split-cable feature and optically-scanned purchase data enable NCS to know which commercial each household had an opportunity to see and how much of the advertised brand the household purchases.

### Weight versus Copy Tests

The Nielsen Catalina Solutions (NCS) AdVantics on Demand procedure enables testing of television commercial effectiveness. Hypothetically, two types of tests can be offered: weight tests and copy tests. For both, a test commercial is aired in, say, two NCS AdVantics markets for up to a full year. With *weight tests*, panel households can be divided into test and control groups. The identical commercial can be transmitted to both groups, but the number of times the commercial is aired (its so-called "weight") might be varied between the groups during the course of the test

## AdVantics Continuous Media Optimization Process

## Continuous Media Optimization Process



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period. Any difference between the groups' aggregate purchase behavior for the tested brand can be attributable to the advertising weight differential between the two groups.

The second form of testing, *copy tests*, holds the amount of weight constant but can vary commercial content. That is, a test group is exposed during the course of the testing period to a new commercial, whereas a control group has an opportunity to see either a public service announcement (PSA) or an old commercial for the same brand inserted in place of the new commercial. Regardless of the type of test, aggregating purchase data across all households in each of the two groups simplifies determining whether differences in advertising copy or weight generate differences in purchase behavior.

### A Testing Procedure

To better understand how NCS' AdVantics single-source data might potentially be used to show the relationship between advertising and sales activity, consider a situation in which a manufacturer of a new snack food is interested in testing the effectiveness of a television

commercial promoting this brand. NCS AdVantics might do the following: (1) select, say, two markets in which to conduct the test; (2) stock the manufacturer's brand in all grocery stores and perhaps drugstores located in these markets; (3) selectively broadcast a new commercial for the brand using special split-cable television (or via TV set-top boxes) so approximately one-half of the panel members in each market are exposed either to the new commercial or to PSAs; (4) record via handheld scanners grocery purchases all panel members made; and (5) compare the purchase behavior of the two groups of panel members who were exposed either to the new commercial or to PSAs.

If the advertising is effective, a greater proportion of the panel members exposed to the test commercial should buy the promoted item than those only exposed to the PSAs. The percentage of panel members who make a trial purchase of the advertised brand would thereby indicate the effectiveness of the new television commercial, and the percentage that make a repeat purchase would indicate how much the brand is liked.



In sum, single-source systems of advertising measurement (e.g., Nielsen Catalina Solutions' AdVantics on Demand) can enable brand managers and their advertising partners to determine whether advertisements do more than just increase brand awareness, facilitate message recall, influence consumers' brand-related attitudes, or achieve other pre-behavioral goals. Beyond this, single-source systems address the critical issue of whether an advertising campaign has actually driven increases in brand sales and augmented the brand's market share.<sup>63</sup>

## 17-7 Some Major Conclusions about Television Advertising

The extensive testing that MSW\*ARS (simply referred to as "ARS") has performed has played a significant role in understanding of the strengths and limitations of television advertising. Four major conclusions can be drawn with respect to what it takes for television advertising to enhance a brand's sales performance and market share growth successfully: (1) ad copy must be distinctive, (2) ad weight without persuasiveness is insufficient, (3) the selling power of advertising wears out over time, and (4) advertising works quickly if it works.<sup>64</sup>

### 17-7a CONCLUSION 1—ALL COMMERCIALS ARE NOT CREATED EQUAL: AD COPY MUST BE DISTINCTIVE

Research by ARS has shown that commercials having *strong selling propositions* are distinctive and thereby tend to achieve higher ARS scores. What determines whether a commercial has a strong selling proposition? Research indicates that any differentiating information concerning a new brand or a new feature of an existing brand gives a selling proposition a significantly higher chance of a superior score.<sup>65</sup> Although commercials for new brands and those with new features are more persuasive on average, advertising for established brands also can be very persuasive via *brand differentiation*—that is, by distinguishing the advertised brand from competitive offerings and providing consumers with a distinctive reason to buy it.<sup>66</sup> The photoboard version of a Mentadent ProCare toothbrush television commercial (Figure 17.8) illustrates an advertisement that obtained a high ARS score of 11.2 because the ad contained the strong selling proposition that this toothbrush has a flexible handle that allows gentle brushing.

The foregoing discussion has illustrated a key advertising principle: Effective advertising must be persuasive and distinctive; it must possess a strong selling proposition. Appreciation of this point necessitates rigorous testing of proposed advertisements prior to committing any media dollars to their airing or printing (i.e., "Test before you air or print!").

### 17-7b CONCLUSION 2—MORE IS NOT NECESSARILY BETTER: WEIGHT IS NOT ENOUGH

As noted in Chapter 16, an important measure of campaign weight is *gross rating points*, or *GRPs*—equal to the product of reach  $\times$  frequency. More frequent airing of a TV commercial implies greater advertising weight, or more GRPs. Obviously, advertising weight and spending also correlate—the more weight, the higher the cost.

We now consider a second important conclusion about advertising effectiveness—that the amount of advertising weight invested in a brand does *not* by itself provide a good predictor of sales performance. That is, merely increasing ad weight (e.g., GRPs) does not directly translate into better performance for a brand. Advertising copy *must also be distinctive and persuasive* (as previously established) for advertising to have a positive impact on a brand's sales and market share. An advertising practitioner perhaps said it best when stating that "airing ineffective advertising is like being off air; it just costs more."<sup>67</sup>

This conclusion receives support from a landmark study that analyzed numerous tests based on IRi BehaviorScan single-source data. A well-known advertising scholar and his colleagues determined that when advertisements are unpersuasive, there is no more likelihood of achieving sales volume increases even when doubling and tripling TV advertising weight.<sup>68</sup>

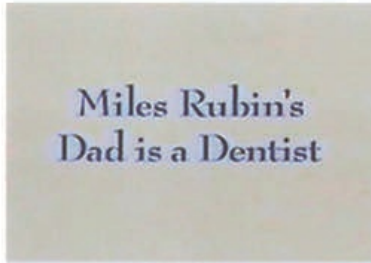
The virtual independence between advertising weight and sales is clearly demonstrated in Table 17.3. The results presented in this table are based on studies using single-source data for various brands of CPGs. The data in Table 17.3 are derived from *weight tests* whereby two panels of households had an opportunity to see the identical commercial for a particular brand, but the amount of spending, or weight, was varied between the two panels. These households' subsequent purchases of the advertised brand are later compared based on purchase data acquired via scanning devices in grocery stores.

Table 17.3 presents data from 20 weight tests, each involving an actual market-place examination of advertising's influence on the sales of a branded grocery product. In each test, there are two key features of the advertising effort. First is the number of GRPs, or weight, used to advertise the brand. This is expressed in Table 17.3 as the *weight difference* between the two panels of households. A difference of zero would mean that an identical amount of advertising weight (in terms of GRPs) was aired during the test period to both groups of households, whereas a positive weight difference indicates that one group was exposed to more commercials for the brand than was the other group. The second key advertising feature is the ARS score that the test commercial obtained in each test. These scores range from a

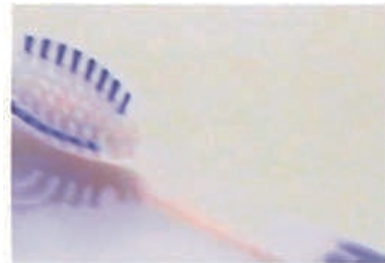
Figure 17.8 ▶ Illustration of a Commercial with a Strong Selling Proposition



**MILES:** My father always said, "Don't brush your teeth too hard."



But I want to do a good job.



**MALE ANNOUNCER:** The ProCare brush from



Mentadent.



**MILES:** In the thirty-seven years I've been brushing my teeth, I've never seen anything like it.



**ANNOUNCER:** Only the Mentadent ProCare brush has a fully flexible handle



so you can be more gentle on your gums,



**MILES:** I knew I wasn't brushing too hard.



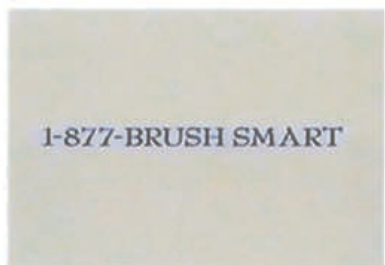
**ANNOUNCER:** Plus special bristles clean teeth and massage gums.



**MILES:** Somebody thought more about how to make a tooth-brush.



**ANNOUNCER:** The Mentadent ProCare brush. Brush smarter, not harder.



For more oral care information call 1-877 . . .

low of -1.3 (test 1) to a high of 9.3 (test 20). Finally, for each reported test, the last column indicates whether a statistically significant sales difference occurred between the two panels.

Thus, test 8, for example, shows a weight difference of 1,000 GRPs between the two panels. However, the tested commercial in this case received a below-average ARS score of 3.6. Given this combination of a heavy weight difference between the two panels and a relatively unpersuasive commercial, the result was no significant difference (NSD) in sales between the two panels of households at the end of the full-year testing period. In other words, heavy advertising weight was unable to compensate for an unpersuasive commercial.

Now let us examine test 15. The weight difference between the two panels of households amounted to 583 GRPs, but the new commercial in this test received an ARS score of 5.9. The result: A significant difference (SD) in sales was recorded when the tested brand was advertised with a moderately persuasive commercial.

Table 17.3 also demonstrates that no significant sales differences are obtained even in instances of huge weight differences such as in tests 2 (a 4,200 GRP difference) and 7 (a 2,231 GRP difference). These two tests corresponded (at the time of the research) with annual ad expenditures of \$21 and \$11 million, yet no differential sales response materialized after a full year. Comparatively, notice in tests 15 through 20 that significant sales differences *are* observed even when the weight differences are relatively small compared with the weight differences in tests 2 and 7. Thus, it can be concluded that the primary determinant of sales differences in these tests was the *persuasiveness* of the tested commercials. *Whenever the ARS score was 5.9 or greater*, significant sales differences were detected at the end of the test; in all instances in which the ARS score was below 5.9, no significant sales differences were obtained.

Thus, the implication is that persuasiveness, and not mere ad weight, is the prime determinant of whether an ad campaign will translate into improved sales performance. Investing advertising in unpersuasive commercials is

akin to throwing money away. Advertising weight is important, but only if a commercial presents a persuasive story!<sup>69</sup>

### Campbell Soup Company Findings

Research that ARS conducted for the Campbell Soup Company provides additional evidence regarding the importance of commercial persuasiveness.<sup>70</sup>

**Table 17.3** ▶ Relations among Advertising Weight, Persuasion Scores, and Sales

TEST NUMBER	WEIGHT DIFFERENCE	ARS SCORE	SALES DIFFERENCE
1	334 GRPs	-1.3	NSD*
2	4,200	0.6	NSD
3	406	1.8	NSD
4	1,400	2.6	NSD
5	695	2.7	NSD
6	800	2.8	NSD
7	2,231	3.5	NSD
8	1,000	3.6	NSD
9	900	3.7	NSD
10	1,800	4.0	NSD
11	947	4.2	NSD
12	820	4.3	NSD
13	1,364	4.4	NSD
14	1,198	4.4	NSD
15	583	5.9	SD**
16	1,949	6.7	SD
17	580	7.0	SD
18	778	7.7	SD
19	1,400	9.0	SD
20	860	9.3	SD

\*NSD: Purchases of the advertised brand were *not* significantly different between the two split-cable panels at a 90 percent confidence level.

\*\*SD: Purchases of the advertised brand were significantly different between the two split-cable panels at a 90 percent confidence level.

Source: Margaret Henderson Blair, "An Empirical Investigation of Advertising, Wearin, and Wearout," *Journal of Advertising Research* 27 (December 1987–January 1988), 45–50. Reprinted with permission from the *Journal of Advertising Research*, © 1987, by the Advertising Research Foundation.

Figure 17.9 presents the results of ARS's testing of various commercials for an undisclosed Campbell Soup Company brand, which we will assume to be Prego spaghetti sauce. Note that the horizontal axis is broken into 18 four-week periods, and that the vertical axis of the graph depicts this brand's market shares. The graph shows that Prego's market share during the first four-week period was 19.6.

Notice next that a new commercial (titled "Tastes Great 30," with the 30 signifying a 30-second commercial) was aired during the second 4-week period. This commercial, when ARS tested it, received an ARS score of 5.8. Shortly after airing this new commercial, Prego's market share jumped from 19.6 to 21.4—an increase of nearly 2 share points. Thereafter, Prego's market share varied from a low of 20.4 (period 5) to a high of 21.5 (period 4). Then in period 7, when a new commercial started airing ("Beauty Shot Revised 15"), Prego's market share jumped by an incredible 4.5 share points to 25.4.

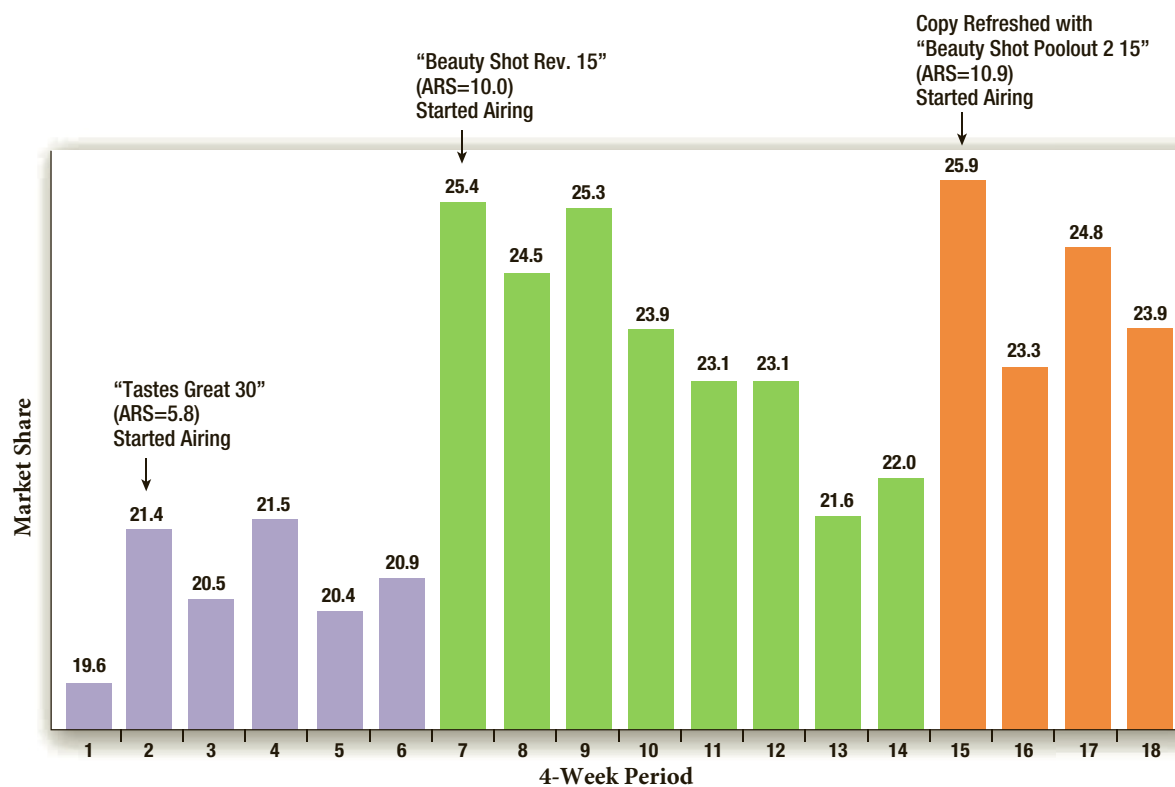
Notice how this result correlates to the strength of the new commercial, which obtained an ARS score of

10.0. Over the next several months, the market share for Prego fell to 22.0 (period 14). Then in period 15, another new commercial began airing ("Beauty Shot Poolout 2 15"). This commercial, which obtained an ARS score of 10.9, immediately increased Prego's sales to a 25.9 market share. By period 18, the share had declined to a 23.9, but compared with the initial share of 19.6 in period 1, this still represented a gain of 4.3 share points in slightly more than a year—a substantial market-share gain by any standard in an established product category. These results indicate that persuasive commercials can have a rather dramatic effect in increasing market share.

### The Relationship between Media Weight and Creative Content

Beyond results from ARS, important research from the academic front has provided further insight into the conditions under which additional advertising weight does or does not increase a brand's sales.<sup>71</sup> This research

**Figure 17.9** ▶ The Role of Sales-Effective Advertising for an Undisclosed Campbell Soup Brand



Source: Used with permission from the ARS Group.

program tested 47 actual TV commercials that were drawn from a variety of mature product categories for familiar brands (i.e., brands in categories such as frozen entrées, snack chips, and long-distance dialing services). Each of the 47 commercials was classified as to whether its tone and content primarily included (1) *rational information* (i.e., commercials conveying details about product features and benefits); (2) *heuristic appeals* (i.e., commercials employing credible or trustworthy endorsers, and those using pictures or music to convey brand information); or (3) *affectively-based cues* (i.e., commercials using warmth appeals, captivating scenery, and likable music—all of which can generate positive emotions).

The researchers examined the sales results of *weight tests* for these 47 commercials and tested whether the heavy weight differences between groups of consumers exposed to higher- or lower-levels of advertising weight led to significant sales differences between test and control groups. (The higher-weight groups were exposed to anywhere from 50 to 100 percent more commercials for a particular brand during the test period.) Further and importantly, they also tested whether the effect of weight on sales varied as a function of advertising content. In short, then, the issue these researchers addressed was whether greater advertising weight uniformly drives increased sales or whether the effect of increased advertising weight *depends* on the type of creative content in a commercial.

The important finding from this research is that increased advertising weight led to significant increases in sales for consumers exposed to greater amounts of advertising weight *only* for commercials using *affectively-based cues*. For commercials employing rational information or heuristic appeals, no significant sales gains were realized when the amount of advertising weight was increased substantially. It seems, then, that commercials using affectively-based cues respond positively to greater advertising weight because this type of commercial evokes positive feelings in consumers; comparatively, commercials containing rational information or heuristic appeals grow tiresome more quickly and may even turn consumers off with repeated showings.

It is important to realize that this research included only commercials drawn from mature product categories and included only familiar brands. The results may not generalize to commercials for new product categories or new brands in mature categories. In either event, heavy advertising weight thrown behind informative advertisements (i.e., those supplying rational information or using heuristic appeals) may *not* serve very well to drive sales. Conversely, putting more weight behind ads using affectively-based cues (i.e., emotional ads) may well increase sales rather substantially.

**Wearout** diminished effectiveness of advertising as GRPs accumulate over time.

### 17-7c CONCLUSION 3—ALL GOOD THINGS MUST END: ADVERTISING EVENTUALLY WEARS OUT

Another important lesson learned from the previous presentation of the Campbell's Prego case, and supported by abundant other evidence, is that advertising ultimately *wears out* and therefore must be periodically refreshed to maintain or increase a brand's sales.<sup>72</sup> Academic and practitioners' research has convincingly demonstrated that with the accumulation of GRPs for a brand, the persuasive power of that brand's advertising declines over time.<sup>73</sup> This is referred to as **wearout**, the result of which is diminished effectiveness of advertising as GRPs accumulate over time. Interestingly, *familiar brands* (i.e., those for which consumers have direct usage experience or have learned about the brand via information from marcom messages) have been shown to wear out more slowly than unfamiliar brands.<sup>74</sup> This suggests that stronger brands—that is, those with greater equity (recall discussion in Chapter 2)—can continue to use creative executions for a longer period of time, need to refresh advertising less frequently, and thus obtain a bigger bang for the advertising buck. The old saying that “knowledge begets knowledge” has a counterpart in this context: “success begets more success.” Familiar brands that possess greater brand equity enjoy increased marcom effectiveness by postponing the onset of advertising wearout.

The moral from conclusion 3 is that it is important to retest commercials periodically (using, e.g., the ARS measurement) to determine how much persuasive power remains in a commercial. When the persuasive power falls into the 3.0 to 3.9 range or even below (see Table 17.2), it probably is time to replace the commercial with a new or revised execution.

### 17-7d CONCLUSION 4—DO NOT BE STUBBORN: ADVERTISING WORKS QUICKLY OR NOT AT ALL

Due to the difficulty of precisely determining what effect advertising has on sales, in many instances advertisers initiate an advertising campaign and then stick with it for an extended period. Even though there may be no initial evidence that advertising is moving the sales dial, there is a tendency among some advertisers to “hang in there,” hoping that with repeated exposures (increased weight) the advertising will eventually achieve positive results. Thoughts such as “Let's not drop the campaign too quickly” or “We just have to be patient” often are applied to sustain a questionable advertising campaign.

Insight into the issue of how long advertisers should stick with an ad campaign is available from findings from Frito-Lay's series of 23 IRI BehaviorScan copy tests. (This method is no longer used, but was almost identical to that

still used by Nielsen Catalina's AdVantics.) For example, a notable result from the Frito-Lay BehaviorScan testing was that in all 12 (of 23) cases where advertisements for Frito-Lay brands drove significant sales increases, the effects occurred within the first 6 months. More dramatically, in 11 of the 12 tests with significant sales gains, the increased sales occurred within *the first 3 months!*<sup>75</sup> Thus, when advertising works, it works relatively quickly or not at all.

Note that although there is some virtue to being patient, there is a difference between being patient and stubborn. Sometimes advertisers have to accept the fact that an advertising campaign simply is not driving sales increases. The economic concept of *sunk costs* is relevant in this context. That concept, in particular, informs us that decisions should not be made with respect to past expenditures but in terms of future prospects. That is, strive not to throw good money after bad.

# Summary

Although it can be difficult, and at times expensive, measuring message effectiveness is essential for advertisers to better understand how well their ads are performing and which changes they need to make to improve performance. Message-based research evaluates the effectiveness of ad messages at four stages: (1) copy development, (2) a “rough” stage, (3) final production (pretesting or copy tests), and (4) after ads have been run in the media (post-testing or tracking). Dozens of techniques for measuring advertising effectiveness have evolved over the years. The reason for this diversity is that advertisements perform various functions and multiple methods are needed to test different indicators of advertising effectiveness.

GfK MRI’s Starch Ad Readership Studies, Bruzzone tests, and (“Burke”) day-after recall tests are techniques for measuring recognition and recall. Some measures to capture emotions include BBDO’s Emotional Measurement System, facial imaging technology, brain imaging, and self-report items. Physiological measures (“biometrics”), such as galvanic skin response, pupil dilation, and eye tracking, also are used to assess emotional arousal advertisements activate. The Ipsos ASI Next\*TV Method is a videotape, in-home system for measuring consumer reactions to television commercials. The MSW\*ARS Brand Preference Method (with its “ARS scores”) is used to measure preference shifts employing a pre- and

post-measurement of consumer preference for a brand before and after they have seen the brand’s advertisement. The impact of advertising on actual purchase behavior is measured with single-source data collection systems (e.g., Nielsen Catalina’s AdVantics) that obtain optical-scanned purchase data from household panels and then integrate them with television-viewing behavior and other marketing variables.

No single technique for measuring advertising effectiveness is ideal, nor is any particular technique appropriate for all occasions. The choice of technique depends on the specific objective an advertising campaign is intended to accomplish. Moreover, multiple measurement methods are usually preferable to single techniques to answer the many questions involved in attempts to assess advertising effectiveness.


The final major section presented conclusions about TV commercial effectiveness based on substantial research on advertising persuasiveness, advertising weight, creative copy, and links to meaningful sales gains. Four major conclusions are drawn: (1) ad copy must be distinctive in order to drive sales gains; (2) more advertising weight does not necessarily equate to increased sales; (3) advertising eventually wears out; and (4) if advertising is going to work, it will achieve its positive effect relatively quickly.

## Discussion Questions

1. It is desirable that measurements of advertising effectiveness focus on sales response rather than on some precursor to sales, yet measuring sales response to advertising is typically difficult. What complicates the measurement of sales response to advertising? To answer this question, please return to Chapter 8 and the section on using sales as an objective for marcom programs, as well as the *Marcom Insight* in this chapter.
2. PACT principle 2 states that a good copy testing system should establish how results will be used in advance of each copy test. Explain the specific meaning and importance of this copy testing principle. Construct an illustration of an anticipated result lacking a sufficient action standard and one with a suitable standard.
3. What’s the distinction between the pre- and post-testing forms of advertising research? Which in your opinion is more important? Be sure to justify your response.
4. The Bruzzone test is based on a measure of recognition in comparison to day-after recall testing, which, of course, is based on a recall measure. Present an argument as to why the Bruzzone recognition measurement might be more appropriate than the recall measurement in attempting to determine the effectiveness of television commercials. To facilitate your discussion, consider the difference between multiple-choice testing (a form of recognition measurement) and essay testing (a form of recall measurement).
5. Offer your interpretation of the following quote presented earlier in the chapter: “If you can’t measure something, you can’t understand it. If you can’t understand it, you can’t control it. If you can’t control it, you can’t improve it.”

6. Why is it a good idea to include a control group in testing ads? Be sure to explain the nature of a control group and why such a comparison to ad claims and information tested is important.
7. If you were an account executive in an advertising agency, what would you tell clients to convince them to use (or not to use) the GfK MRI Starch Ad Readership Studies?
8. A test of television advertising effectiveness that Nielsen Catalina Solutions performs (“AdVantics”) may cost you, as brand manager of a new brand of cereal, over \$250,000. Why might this be a prudent investment in comparison to spending \$50,000 to perform an awareness study?
9. Assume that several years from now, after you have graduated college and begun a career, you open your mail one day and find a letter from Nielsen Catalina Solutions requesting you to become an AdVantics panel member. Would you have any reservations about agreeing to do this?
10. Select three recent television commercials for well-known brands, identify the objective(s) each appears to be attempting to accomplish, and then propose a procedure for how you would go about testing the effectiveness of each commercial. Be specific.
11. Television commercials are tested in various stages of completion, including storyboards, animatics, photomatics, ripomatics, liveamatics, and finished commercials. What reservations might you have concerning the ability to project results from testing pre-finished commercials to actual marketplace results with real commercials? Be specific and refer to the PACT principles where appropriate.
12. What are your thoughts about the value (or lack of value) of using measures of physiological response such as the galvanometer? Other biometric measures? fMRI?
13. Turn to Table 17.2 and inspect the row in that table having an ARS score range of 7.0 to 8.9. With that particular row in mind, interpret the entries under each of the four columns of share-point differences. For example, what is the specific interpretation of 56 percent under the column heading 1.0+?
14. Compare and contrast the Ipsos ASI Next\*TV measure with MSW\*ARS’ Brand Preference method (with its “ARS scores”).
15. In the context of the discussion of single-source data, explain the difference between weight tests and copy tests. Illustrate your understanding of the difference between these two types of tests by designing a hypothetical weight test and then a copy test for the same brand.
16. Offer an explanation as to why, in general, increasing advertising weight is an insufficient means of increasing brand sales.
17. Explain your understanding of why in the case of mature products with familiar brands greater advertising weight is effective in increasing sales only when affective cues are used in advertising the brand.
18. In your opinion, why do commercials for familiar brands with strong equities wear out less rapidly than is the case for unfamiliar brands?





## The Practice and Environment of Integrated Marketing Communications (IMC)

- 1 An Overview of Integrated Marketing Communications
- 2 Enhancing Brand Equity and Accountability
- 3 Brand Adoption, Brand Naming and Intellectual Property Issues
- 4 Environmental, Regulatory, and Ethical Issues

## Fundamental IMC Planning and Decisions

- 5 Segmentation, Targeting, and Positioning
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# Part 4

## Sales Promotion Management

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**P**art 4 includes three chapters that cover trade- and consumer-oriented sales promotions. *Chapter 18* overviews sales promotions by defining the term, explaining the focus of promotional efforts, presenting the reasons for the rapid growth of sales promotions versus advertising, and describing the tasks that sales promotion can and cannot accomplish. The chapter also examines trade-oriented promotions, describing the most widely used forms of trade promotions and discussing forward buying, diverting, and manufacturer-oriented everyday low pricing. Account-specific marketing also receives prominent treatment. The chapter concludes with a discussion of nine empirical generalizations about trade and consumer promotions.

Two forms of consumer-oriented sales promotions, sampling and couponing, are the focus of *Chapter 19*. Prior to this discussion, however, all consumer sales promotions are categorized on the basis of the primary brand management objective (trial, repeat purchases, or reinforcing brand image) and consumer reward (immediate or delayed) intended for the promotion. Then, the different forms of sampling programs and three major sampling initiatives are

discussed (targeting, innovative distribution methods, and sampling's ROI). The second topic in Chapter 19, couponing, includes treatment of the different forms of coupons, recent trends in couponing (e.g., group coupons), the economic implications of couponing, and the process of coupon redemption and misredemption.

*Chapter 20* continues coverage of consumer-oriented promotions by examining various promotions other than sampling and couponing. Each of the following promotional programs receives coverage: premiums, price-off promotions, bonus packs, promotional games, rebates/refunds, and sweepstakes/contests. The chapter then discusses how consumer panel data (e.g., penetration rate, purchase size, purchase frequency) can be used to evaluate consumer sales promotions. It then concludes with a three-step procedure for evaluating sales promotion ideas and suggestions for how to conduct a postmortem analysis of promotions that have already "run."

# Sales Promotion Overview and the Role of Trade Promotion

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Understand the nature and purpose of sales promotions.
- 2 Know the factors that account for the increased investment in promotions, especially those that are trade oriented.
- 3 Recognize the tasks that promotions can and cannot accomplish.
- 4 Appreciate the objectives of trade-oriented promotions and the factors critical to building a successful trade promotion program.
- 5 Explain the different forms of trade allowances and the reasons for their use.
- 6 Be aware of forward buying and diverting and how these practices emerge from manufacturers' use of off-invoice allowances.
- 7 Appreciate the role of category management, everyday low pricing (EDLP), and pay-for-performance programs as means of reducing forward buying and diverting.
- 8 Briefly discuss the nature of other trade promotions, including cooperative advertising, vendor support programs, trade contests and incentives, and trade shows.
- 9 Understand nine empirical generalizations about promotions.



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## Marcom Insight

### The Latest in Trade Promotions: New Thinking and Old Ways

Just a few years ago, **retailer digital media exchanges**, designed to use retail and customer sales data and then to serve ads and measure sales responses, started to emerge at online and big-box retailers. First, Amazon placed these in use in their ad network, then Walmart did so with their Walmart Exchange (WMX) ad network. Now, at least a dozen retailers offer such digital media buying networks, with the objective of helping manufacturer brands reach retail customers not just on retailer website, but anywhere online. Why is this important for trade promotions? It's because such digital media exchanges may be the next generation of trade promotions—similar in a way to the weekly retailer circular or end-cap displays, but delivered digitally to consumers' laptops or smartphones. *When based on retailer loyalty data*, such media exchanges have the ability to deliver a far better return on investment than current programmatic ad buys. In fact, digital programmatic ad buying has been

#### Retailer digital media exchanges

A digital platform that facilitates the buying or selling of media advertising inventory based on retail and customer sales data that then serves ads and measures sales responses.

questioned recently due to lack of transparency in establishing a true impact on sales and ROI by independent parties. This is because the industry infrastructure may not yet exist to make it work in a credible way for brands, so independent (third-party) validation with sales will be very important.

A second new development in trade promotions is **direct selling** of traditional consumer packaged goods products (e.g., detergent, shaving products) to consumers online, thereby bypassing traditional retailers. Procter & Gamble (P&G) was surprised by the success of the Dollar Shave Club, an online subscription service for disposable razors that cut into the dominance of Gillette razors. So, P&G started their Tide Wash Club in Atlanta, an online subscription service for the dissolvable Tide Pods. A second initiative is Tide Spin, in which customers in parts of Chicago can use a smartphone app to order laundry pickup and delivery from Tide-branded couriers. It is hoped that this will rejuvenate P&G's sputtering sales by resonating with younger consumers who are less brand loyal and more prone to take advantage of trends on social media.

Yet, some old trade practices die hard and are making a comeback. The **slotting allowance** is a fee that some retailers charge manufacturers to gain a slot, or location in the retailer's distribution center or warehouse. There are some ethical issues (see later chapter discussion) with their use, and the appearance of larger retail and big-box stores had reduced their prevalence. Yet, recently,

**Direct selling** The marketing and selling of products directly to consumers away from a fixed retail location.

**Slotting allowance** The fees manufacturers of both consumer packaged goods and durables pay retailers for access to a slot, or location, that the retailer must make available in its distribution center (e.g., warehouse) to accommodate the manufacturer's new brand.

the large and powerful retailer Walmart informed all of its 10,000 suppliers that they were imposing charges representing 10 percent of the value of inventory shipped to new stores/warehouses and a 1 percent charge to hold inventory in existing warehouses. The rationale was a recovery of costs associated with worker wage hikes. Yet, many argue this will be detrimental to small suppliers who are better at embracing sustainability practices.

Thus, more powerful partners can, at the extreme, dictate terms of sale. Walmart, for example, also is well-known for commanding its suppliers to produce products that meet Walmart's price and nonprice requirements. No doubt, the balance of power between manufacturers and retailers, and the delicate working relationship as "business partners," both represent important aspects of successful marketing as these partners deal with new and old forms of trade promotion.

Sources: Jack Neff, "As Retailer Digital Exchanges Proliferate, Will They Become the New Trade Promotion?" *Advertising Age*, October 26, 2015, 26; Sharon Terlep, "P&G Seeks to Turn Tide by Direct Selling," *Wall Street Journal*, July 20, 2016, B5; "Wal-Mart to Impose Charges on Suppliers as Its Costs Mount," *Reuters Business News*, June 23, 2015, <http://www.reuters.com/article/us-wal-mart-stores-suppliers-idUSKBN0P400K20150624>; Maria de Sousa Shields, "Walmart's New Fees Have Worrisome Sustainability Implications," *Triple Pundit*, July 7, 2015, <http://www.triplepundit.com/2015/07/walmarts-new-fees-worrisome-sustainability-implications>; Suzanne Vranica and Mike Shields, "Doubts Rise on Digital Ads," *Wall Street Journal*, September 24–25, 2016, A1, A5.

## 18-1 Introduction

The objective of this chapter and the two that follow is to provide a thorough introduction to sales promotion's role in the overall marcom function. This chapter introduces the topic of sales promotions and then examines the role of trade-oriented promotions. The following two chapters extend this introduction by analyzing promotion's job in influencing the actions of consumers.

### 18-1a THE NATURE OF SALES PROMOTION

By definition, **sales promotion** (or simply **promotion**) refers to *all promotional activities* (excluding advertising, public relations, personal selling, direct marketing, and online marketing/social media) that *stimulate short-term behavioral responses* from (1) consumers, (2) the trade (e.g., distributors, wholesalers, or retailers), and/or (3) the company's sales force. Sales promotion can refer to any *incentive* manufacturers, retailers, and even not-for-profit organizations use that serve to change a brand's perceived price or value

**Sales promotion** All promotional activities (excluding advertising, public relations, personal selling, direct marketing, and online marketing/social media) that stimulate short-term behavioral responses from (1) consumers, (2) the trade (e.g., distributors, wholesalers, or retailers), and/or (3) the company's sales force.

*temporarily*. Manufacturers use promotions to induce the *trade* (e.g., off-invoice allowance) or *consumers* (e.g., a coupon or sample) to buy a brand or to encourage the manufacturer's sales force to sell it aggressively. Sales promotions aimed at a company's own *sales force* might focus on motivation techniques (e.g., sales contests, bonuses, meetings in attractive locations) and/or training tools (e.g., sales aids, training materials, point-of-purchase displays). Retailers use promotional incentives to encourage consumers to shop online or at the store, buy a certain brand this week, purchase larger quantities, etc. And not-for-profit organizations employ promotions to encourage people to increase their donations to worthy causes and to donate now rather than later.

It should be noted that promotions involve incentives (allowances, rebates, sweepstakes, coupons, premiums, and so on) that are *additions to*—not substitutes for—the basic benefits a purchaser typically acquires when buying a particular product or service. Also, the target of the incentive is the trade, consumers, sales force, or all three parties. Finally, the incentive

changes a brand's perceived price or value, but *only temporarily*. So, a sales promotion incentive for a particular brand applies to a single purchase or perhaps several purchases during a period, but not to every purchase a trade customer or consumer would make over an extended time.

In contrast to advertising, which typically is relatively long-term in nature and best suited to enhancing buyer attitudes and aiding brand equity, promotion is more *short-term oriented* and capable of influencing *behavior* (versus just attitudes or intentions). Promotion has the character of urgency in its injunction to *act now* because tomorrow is too late.<sup>1</sup> It has the power to influence behavior because it offers the buyer superior value in the short term and can make buyers feel better about the buying experience.<sup>2</sup>

Although consumer packaged goods (CPG) companies are the most common users of promotions, all types of companies use promotional incentives. For example, restaurants may make use of online group coupons (e.g., Groupon) that are activated when a certain number of people sign up for the offer. Online companies may offer free shipping for orders above a certain monetary amount. Furniture stores often provide free gifts when selected items are purchased. And automobile companies regularly offer rebates and cheap financing to attract purchasers.<sup>3</sup> Athletic teams use a variety of promotions to attract fans and to encourage their return. For example, see the *Insights Online* in MindTap for an interesting history of some successful and not-so-successful baseball promotions. This includes “The Good” (e.g., Taco Bell’s “Steal a Base”), “The Bad” (True Value’s baseball giveaway), and “The Ugly” (Cleveland’s 10-cent beer night and Chicago’s disco demolition night).

insights  
online

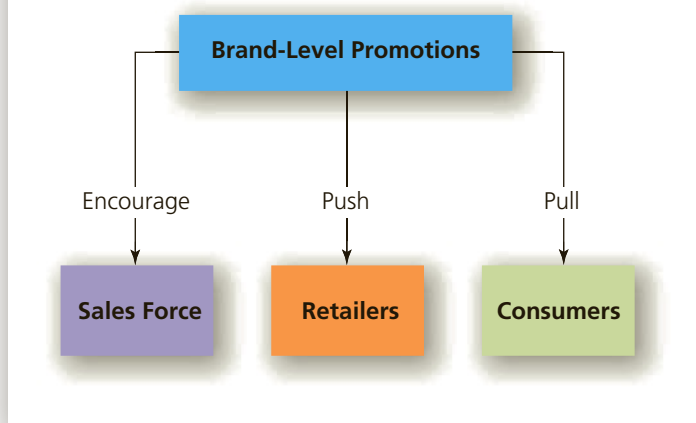
Baseball Promotions: The Good, The Bad, and The Ugly

Finally, in an unconventional, yet increasingly practiced, form of promotion by not-for-profit organizations, a major state university wrote letters to hundreds of high school students who had been named National Merit Semifinalists and offered 4-year tuition, on-campus housing their freshman year, scholarship money up to \$3,000, and a free laptop if they enrolled and attained a finalist status as a National Merit Scholar.

### 18-1b PROMOTION TARGETS

Three groups—a manufacturer's sales force, retailers, and consumers—are targets of sales promotional efforts (see Figure 18.1). First, trade- and consumer-oriented sales promotions provide the manufacturer's sales force with the necessary tools and motivation for enthusiastically selling to wholesale and retail buyers. That is, salespeople

Figure 18.1 ▶ Brand-Level Promotion Targets



have an incentive to put special selling emphasis behind promoted brands.

A second target of sales promotion efforts is the trade, including wholesalers but, especially retailers. Various types of allowances, discounts, contests, and advertising support programs are used in a forward thrust from manufacturers to trade accounts (referred to as *push* efforts) that provide retailers with reasons for stocking, displaying, advertising, and perhaps placing the promoted brand on a price-discounted deal. Third, the use of consumer-oriented promotions (e.g., coupons, samples, premiums, cents-off deals, sweepstakes, and contests) serves to *pull* a brand through the channel by providing consumers with a special reason to purchase a promoted brand on a trial or repeat basis. Sometimes a pull strategy is preferred when there may be some reluctance for the trade to stock a manufacturer's item.

## 18-2 Increased Budgetary Allocations to Promotions

Advertising spending as a percentage of total marketing communications expenditures has declined in recent years, whereas promotion spending has steadily increased. Advertising expenditures as a proportion of companies' total marcom budgets used to average over 40 percent. However, beginning about 30 years ago and continuing today, media advertising's portion of the average marcom budget has fallen to just about one-quarter. In fact, although there are year-to-year changes, Kantar Retail and other CPG industry sources estimate that trade promotions (including account-specific marketing, discussed later in the chapter) *on average* command 50 percent of total U.S. marcom expenditures, consumer advertising achieves 25 percent of the total, and consumer promotions capture the remaining 25 percent.<sup>4</sup> (As noted in the *Marcom Insight*, though, the use of retailer digital media

networks may change this.) Up to this point, why have firms shifted money from advertising and into promotions, especially trade-oriented promotions? For example, Nielsen estimates the amount allocated to trade promotions has risen to \$1 trillion dollars.<sup>5</sup> The following section examines the major reasons underlying this shift.

### 18-2a FACTORS ACCOUNTING FOR THE SHIFT

Several factors account for why brand managers have shifted budgetary allocations increasingly toward a greater proportion of trade promotions. However, before we describe the reasons for this shift, it will be beneficial to review the concepts of push and pull marketing strategies that encourage channel members (the trade) to handle and merchandise brands and to persuade consumers to purchase them.

**Push** involves a “forward thrust” of effort whereby a manufacturer directs personal selling, advertising, and trade-oriented promotions to wholesalers, distributors, and retailers. Through this combination of sales influence, advertising, and, perhaps especially, promotions in the form of allowances and other deals, manufacturers “push” channel members to increase their inventories of the manufacturer’s brand versus competitive brands. **Pull**, in contrast, entails a “backward tug” from consumers to retailers. This tug, or “pull,” is the result of a manufacturer’s successful advertising and consumer promotion efforts that encourage consumers to prefer, at least in the short term, the manufacturer’s brand versus competitive offerings.

Table 18.1 illustrates the differences between push- and pull-oriented promotional strategies based on two companies’ allocations of \$30 million among different

promotional activities. Company X emphasizes a *push strategy* by allocating most of its promotional budget to personal selling and trade promotions aimed at retail customers. Company Y uses a *pull strategy* by investing the vast majority of its budget in consumer advertising.

It is important to recognize that pushing and pulling are *not* mutually exclusive activities. Both efforts occur simultaneously. Manufacturers promote to consumers (creating pull) and to trade members (accomplishing push). The issue is not which strategy to use but rather which to emphasize.

Historically, at least through the 1970s, the emphasis was on promotional pull (such as Company Y’s budget in Table 18.1). Manufacturers advertised heavily, especially on network television, and literally forced retailers to handle their brands by creating consumer demand for those heavily advertised items. However, over the past generation, pull-oriented marketing has become less effective due in large part to the splintering of the mass media and audience fractionalization, as discussed in Chapter 12. Along with this reduced effectiveness has come an increase in the use of push-oriented sales promotion practices (such as Company X’s budget in Table 18.1).

Increased investment in sales promotion, especially trade-oriented promotions, has gone hand in hand with the growth in push marketing. Major developments that have given rise to sales promotion are summarized in Table 18.2 and discussed hereafter. These developments are interdependent rather than separate and distinct.

Therefore, there is no particular order of importance implied by the listing in Table 18.2.

### Balance-of-Power Shift to Retailers

Until roughly 1980, national manufacturers generally were more powerful and influential than the supermarkets, drugstores, mass merchandisers, and other retailers that

carried manufacturers’ brands. The reason was twofold. First, manufacturers were able to create consumer pull by virtue of heavy network television advertising, thus effectively requiring retailers to handle their brands whether retailers wanted to or not. Second, retailers did little research of their own and, accordingly, were dependent on manufacturers for information such as whether a new product would be successful. A manufacturer’s sales representative could convince a buyer to carry a new product using test-market results suggesting a successful product introduction (e.g., with information from Nielsen, IRi).

The balance of power began shifting when network television dipped in effectiveness as an advertising medium and,

**Push strategy** A “forward thrust” of effort whereby a manufacturer directs personal selling, advertising, and trade-oriented promotions to wholesalers, distributors, and retailers.

**Pull strategy** A “backward tug” from consumers to retailers that is the result of a manufacturer’s successful advertising and consumer promotion efforts that encourage consumers to prefer a manufacturer’s brand versus competitive offerings.

**Table 18.1** ▶ Push and Pull Strategies

	COMPANY X (PUSH)	COMPANY Y (PULL)
Personal Selling to Retailers	\$13,500,000	\$6,000,000
Sales Promotion to Retailers	12,000,000	150,000
Advertising to Retailers	2,400,000	300,000
Advertising to Consumers	1,800,000	20,550,000
Sales Promotion to Consumers	300,000	3,000,000
<b>TOTAL</b>	<b>\$30,000,000</b>	<b>\$30,000,000</b>

**Table 18.2** ▶ Developments Underlying the Growth in Promotions

- Shift in balance of power from manufacturers to retailers
- Increased brand parity and price sensitivity
- Reduced brand loyalty
- Splintered mass market and reduced media effectiveness
- Emphasis on short-term results in corporate reward structures
- Responsive consumers

especially, with the advent of optical scanning equipment and other technologies that provided retailers with current information about product movement. Armed with a steady flow of data from optical scanners, retailers now know virtually on a real-time basis which brands are selling and which advertising and promotion programs are working. Retailers no longer need to depend on manufacturers for data. Instead, retailers use the facts they now possess to demand terms of sale rather than merely accepting manufacturers' terms. Also, as noted in the *Marcom Insight*, retailer digital media exchanges with loyalty card data further aid the targeting of manufacturer advertising to drive retail sales. Yet, manufacturers' use of direct sales to consumers (bypassing retailers) also was noted.

### Increased Brand Parity and Price Sensitivity

In earlier years, when truly new products were being offered to the marketplace, manufacturers could effectively advertise unique advantages over competitive offerings. As product categories have matured, however, most new offerings represent only slight changes from those already on the market, thus resulting, more often than not, in greater similarities between competitive brands. With fewer distinct product differences, consumers have grown more reliant on price and price incentives (discounts, coupons, cents-off deals, refunds, etc.) as ways of differentiating parity brands. Because concrete advantages are often difficult to obtain, both manufacturers and retailers have turned increasingly to promotion to achieve temporary advantages over competitors.

Consumers are especially price sensitive during periods of economic downturns and the presence of recessionary or inflationary forces. It is then that we see all forms of discounts and price-reducing incentives being used, such as automobile manufacturers offering 0 percent

**Deal** Any form of sales promotion that delivers a price reduction to consumers; retailer discounts, manufacturer cents-off offers, and the ubiquitous coupons are the most common forms of deals.



financing and home builders offering prospective homeowners the opportunity to purchase new homes without making down payments.

### Reduced Brand Loyalty

Consumers probably are less loyal than they once were, and is especially the case for younger consumers.<sup>6</sup> This reduced loyalty is partly because brands have grown increasingly similar, thereby making it easier for consumers to switch among brands. Also, marketers have effectively trained consumers to expect that at least one brand in a product category will always be on deal with a coupon, cents-off offer, or refund; thus, many consumers rarely purchase brands other than those on deal. (The term **deal** refers to any form of sales promotion that delivers a price reduction to consumers. Retailer discounts, manufacturer cents-off offers, and the ubiquitous coupon are the most common forms of deals.)

One team of researchers investigated the impact that deal promotions have on consumers' price sensitivity using 8 years of data for a nonfood brand in the CPG category. These researchers determined that price promotions make consumers *more price sensitive in the long run*. Moreover, increased use of price promotions serves, for all intents and purposes, to "train" consumers to search for deals. Nonloyal consumers are especially likely to be conditioned by marketers' use of price deals.<sup>7</sup> Research also reveals that the use of coupons by brands in the mature liquid detergent category (brands such as Wisk, Era, and Bold) resulted in increased consumer price sensitivity and reduced brand loyalty.<sup>8</sup>

The upshot of heightened dealing activity is that marketers may have created a "monster" in the form of consumers' desire for deals. Reduced loyalty and increased brand switching have resulted, requiring more dealing activity to feed the monster's insatiable appetite. A major international study conducted in Germany, Japan, the United Kingdom, and the United States investigated the effects of





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price-related promotions (such as cents-off deals and coupons) on a brand's sales after a promotional period is over. The dramatic finding from this research, which examined dozens of brands in 25 CPG categories, is that these promotions have virtually *no impact* on a brand's long-term sales or on consumers' repeat buying loyalty. More specifically, the people who normally buy a brand are the ones who are most responsive to the brand's price promotion. Thus, price promotions effectively serve to induce consumers to buy on deal what they would have bought at regular prices anyway.<sup>9</sup>

### Splintering of the Mass Market and Reduced Media Effectiveness

Advertising efficiency is directly related to the degree of homogeneity in consumers' consumption needs and media habits. The greater their homogeneity, the less costly it is for mass advertising to reach target audiences. However, as consumer lifestyles have diversified, and advertising media have narrowed in their appeal, mass-media advertising's efficiency has weakened. On top of this, advertising effectiveness has declined with simultaneous increases in ad clutter and escalating media costs. These combined forces have influenced many brand managers to devote proportionately larger budgets to promotions at the expense of advertising. However, as noted earlier, the retail digital media exchanges combined with store loyalty data may reverse this trend in the future.

### Short-Term Orientation and Corporate Reward Structures

Sales promotions go hand in hand with the brand management system, which is the dominant organizational structure in CPG firms. The reward structure in firms organized along brand manager lines emphasizes *short-term sales response* rather than slow, long-term growth. In other words, brand managers' performances are assessed on an annual basis or even quarter-by-quarter. And sales promotion is incomparable when it comes to generating quick sales response. This is important, as sales promotions are often tied by brand managers to

Nielsen consumer panel data outcomes (e.g., generating trial, encouraging repeats), explored in greater detail in Chapter 20. In fact, the majority of packaged-good brand sales are associated with some kind of promotional deal.<sup>10</sup>

### Consumer Responsiveness

A final force that explains the shift toward sales promotion at the expense of advertising is that consumers respond favorably to money-saving opportunities and other value-adding promotions. Consumers would not be responsive to promotions unless there was something in it for them—and there is. All promotion techniques provide consumers with rewards (benefits, incentives, or inducements) that encourage certain forms of behavior brand managers desire. These rewards, or benefits, are both utilitarian and hedonic.<sup>11</sup> Consumers using sales promotions receive *utilitarian*, or functional, benefits of (1) monetary savings (e.g., when using coupons); (2) reduced search and decision costs (e.g., by simply availing themselves of a promotional offer and not thinking about other alternatives); and (3) improved product quality, because price reductions allow consumers to buy superior brands they might not otherwise purchase.

Consumers also obtain *hedonic* (i.e., nonfunctional) benefits when taking advantage of sales promotion offers, including (1) a sense of being a wise shopper when taking advantage of sales promotions;<sup>12</sup> (2) a need for stimulation and variety when, say, trying brands they otherwise might not purchase if it were not for attractive promotions; and (3) entertainment value when, for example, consumers compete in promotional contests or participate in sweepstakes.

### 18-2b A CONSEQUENCE OF THE INCREASE: A SHIFT IN ACCOUNTING RULES

In view of the major increase in sales promotions over the past 30 years, especially trade-oriented promotions, the organization responsible for establishing accounting standards in the United States—the Financial Accounting Standards Board (FASB)—reexamined how sales promotion expenditures should be handled on business organizations' income statements. Promotion expenditures historically were treated in exactly the same fashion as advertising expenditures, as *current expenses* that were deducted from top-line revenue. However, a unit of FASB called the Emerging Issues Task Force proposed new accounting regulations (EITF 00-14 and 00-25) that went into effect in late 2001.<sup>13</sup> EITF 00-14 and 00-25 require that those sales promotions used as a form of price discount—including promotions directed to retailers (e.g., off-invoice and slotting allowances, discussed later in this chapter) as well as to consumers (e.g., couponing expenditures and loyalty programs)—must be treated as *reductions in sales revenue*.

Table 18.3 presents simplified income statements to illustrate the effect of this accounting change. Under the “new” (post-EITF 00–14 and 00–15) accounting procedure and assuming identical expenditures, the bottom-line profit would remain at \$7 million. Notice in Table 18.3, however, that the difference between the “old” and “new” procedures is in the amount recorded for the top-line revenue—specifically, \$50 million under the “old” procedure compared to \$42 million for the “new” procedure (\$50 million sales minus \$8 million promotion expenditures).

The significance of the change, however, is that it better reflects “true” levels of sales revenue, which was the intent of the FASB’s regulations. When sales promotions represent little more than a price discount, the amount of discount should not be treated as revenue, which under the old accounting system served to inflate actual revenue and to mislead financial analysts, stockholders, and other parties regarding a firm’s actual revenue generation. Moreover, sales forces compensated on the basis of top-line results were overcompensated because revenue itself was overstated. Also, knowing that every dollar of price-discounting promotion is immediately deducted from

**Table 18.3** ▶ Illustration of “Old” and “New” Accounting Procedure

	“OLD” ACCOUNTING PROCEDURE	“NEW” ACCOUNTING PROCEDURE
Revenue	\$50,000,000	\$42,000,000
Cost of Goods Sold	20,000,000	20,000,000
G&A Expenses	10,000,000	10,000,000
Sales Promotion	8,000,000	NA*
Advertising	5,000,000	5,000,000
Total Expenses	43,000,000	35,000,000
Pretax Profit	\$7,000,000	\$7,000,000

\*The \$8,000,000 spent on sales promotions has been deducted from the top line.

the revenue line, brand managers might be motivated to allocate relatively more money into advertising or into other forms of sales promotions other than price discounts. Yet, for the new practice of retail digital media exchanges (discussed in the *Marcom Insights*), some have argued that it is not exactly clear if such exchanges are treated as advertising or sales promotion.<sup>14</sup>

**Table 18.4** ▶ Tasks That Promotions Can and Cannot Accomplish

#### Sales Promotions *Can*

- Stimulate sales force enthusiasm for a new, improved, or mature product
- Invigorate sales of a mature brand
- Facilitate the introduction of new products to the trade
- Increase on- and off-shelf merchandising space
- Neutralize competitive advertising and sales promotions
- Obtain trial purchases from consumers
- Hold current users by encouraging repeat purchases
- Increase product usage by loading consumers
- Preempt competition by loading consumers
- Reinforce advertising

#### Sales Promotions *Cannot*

- Compensate for a poorly trained sales force or for a lack of advertising
- Give the trade or consumers any compelling long-term reason to continue purchasing a brand
- Permanently stop an established brand’s declining sales trend or change the basic nonacceptance of an undesired product

## 18-3 What Are Sales Promotions’ Capabilities and Limitations?

Trade and consumer promotions are capable of accomplishing certain objectives and not others. Table 18.4 summarizes these “can” and “cannot” capabilities, each of which is then discussed.<sup>15</sup>

### 18-3a WHAT PROMOTIONS CAN ACCOMPLISH

Promotions cannot work wonders, but they are well suited to accomplishing the following tasks.

#### Stimulate Sales Force Enthusiasm for a New, Improved, or Mature Product

Personal selling has many exciting and challenging aspects; there also are times when the job might become dull, monotonous, and unrewarding. Imagine what it would be like to call on a customer repeatedly if you never had anything new or different to say about your brands or the marketing efforts that support them. Maintaining enthusiasm

would be difficult, to say the least. Exciting sales promotions give salespeople persuasive ammunition when interacting with buyers; they revive enthusiasm and make the salesperson's job easier and more enjoyable.

For example, Fiat Automobiles of Brazil had redesigned its Marea sedan and station wagon and was looking for an exciting promotion to motivate dealer salespeople and to encourage prospective customers to test-drive the Marea. The aspect of the promotional program aimed at salespeople involved “mystery shoppers” trained by Fiat who visited dealerships to test salespeople and managers on their technical knowledge of the Marea and their customer service skills. Salespeople and managers judged as having impeccable knowledge and sales skills received cash prizes. Additionally, each month, top-performing salespeople and managers earned additional cash prizes. At the campaign's end, top performers received paid vacations to Brazil's luxurious Comandantuba Island. The promotion was judged an incredible success.<sup>16</sup>

### Invigorate Sales of a Mature Brand

Promotions can invigorate sales of a mature brand that requires a shot in the arm. Promotions cannot, however, reverse the sales decline for an undesirable product or brand.

Consider, for example, a promotion Bazooka bubble gum undertook in Latin America, where, as in the United States, Bazooka bubble gum is wrapped with a Bazooka Kid comic strip. The character in this comic strip is known to children in Argentina, Paraguay, and Uruguay as El Pibe Bazooka. Bazooka commanded over 40 percent of the gum market in these countries, but its share had fallen by more than 10 share points due to an onslaught of competitors. The maker of Bazooka gum, Cadbury, turned to its promotion agency for ideas to offset competitive inroads. The agency devised a promotion that temporarily replaced El Pibe Bazooka with Secret Clues that, when placed under a decoder screen, would reveal keys to “Bazooka Super Treasure.” More than 150 million Secret Clues hit the market, and three million decoder screens were made available to kids through magazine and newspaper inserts and at candy stands and schools. After buying Bazooka and placing a Secret Clue under a decoder screen, kids learned immediately whether they would receive instant-win prizes such as T-shirts, soccer balls, and school bags. Kids could also enter a Super Treasure sweepstakes by mailing in 10 proofs of purchase. Top prizes included multimedia computers for winners and their schools along with stereo systems, TVs, bicycles, and other attractive items.



Jay Paul/Bloomberg/Getty Images

Consumer response was so overwhelming that Bazooka experienced distribution problems within several weeks of initiating the promotion. Bazooka sales increased by 28 percent and gained back about 7 share points. This successful promotion demonstrates the power of sales incentives that catch the imagination of a receptive target market. Kids were encouraged to buy Bazooka gum to win instant prizes and to purchase the brand repeatedly to become eligible for very attractive sweepstakes awards.<sup>17</sup>

### Facilitate the Introduction of New Products to the Trade

To achieve sales and profit objectives, marketers continually introduce new products and add new brands to existing categories. Promotions to wholesalers and retailers are typically necessary to encourage the trade to handle new offerings, which practitioners refer to as *stock-keeping units*, or SKUs. In fact, many retailers refuse to carry additional SKUs unless they receive extra compensation in the form of off-invoice allowances, display allowances, and slotting allowances. (Each of these forms of allowances is discussed later in the chapter.) In addition, retailers such as Whole Foods, Walmart, etc., may have additional requests, such as sourcing of ingredients, third-party certifications, and brand name changes for some categories, such as organic foods.<sup>18</sup>

### Increase On- and Off-Shelf Merchandising Space

Trade-oriented promotions, often in conjunction with consumer promotions, enable a manufacturer to obtain extra shelf space or more desirable space temporarily. This space may be in the form of extra facings on the shelf or off-shelf space in a gondola or an end-of-aisle display.<sup>19</sup>

### Neutralize Competitive Advertising and Sales Promotions

Sales promotions can effectively offset competitors' advertising and promotion efforts. For example, one company's 50-cent coupon loses much of its appeal when a competitor simultaneously comes out with a \$1 coupon. As

previously described, Bazooka's promotion in Argentina, Paraguay, and Uruguay offset competitors' promotions and won back lost market share.

### Obtain Trial Purchases from Consumers

Marketers depend on free samples, online coupons, and other sales promotions to encourage trial purchases of new brands. Many consumers would never try new products or previously untried brands without these promotional inducements. Consider the following creative promotion that was extraordinarily successful in introducing a new line of lightbulbs in England.

Although consumers worldwide use massive quantities of lightbulbs, many people consider the brand name not all that important when selecting lightbulbs, because they assume that lightbulbs are essentially commodities—one bulb is as good (or bad) as the next. Against this perception, Philips Lighting attempted to create a differential advantage for its brand when introducing the Softone line of colored bulbs. Philips attempted to build demand for its Softone line—especially among younger families, who might become loyal product users for years.

A promotion agency (with a \$2 million budget) developed a program based on what it described as a “ludicrously simple idea.” Certain households were selected to receive bags, each of which contained an information brochure, a coupon, and a brief questionnaire. A response sheet inside a bag left at a household asked recipients if they were interested in receiving a free bulb and, if so, which of seven colors they wanted. Interested households were instructed to hang the bag with the completed questionnaire on their outside door-knob. That same evening, distribution crews inspected each household's response sheet and slipped the preferred-color lightbulb into the bag.

A total of two million bags were distributed. Of these, 700,000 households requested a free bulb—for a response rate of 35 percent. Follow-up surveys revealed that over 50 percent of bulb recipients actually used the bulbs. A total of 160,000 coupons were redeemed, which at 8 percent is a high redemption level. Sales in the 6-month period following this special promotion doubled the prior average. Moreover, a subsequent bag distribution campaign was three times more efficient than the inaugural effort by focusing on neighborhoods near key retail accounts. This simple program illustrates how creative and strategically sound promotions can generate trial purchase behavior.<sup>20</sup>

### Hold Current Users by Encouraging Repeat Purchases

Brand switching is a fact of life all brand managers face. The strategic use of certain forms of promotion can encourage at least short-run repetitive purchasing. Premium programs, refunds, sweepstakes, and various continuity programs (all described in Chapter 20) are useful promotions for encouraging repeat purchasing.

### Increase Product Usage by Loading Consumers

The effect of many deal-oriented promotions is to encourage consumer *stockpiling*—that is, to influence consumers to purchase more of a particular brand than they normally would to take advantage of the deal. Research has found that when readily stockpiled items (e.g., canned goods, paper products, and soap) are promoted with a deal, purchase quantity increases—or stated alternatively, the consumption rate accelerates—by a substantial magnitude in the short term.<sup>21</sup>

This practice prompts a critical question: Do these short-term increases from consumer stockpiling actually lead to *long-term* consumption increases of the promoted product category, or do they merely represent *borrowed future sales*? An important study found that price promotions do *not* increase category profitability, but simply serve to shift short-term sales revenue from one brand to another. That is, sales gains in the short term induced by consumer stockpiling were offset by reduced demand in the long term.<sup>22</sup> Yet, it is cautioned that this finding is based on research involving a single product—a nonfood item (likely a household cleaning brand)—that may or may not be generalizable to other product categories.

Other researchers, however, have provided tentative evidence that establishes the conditions when the practice of loading might have positive long-term effects. These researchers determined that loading does increase consumers' product usage, especially when *usage-related thoughts about a product are vivid in the consumer's memory*. For example, people will not necessarily consume more soup just because they have stockpiled above-average quantities. However, if soup is on their minds (due to an advertising campaign touting soup's versatility), consumption is likely to increase. Also, products that are regularly *visible* (such as perishable items placed in the front of the refrigerator) are likely to be used frequently if consumers have stockpiled them.<sup>23</sup>

This finding receives additional support from research that has examined the impact of consumer inventory levels on the amount of usage for two product categories, ketchup and yogurt. Researchers predicted that consumption of yogurt would be more sensitive to inventory levels because unlike ketchup, yogurt can be consumed at different times of the day and under a variety of circumstances (with meals, as a snack, etc.). Their results supported this expectation as the amount of yogurt consumption, but not ketchup, was influenced by the quantity of yogurt available in consumers' refrigerators—more yogurt, more (than normal) consumption; more ketchup, no more (than normal) consumption.<sup>24</sup>

The empirical evidence suggests that marketer's price-oriented deals that encourage stockpiling promote increased long-term consumption for some product categories but not others. There are at least two conditions

when increased consumption occurs from stockpiling: First, when stockpiled products are *physically visible* to consumers as well as *perishable*, the effect may be to encourage increased short-term consumption without stealing sales from future periods. Second, consumers seem to increase their consumption rate of stockpiled products when the product is *convenient to consume* (e.g., snacks) compared with when it requires preparation (e.g., pasta).<sup>25</sup>

Conversely, the use of price deals that lead consumers to stockpile products like ketchup and household cleaning products may simply serve to increase product purchasing in the short term without increasing long-term consumption. Consumers, in effect, stockpile these items when they go on deal, but do not increase normal product usage. Thus, we would tentatively conclude that price dealing is a useful *offensive weapon* (i.e., for purposes of increasing total consumption) only for items such as yogurt, cookies, and salty snacks, whereas products such as ketchup should be price promoted only for *defensive reasons* such as offsetting competitive efforts that attempt to steal market share.

### Preempt Competition by Loading Consumers

When consumers are loaded with one company's brand, they are temporarily out of the marketplace for competitive brands. Thus, one brand's promotion serves to preempt sales of competitive brands.<sup>26</sup>

### Reinforce Advertising

A final can-do capability of sales promotion is to reinforce advertising. A well-coordinated sales promotion effort can greatly strengthen an advertising campaign.

The relationship between advertising and promotion is two way. On the one hand, an exciting promotion can reinforce advertising's impact (e.g., a freestanding newspaper insert for a coupon also has advertising surrounding it). On the other hand, advertising is increasingly being used as a communications mechanism for delivering promotional offerings. It is estimated, in fact, that upward of one-third of all media advertisements (TV, print, online, etc.) carry a promotional message.<sup>27</sup> The growing importance of promotion-oriented advertising is evidenced by the fact that promotion agencies are increasingly responsible for creating advertisements—a role historically of the traditional full-service advertising agency.

### 18-3b WHAT PROMOTIONS CANNOT ACCOMPLISH

As with other marketing communications elements, there are limits to what sales promotions are capable of accomplishing. Particularly notable are the following three limitations.

#### Inability to Compensate for a Poorly Trained Sales Force or for a Lack of Advertising

When suffering from poor sales performance or inadequate growth, some companies consider promotion to be the solution. However, promotions will provide at best a

temporary fix if the underlying problem is due to a poor sales force, a lack of brand awareness, a weak brand image, or other maladies that only proper sales management and advertising efforts can overcome.

#### Inability to Give the Trade or Consumers Any Compelling Long-Term Reason to Continue Purchasing a Brand

The trade's decision to continue stocking a brand and consumers' repeat purchasing are based on continued satisfaction with the brand, which results from meeting profit objectives (for the trade) and providing benefits (for consumers). Promotions cannot compensate for a fundamentally flawed or mediocre brand unless the promotions offset the flaws by offering superior value to the trade and consumers.

#### Inability to Permanently Stop an Established Brand's Declining Sales Trend or Change the Basic Nonacceptance of an Undesired Product

Declining sales of a brand over an extended period indicate poor product performance or the availability of a superior alternative. Promotions cannot reverse the basic nonacceptance of an undesired brand. A declining sales trend can be reversed only through product improvements or perhaps an advertising campaign that breathes new life into an aging brand. Promotions used in combination with advertising efforts or product improvements may reverse the trend, but sales promotion by itself would be a waste of time and money when a brand is in a state of permanent decline.

### 18-3c PROBLEMS WITH AN EXCESSIVE EMPHASIS ON SALES PROMOTION

As a short-term incentive, it is generally acknowledged that there can be three major problems with an *excessive* emphasis on sales promotions; that is, it can (1) diminish the image of the product, (2) diminish brand loyalty, and/or (3) actually reduce consumption. For example, consumers (and store managers) obsessed with a sales promotion game and obtaining and monitoring winning pieces may not even consider the quality or appeal of the restaurant chain's food offering the game. Or, a grocery store manager may be so obsessed with winning a manufacturer's trade contest offering a new TV that they are not even interested in the manufacturer's new items being introduced.

### 18-4 The Role of Trade Promotions

With the shift in power from manufacturers to retailers, and with brands from competitive manufacturers becoming increasingly indistinct and numerous, retailers have pressured the manufacturers that supply them to provide attractive price discounts and other forms of promotional dollars as well.

Consider the case of Clorox. Several years ago, the Clorox Company acquired a firm named First Brands. One of First Brands' most important products was the line of plastic items (wraps and bags) under the Glad brand name. Clorox thought it could quickly boost sales of Glad products because First Brands had previously invested virtually nothing in media advertising behind the brand, relying instead almost exclusively on consumer promotions (primarily coupons) and heavy trade promotion spending. Clorox's strategy was to cut Glad's consumer and trade promotions for 2 years and to invest heavily in mass-media advertising. Much to the disappointment of Clorox's marketing management, competitors did not follow. How did retailers react? They withdrew merchandise support, and Glad sales fell dramatically—as did Clorox's stock price, which dropped by about 20 percent in the 2 years after acquiring First Brands.<sup>28</sup>

With declining market share and a sagging stock price, Clorox responded in the only way it could: It returned to couponing and trade promotion spending. As previously noted, the power of retailers continues to grow relative to that of manufacturers. As one observer noted, "Without unique products and strong advertising, package-goods brands have little choice but to pay up to maintain shelf space, especially as consolidation makes retailers more powerful."<sup>29</sup>

#### 18-4a TRADE PROMOTIONS' SCOPE AND OBJECTIVES

On average, trade promotions represent over half of every manufacturer dollar invested in advertising and promoting new and existing products. Manufacturers' trade promotions are directed at wholesalers, distributors, retailers, and other marketing intermediaries (rather than at consumers). A manufacturer's consumer-oriented advertising and promotions are likely to fail unless trade promotions have succeeded in influencing channel intermediaries to stock adequate quantities. The special incentives manufacturers offer to their distribution channel members are expected to be passed through to consumers in the form of price discounts offered by retailers, often stimulated by advertising support and special displays. As we will see later, however, this does not always occur.

Even though trade promotions do not always work as intended, manufacturers have legitimate objectives for using trade-oriented promotions.<sup>30</sup> These objectives include the following:

1. Introducing new or revised products
2. Increasing distribution of new packages or sizes
3. Building retail inventories
4. Maintaining or increasing the manufacturer's share of shelf space
5. Obtaining displays outside normal shelf locations

6. Reducing excess inventories and increasing turnover
7. Achieving product features in retailers' advertisements
8. Countering competitive activity
9. Selling as much as possible to final consumers

#### 18-4b INGREDIENTS FOR A SUCCESSFUL TRADE PROMOTION PROGRAM

To accomplish these many objectives, several ingredients are important to building a successful trade promotion program.<sup>31</sup>

##### Financial Incentive

A manufacturer's trade promotion must offer retailers increased profit margins, increased sales volume, or both. For example, some grocers might average only a razor-thin 1.0 to 1.5 percent profit margin. Therefore, manufacturer trade promotions should take this into account.

##### Correct Timing

Trade promotions are appropriately timed when they are (1) tied in with seasonal events during a time of growing sales (such as candy sales during Valentine's Day, Halloween, and Christmas); (2) paired with a consumer-oriented sales promotion; or (3) used strategically to offset competitive promotional activity.

##### Minimize the Retailer's Effort and Cost

The more effort and expense required, the less likely it is that retailers will cooperate in a program they see as benefiting the manufacturer but not themselves. One notable example was Kohler Company's smart use of its "Remodeling America" mobile idea center that traveled to be on-site at plumbing supply and do-it-yourself outlets in the United States.

##### Quick Results

The most effective trade promotions generate immediate sales or increases in store traffic. (As you will see in the next chapter, instant gratification is an important motivator of consumer responses to consumer-oriented promotions. This same motive applies to retailers as well.)

##### Improve Retailer Performance

Promotions are effective when they help the retailer do a better selling job or improve merchandising methods as, for example, by providing retailers with improved displays. The notion of account-specific marketing or co-marketing (to be discussed later) lies at the heart of trying to improve retailer performance.

##### Trade allowances

Allowances that are used by manufacturers to reward retailers for performing activities in support of the manufacturer's brand, such as featuring the brand in retail advertisements or providing special display space. Also called *trade deals*.

#### 18-5 Trade Allowances

Manufacturers use **trade allowances** to reward retailers for performing activities in support of the manufacturer's brand. These allowances,

also called *trade deals* (and communicated through “deal sheets”), encourage retailers to stock the manufacturer’s brand, discount the brand’s price to consumers, feature it in advertising, or provide special display or other point-of-purchase support.

By using trade allowances, manufacturers hope to accomplish two interrelated objectives: (1) increase retailers’ purchases of the manufacturer’s brand, and (2) augment consumers’ purchases of the manufacturer’s brand from retailers. The latter is based on the expectations that consumers are receptive to price reductions and that retailers will actually pass along to consumers the discounts they receive from manufacturers.

These expectations do not always become reality. Retailers may at times take advantage of allowances without performing the services for which they receive credit. In fact, a study of trade promotion spending by the Nielsen Company revealed that fewer than one-third of surveyed manufacturers rated the value they received from trade promotion as “good” or “excellent.”<sup>32</sup> Moreover, the vast majority of retailers think that trade promotions should serve to increase sales and profits of entire product categories without concern for whether a manufacturer’s specific brand benefits from the trade promotion.<sup>33</sup> Industry-wide, Procter & Gamble (P&G) has claimed that only 30 percent of trade promotion money actually reaches the consumer in the form of lower prices, while 35 percent is lost in inefficiencies and 35 percent winds up in the retailer’s pocket.<sup>34</sup>

There is, in short, a conflict between manufacturers and retailers over the matter of which party trade promotions are intended to benefit. Manufacturers use trade promotions to advance their brands’ sales and profit performance. Retailers, in contrast, tend to regard trade dollars as an opportunity for increasing their profit margins and thus boosting bottom lines. This schism is easy to understand because parties to economic transactions often have conflicting objectives yet depend on each other for success. Viewing business relationships as a true partnership with shared objectives (e.g., see digital media exchanges in the *Marcom Insight*) can help with such conflicts.

## 18-5a MAJOR FORMS OF TRADE ALLOWANCES

There are three major forms of trade allowances: (1) off-invoice allowances, (2) bill-back allowances, and (3) slotting allowances.<sup>35</sup> As we will see in the following discussion, manufacturers use off-invoice and bill-back allowances by choice, but retailers impose slotting allowances.

### Off-Invoice Allowances

The most frequently used form of trade allowance is an off-invoice allowance, which represents a manufacturer’s temporary price reduction to the trade on a particular brand.

**Off-invoice allowances** are, as the name suggests, deals offered periodically to the trade that permit retailers to *deduct a fixed amount from the invoice*—merely by placing an order during the period in which the manufacturer is “dealing” a brand. In offering an off-invoice allowance, the manufacturer’s sales force informs retail buyers that a discount of, say, 15 percent can be deducted from the invoice amount for all quantities purchased during the specified deal period. Many CPG manufacturers provide off-invoice allowances at regularly scheduled intervals, which for many brands is one 4-week period during every 13-week business quarter. This means that many brands are on off-invoice deals approximately 30 percent of the year.

A manufacturer in using an off-invoice allowance does so with the expectation that retailers will purchase more of the manufacturer’s brand during the deal period than they normally would and, to sell off excess inventories rapidly, *will pass the deals on to consumers in the form of reduced prices*—which thus should spur consumers’ purchasing of the manufacturer’s price-reduced brand. However, as previously stated, retailers do not always comply with this expectation and, in fact, are typically not contractually bound to pass along discounted prices to consumers. Rather, retailers receive an off-invoice allowance (of, say, 15%) when purchasing the manufacturer’s brand, but often they do not discount their selling prices to consumers or they reduce prices by substantially less than the full 15 percent.<sup>36</sup> Although P&G cited a lower estimate, many manufacturers estimate that retailers pass through to consumers only about one-half of the trade funds they provide to retailers.

We will discuss two undesirable offshoots of off-invoice allowances later—forward buying and diverting—but first it will be useful to discuss the other two major forms of trade allowances, bill-back and slotting allowances.

### Bill-Back Allowances

Retailers receive allowances for featuring the manufacturer’s brand in advertisements (**bill-back ad allowances**) or for providing special displays (**bill-back display allowances**). As the expression indicates, retailers do *not* deduct bill-back allowances directly from the invoice by virtue of ordering products (as is the case with off-invoice allowances), but rather must earn the allowances *by performing designated advertising or display services* on behalf of the manufacturer’s brand. The retailer effectively bills (i.e., charges) the manufacturer for the services rendered, and the manufacturer pays an allowance to the retailer for the services received.

To illustrate, assume that the sales force for the Campbell Soup Company informs retailers that during October they will receive a 5 percent discount on all cases of V8 juice purchased

**Off-invoice allowances** Deals offered periodically to the trade that permit retailers to deduct a fixed amount from the invoice.

**Bill-back ad allowances** Allowances received by a retailer for featuring a manufacturer’s brand in advertisements.

**Bill-back display allowances** Allowances received by a retailer for featuring a manufacturer’s product in special displays.

during this period, provided they run newspaper advertisements in which V8 juice is prominently featured. With proof of having run feature ads in newspapers or online, retailers then would bill Campbell Soup for a 5 percent advertising allowance. Similarly, Campbell Soup's sales force could offer a 2 percent display allowance whereby retailers could receive an additional 2 percent discount on all purchases of V8 juice during the deal period for displaying V8 juice in prime locations.

### Slotting Allowances

**Slotting allowances** are the fees manufacturers of both consumer packaged goods and durables pay retailers for access to the slot, or location, that the retailer must make available in its distribution center (e.g., warehouse) to accommodate the manufacturer's new brand. This form of trade allowance applies specifically to the situation where a manufacturer attempts to get one of its brands—typically a new brand—accepted by retailers.<sup>37</sup> Also called a *stocking allowance* or *street money*, a slotting allowance is not something manufacturers of branded products choose to offer retailers. On the contrary, *retailers impose slotting allowances on manufacturers*. Retailers demand this fee of manufacturers supposedly to compensate them for added costs incurred when taking a new brand into distribution and placing it on the shelf. It should be obvious that manufacturers and retailers hold differing views regarding the appropriateness and value of the slotting-allowance practice.<sup>38</sup> The following discussion examines many of the key issues.<sup>39</sup>

When first used back in the 1960s, slotting allowances compensated retailers for the real costs of taking on a new stock-keeping unit, or SKU. The cost at that time averaged \$50 per SKU per account. However, slotting allowances now can cost as much as \$25,000 to \$40,000 per item per store—although most slotting fees are much lower than this—and represent a healthy profit margin for retailers.<sup>40</sup> Total amounts are now estimated to be \$18 billion or more compared to \$1 billion in the 1990s.<sup>41</sup> You probably are thinking, “This sounds like bribery.” You also may be wondering, “Why do manufacturers tolerate slotting allowances?” Let's examine each issue.

First, slotting allowances are indeed a form of bribery. The retailer that demands slotting allowances denies the manufacturer shelf space unless the manufacturer is willing to pay the up-front fee—the slotting allowance—to acquire that space for its new brand. Second, manufacturers tolerate slotting allowances because they are confronted with a classic dilemma: Either they pay the fee and eventually recoup the cost through profitable sales volume, or they refuse to pay the fee and in so doing accept a fate of not being able to introduce new brands successfully.

In certain respects, slotting allowances *are* a legitimate cost of doing business and, in fact, can serve to increase marketplace efficiency rather than being anti-competitive.<sup>42</sup> When, for example, a large multistore

supermarket chain takes on a new brand, it may incur several added expenses. These expenses arise because the chain must make space for that new brand in its distribution center, create a new entry in its computerized inventory system, possibly redesign store shelves, and notify individual stores about the new SKU. In addition to these expenses, the chain takes the risk that the new brand will fail. This is a likely result in the grocery industry, where at least half of all new brands are failures. Thus, slotting allowances provide retailers with what effectively amounts to an insurance policy against the prospect that a brand will fail.

It is questionable, however, whether the actual expenses retailers incur are anywhere near the slotting allowances they charge. Large manufacturers can afford to pay slotting allowances because their volume is sufficient to recoup the expense. However, manufacturers of brands with small consumer franchises are frequently unable to afford these fees. Smaller manufacturers thus are placed at a competitive disadvantage when attempting to gain distribution for their new products.

How, you might be wondering, are retailers able to impose expensive slotting fees on manufacturers? The reason is straightforward: as noted earlier in the chapter, the balance of power has shifted away from manufacturers and toward retailers. Power means being able to call the shots, and increasing numbers of retailers are doing this. Also, CPG manufacturers have hurt their own cause by introducing thousands of new brands each year, most of which are trivial variants of existing products rather than distinct new offerings with meaningful profit opportunities for wholesalers and retailers. As such, every manufacturer competes against every other manufacturer for limited shelf space, and slotting allowances are simply a mechanism retailers use to exploit the competition among manufacturers. Furthermore, many grocery retailers find it easy to rationalize slotting allowances on the grounds that their net profit margins in selling groceries are minuscule (typically 1% to 1.5%) and that slotting allowances enable them to earn returns comparable to those manufacturers earn.

Further understanding of the rationale and dynamics underlying slotting allowances is possible by making a comparison with apartment prices in any college community. When units are abundant, different apartment complexes compete aggressively with one another and rental prices are forced downward to the benefit of students. But when apartments are scarce (which is typical in most college communities), prices often are inflated. The result: you may be forced to pay exorbitant rent to live in a second-rate, albeit conveniently located, apartment. The same is true regarding retailer slotting fees.

What can a manufacturer do to avoid paying slotting allowances? Sometimes nothing. But powerful





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manufacturers such as P&G and Kraft Heinz, for example, are less likely to pay slotting fees than are weaker national and particularly regional manufacturers. Retailers know that P&G's and Kraft Heinz's new brands probably will be successful because P&G and Kraft Heinz invest substantially in research to develop meaningful new products; spend heavily on advertising to create consumer demand for these products; and use extensive consumer promotions (e.g., sampling and couponing) to create strong consumer pull for their brands. Another way to avoid paying slotting allowances is simply to refuse to pay them and, if need be, to accept the consequence of being refused shelf space by some, if not most, retail chains.

In the final analysis, the issue of slotting allowances is extremely complicated. Manufacturers have legitimate reasons for not wanting to pay slotting allowances, but retailers have justification for charging them. Can both sides be right? Is the practice of slotting allowances a case of free-market competition working at its best, or at its worst? Simple answers are unavailable because the "correct" answer depends largely on which perspective—manufacturer's or retailer's—one takes on the matter.<sup>43</sup>

In the middle of this battle are federal and state agencies, who have the responsibility of ensuring that the practice of slotting allowances does not reduce competition or harm consumers by forcing them to pay higher prices or limiting their options because smaller manufacturers are unable to gain shelf space for their new products. One regulatory agency, the Bureau of Alcohol, Tobacco, Firearms and Explosives, passed a ruling that prohibits the use of slotting fees in the marketing of alcohol products.<sup>44</sup> However, no prohibitions exist for the many other product categories where slotting allowances are charged. Also, when the Federal Trade Commission revised its "Fred Meyer" guides on allowances and rebates in 2014, it only required manufacturers to offer comparable payments to all retailers for the initial sale and action is taken only if there is competitive injury.<sup>45</sup> In the meantime,

slotting allowances remain for manufacturers an additional cost of introducing new products and an additional source of revenue for retailers. The power struggle goes on!

#### **The special case of exit fees (deslotting allowances)**

Whereas slotting allowances represent a form of entry fee for getting a new brand into a grocery chain's distribution center, some retail chains charge manufacturers a fee for having unsuccessful brands removed from their distribution centers. These exit fees are sometimes called *deslotting allowances*. Here is how they operate: When introducing a new brand to a retail chain, the manufacturer and chain enter into a contractual arrangement. This arrangement stipulates the average volume of weekly product movement during a specified period that must be achieved for the manufacturer's brand to be permitted to remain in the chain's distribution center. If the brand has not met the stipulated average weekly movement, the chain will issue a deslotting charge. This charge, or exit fee, is intended to cover the handling costs for the chain to remove the item from its distribution center.

This practice may seem to be a marketplace application of the old saying about having salt rubbed into a wound. However, it really represents the fact that retailers, especially in the supermarket industry, no longer are willing to pay for manufacturers' new-product mistakes. There clearly is some economic logic to deslotting charges because these charges are another form of insurance policy to protect retail chains from slow-moving and unprofitable brands. To continue the apartment-rental analogy, a deslotting charge operates in much the same fashion as the stipulation between apartment owner and tenant regarding property damage. If the tenant damages an apartment, the apartment owner is fully justified in forfeiting all or part of the tenants' rental deposit. As such, the deposit provides the apartment owner with an insurance policy against potential negligence. This is precisely how an exit fee, or deslotting charge, operates.

### **18-5b UNDESIRABLE CONSEQUENCES OF OFF-INVOICE ALLOWANCES: FORWARD BUYING AND DIVERTING**

Now that we have reviewed the three major forms of trade allowances—off-invoice, bill-back, and slotting allowances—we return to the first form of allowance and discuss the undesirable consequences that result from a manufacturer's use of off-invoice allowances.

Manufacturers' off-invoice allowances make considerable sense in theory, but in practice many retailers do not perform the services necessary to earn the allowances they receive from manufacturers. Large retail chains are particularly likely to take advantage of manufacturers' allowances without passing the savings along

to consumers. A major reason is that large chains, unlike smaller chains, can merchandise their own *private brands* (or store brands). Because private brands can be sold at lower prices than manufacturers' comparable brands, large chains are able to use private brands to satisfy the needs of price-sensitive consumers, while selling manufacturers' brands at their normal prices and pocketing the trade allowance as extra profit.

A second major problem with manufacturers' off-invoice allowances is that they often induce retailers to stockpile products to take advantage of the temporary price reductions. *Forward buying* and *diverting* are two interrelated practices retailers, especially those in the grocery trade, use to capitalize on manufacturers' trade allowances. Table 18.5 illustrates these practices.<sup>46</sup>

### Forward Buying

As noted earlier, manufacturers' trade allowances are typically available for 4 weeks of each business quarter (which translates to about 30 percent of the year). During these deal periods, retailers buy larger quantities than needed for normal inventory and warehouse the excess volume, thereby avoiding purchasing the brand at its full price during the remaining 70 percent of the year when a deal is not offered. Retailers often purchase enough products on one deal to carry them over until the manufacturer's next regularly scheduled deal. This is the practice of forward buying, which, for obvious reasons, is also called *bridge buying*—the amount of inventory purchased during one deal period bridges all the way to the next deal period.

When a manufacturer marks down a product's price by, say, 15 percent, retail chains commonly stock up with a 10- to 12-week supply. A number of manufacturers sell 80

percent to 90 percent of their volume during the occasions (approximately 30 percent of the year) when they are on deal. It is estimated that forward-buying costs manufacturers between 0.5 percent and 1.1 percent of retail prices, which translates into hundreds of millions of dollars annually.<sup>47</sup>

Retailers employ mathematical models that enable them to estimate the profit potential from a forward buy and the optimum number of weeks of inventory to purchase. The models take into consideration the amount of savings from a deal and then incorporate into their calculations the various added costs from forward buying. These added costs include warehouse storage expenses, shipping costs, and the cost of tying up money in inventory when that money could be used to earn a better return in some other manner. Retailers, when forward buying, balance savings from reduced purchasing costs against the added expenses of the kind just noted.

It may appear that forward buying benefits all parties to the marketing process, but this is not the case. First, as previously mentioned, a substantial portion of retailers' savings from forward buying often are not passed on to consumers. Second, forward buying leads to increased distribution costs because wholesalers and retailers pay greater carrying charges by holding inventories of large quantities of forward-bought items. In fact, the average grocery product takes up to 12 weeks from the time a manufacturer ships it until it reaches retail store shelves. This delay obviously is not due to transit time, but rather reflects storage time in wholesalers' warehouses and retailers' distribution centers from stockpiling surplus quantities of forward-bought items. Third, manufacturers experience reduced margins due to the price discounts they offer and the increased costs they incur.

**Table 18.5** ▶ Illustration of Forward Buying and Diverting

1. In preparation for a huge promotional event in 2017 surrounding the Cinco de Mayo celebration of Mexican independence on May 5, Beauty Products Inc.—a hypothetical manufacturer of personal-care products—extends an *off-invoice offer* to grocery chains in the Los Angeles area. This promotion is a 15 percent off-invoice allowance on all orders placed for SynActive shampoo (a hypothetical brand) during the week beginning April 3, 2017, and extending through the week beginning April 24, 2017.
2. Assume that FB&D Supermarkets of Los Angeles (a hypothetical chain) orders 15,000 cases of SynActive—many more cases than it typically would sell in its own stores during any 4-week period. Beauty Products Inc. has offered the 15 percent off-invoice allowance to FB&D Supermarkets with the expectation that FB&D will reduce SynActive's retail price to consumers by as much as 15 percent during the week of Cinco de Mayo festivities.
3. FB&D sells at the discounted price only 3,000 of the 15,000 cases purchased. (The remaining cases include some that are forward bought and some that will be diverted.)
4. FB&D resells 5,000 cases of SynActive at a small profit margin to Opportunistic Food Brokers—a company that services grocery retailers throughout the West. (This is the practice of *diverting*.)
5. FB&D later sells the remaining 7,000 cases of SynActive to shoppers in its own stores but at the regular, full price. (These 7,000 cases represent *forward buys*.)

A notable case in point is the situation that confronted Campbell Soup Company with massive forward buying of its chicken noodle soup when that product was placed on trade deal. As much as 40 percent of its annual chicken noodle soup production was sold to wholesalers and retailers in just 6 weeks when this product was on deal. Because wholesalers and retailers forward-bought chicken noodle soup in large quantities, Campbell had to schedule extra work shifts and pay overtime to keep up with the accelerated production and shipping schedules. After years of falling prey to forward buying, Campbell implemented a *bill-and-hold program* whereby it invoices (bills) the retailer as soon as the retailer places a forward-bought order, but delays shipping (holds) the order until the retailer requests desired quantities. This program smoothed out Campbell's production and shipping schedules by allowing retailers to purchase large amounts at deal prices while delaying shipments until inventory was needed. The bill-and-hold program has not eliminated forward buying, but the negative consequences for Campbell Soup Company have been reduced.

### Diverting

**Diverting** occurs when a manufacturer restricts a deal to a *limited geographical area* rather than making it available nationally. As described in Table 18.5, a brand of shampoo named SynActive is available only in Los Angeles as part of the city's Cinco de Mayo festivities. The hypothetical manufacturer illustrated in Table 18.5 (Beauty Products Inc.) intends for only retailers in the Los Angeles area to benefit from the deal. However, retailers (such as FB&D Supermarkets in Table 18.5) engage in diverting by buying abnormally large quantities at the deal price and then selling off, at a small profit margin, the excess quantities through food brokers in *other higher-priced geographical areas*. (Those in finance would label diverting an application of *arbitrage* behavior.)

Retailers blame manufacturers for offering irresistible deals and argue that they must take advantage of the deals in any way legally possible to remain competitive with other retailers. Manufacturers could avoid the diverting problem by placing brands *on national deal only*. This solution is more ideal than practical, however, since regional marketing efforts are expanding, and local deals and regional marketing go hand in hand. Further complicating the problem is that products intended for foreign markets sometimes are diverted back into a domestic market.

There are other negative consequences of diverting. First, product quality potentially suffers due to delays in getting products from manufacturers to retail shelves. For example, Tropicana requires its chilled juices to be stored between 32 and 36 degrees. If unrefrigerated for a few hours because of careless diverting practices,

the product can go bad, and consumers may form negative impressions of the brand. A second and potentially more serious problem could result from product tampering. In the event of product tampering, it would be difficult, if not impossible, to identify exactly where a diverted brand may have been shipped.

### Don't Blame Retailers

The preceding discussion has perhaps made it seem that retailers are villains when engaging in the practices of forward buying and diverting. This would be an unfair representation of retail buyers, who are simply taking advantage of an opportunity that is provided by manufacturers offering attractive trade deals. One retail executive explains his company's forward buying and diverting in this fashion: "We are very aggressive when it comes to buying at the best price. We have to be. If we don't, somebody else will."<sup>48</sup>

## 18-6 Efforts to Rectify Trade Allowance Problems

Because trade allowances spawn inefficiencies, create billions of added dollars in distribution costs, are often economically unprofitable for manufacturers, and perhaps inflate prices to consumers, a variety of efforts have been undertaken to alter fundamentally the way business is conducted, especially in the grocery industry.<sup>49</sup> The following sections are devoted to four practices some manufacturers undertake to minimize the negative effects of offering trade allowances: category management, everyday low pricing, pay-for-performance programs, and account-specific marketing.

### 18-6a CATEGORY MANAGEMENT

Manufacturers produce different product lines of which individual brands in each line constitute a group or category. Likewise, retailers sell multiple brands that compete in each of many categories. For example, a grocery store has categories of detergents, breakfast cereals, organic foods, pain relievers, etc. Although manufacturers and retailers both work with categories, their interests are not necessarily equivalent. Whereas manufacturers usually are concerned with the profitability of their individual brands, retailers are more interested in the overall profitability of a product category. With growing retailer power (e.g., Walmart, Target, Whole Foods, Home Depot), manufacturers have been forced to be more concerned with the retailer's broader category.

In **category management**, a company focuses on the overall product category through a working relationship between the manufacturer and retailer to find ways that both parties can be more profitable.<sup>50</sup> This involves sharing

**Diverting** When a manufacturer restricts a deal to a limited geographical area rather than making it available nationally, which may result in retailers buying abnormally large quantities at the deal price and then selling off, at a small profit margin, the excess quantities through brokers in other higher-priced geographical areas.

**Category Management** When a company focuses on the overall product category through a working relationship between the manufacturer and retailer to find ways that both parties can be more profitable.

market intelligence (e.g., store loyalty data; digital media exchanges discussed in the *Marcom Insight*) and developing strategies that are mutually beneficial. Category managers from both the manufacturer and retailer sides of the business jointly plan and execute merchandising programs, promotion deals, digital media exchanges, and ad executions that are agreeable to both parties and improve performance for both.

Figure 18.2 presents five interrelated stages involved in the actual process of category management.<sup>51</sup> Although there are variations of these, and both manufacturers and retailers conduct these same activities, the following discussion is from the manufacturer's perspective:

1. *Reviewing the category:* Manufacturers usually conduct thorough quarterly and yearly analyses of product categories and their brands. Nielsen consumer panel data can be quite helpful in identifying category sales penetration rates, purchase amounts, and frequency by quarters, including comparisons with competition. By acquiring this type of data, manufacturers can identify future growth opportunities.
2. *Targeting consumers:* This stage requires the manufacturer to acquire an in-depth understanding of the typical consumer in the product category and any trends occurring in the industry. Demographic (e.g., age, income) and lifestyle characteristics might be matched with store loyalty club data (via firms such as Nielsen Catalina Solutions) to determine where, how often, and how much is purchased by these characteristics. Armed with such data, manufacturers can make intelligent decisions regarding brand potential and choices of ad media and promotions.
3. *Merchandise planning:* This stage involves developing a detailed strategy for the best mix of brands for each retail account within a particular category. Sophisticated software applications (e.g., like "Shelf Logic," <http://www.shelflogic.com>) enable manufacturers to assist retailers in developing product-stocking programs, called *plano-grams*, that designate specific product, brand, and SKU locations (i.e., a "shelf facing") that the store should provide in a given category to best appeal to consumers.
4. *Implementing the strategy:* Results from the first three stages provide the content for further interaction among manufacturer salespeople and retail buyers. Merchandising plans are the foundation of the sales team's recommendations to the retailer concerning the appropriate product mix, pricing, promotion, and shelf-space allocations. Of course, the retailers are doing this on their end as well!
5. *Evaluating results:* Effective implementation of category management programs requires that manufacturers answer the key question: Did the strategies proposed for the retail accounts achieve their intended objectives? If not, some adjustments might be in order, again based on the best available marketplace data.

Such joint efforts by manufacturers and retailers help reduce an overemphasis on trade deals that may be ineffective and/or inefficient in their overall impact on profitability for the entire category. Yet, realistically, it also can be challenging due to the influence of nearby in-store categories that might offer greater variety and change for consumers.<sup>52</sup>

#### 18-6b EVERYDAY LOW PRICING (EDLP)

Manufacturers lose billions of dollars every year to inefficient and ineffective trade deals stemming from the trade's practice of forward buying and diverting. It is for this reason that the powerful P&G, under the leadership of then-CEO Edwin Artzt, undertook a bold move several years ago to reduce the undesirable effects of retailers' forward buying and diverting. P&G introduced a new form of pricing called *everyday low pricing*, or EDLP, which the company also refers to as *value pricing*—signifying its desire to compete on the basis of providing product values and not mere price savings. Because some retailers also practice everyday low prices, we will distinguish between "back-door" EDLP manufacturers use from the "front-door" variety retailers practice.<sup>53</sup> Our interest is with the back-door variety of EDLP, which for clarity's sake we label EDLP(M) to stand for manufacturers' use of EDLP.

EDLP(M) is a form of pricing whereby a manufacturer charges the same price for a particular brand day in and day out. In other words, rather than charging high-low

**Figure 18.2** ▶ "The Five Stages of Category Management"



prices—that is, regular, or “high,” prices for a period followed by off-invoice, or “low,” prices for a shorter period—EDLP(M) involves charging the same price over an extended period. Because no off-invoice allowances are offered the trade under this pricing strategy, wholesalers and retailers have no reason to forward buy or divert. Thus, their profit is made from selling merchandise rather than from buying it.

### How Has P&G Fared?

Researchers examined the effects of P&G’s value pricing initiative over the first 6 years of its implementation.<sup>54</sup> The analysis encompassed a total of 24 product categories and 118 brands in these categories. From the year prior to P&G’s implementation of EDLP through the first 6 years of the practice, P&G’s advertising expenditures and net prices both increased by approximately 20 percent. During this same period, its expenditures on trade deals decreased by nearly 16 percent, and coupon spending was reduced by about 54 percent.

What was the effect of these changes? P&G lost about 18 percent market share on average across the 24 product categories analyzed. Value pricing clearly was a disaster for P&G, right? In actuality it was not. Although P&G suffered a significant decline in market share (due largely to competitors’ retaliatory increases in promotional deals while P&G was cutting its own dealing activity), at the same time its overall profits increased by virtue of cutting trade deals and coupon activity and increasing net prices.<sup>55</sup> This pattern of reduced sales and market shares, yet higher profits, also occurred for P&G’s value pricing program in Europe.<sup>56</sup> It could be argued that it is unwise ever to relinquish market share; however, in the final analysis, giving up market share can be justified if the share that remains generates greater profitability than what was obtained with a larger but less profitable share. Over the long haul, the bottom line (profits) is a more telling indicator of firm success than is the top line (sales).

Of course, not all products are a good fit for a *national* value pricing plan, as there can be tremendous variation in price competition and demand from one region to the next and from brand to brand. For example, Target recently announced it wants to do less with General Mills’ Cinnamon Toast Crunch and Kellogg’s Corn Flakes and more with granola and yogurt products.<sup>57</sup> This means less-popular brands may not be featured in Target circulars, and may receive more competition from store brands—requiring greater manufacturer trade promotion to compete. As another example, P&G has created cheaper versions of products (e.g., Tide Naturals) in developing and lower-priced markets (e.g., India, China).<sup>58</sup> The moral of this is that there is quite a bit of variation in sales and ROI between brands and store locations, making a “one size fits all” national EDLP plan challenging.<sup>59</sup>

### What Have Other Manufacturers Done?

Manufacturers less powerful than P&G have found it difficult to convert to a pure system of everyday low pricing. Even P&G has experienced resistance and has deviated from pure EDLP pricing with some brands such as laundry detergents. Three major reasons account for why many retailers resist manufacturers’ EDLP initiatives. First, those retailers that established distribution infrastructures necessary to practice forward buying have resisted EDLP(M).<sup>60</sup> Second, there is some evidence that EDLP(M) benefits the manufacturers that price their products in this fashion more than it does the retailers that pay EDLP(M) rather than high-low prices. Finally, it also has been argued that EDLP(M) takes some of the excitement out of retailing. With EDLP(M), the retailer charges the same price to consumers day after day. Comparatively, with high-low pricing, there are periods when retailers can advertise attractive price savings, which breaks the monotony of never varying the retail price. Although in the long term the consumer realizes no savings from high-low pricing, in the short term it may be exciting to receive an appealing discount.

### 18-6c PAY-FOR-PERFORMANCE PROGRAMS

As noted earlier, many trade promotions, especially in the grocery industry, are unprofitable for manufacturers because they merely shift future buying to the present when the trade engages in forward buying and diverting. Manufacturers, accordingly, have a strong incentive to devise an alternative system to the traditional off-invoice allowance. One such system is so-called **pay-for-performance programs**.

#### Pay-for-performance programs

Rewards to retailers for selling the manufacturer’s brand supported with a trade allowance rather than merely buying the brand at an off-invoice price. One form is called a scanner-verified trade promotion or a scan-down.

Consider the case of Nestlé and why that company shifted trade spending in this direction. Nestlé marketing officials were fed up with blowing trade dollars that served little useful purpose. Accordingly, new contracts with retailers were drawn up and emphasized the minimum duties retailers would have to perform to receive Nestlé’s trade dollars, duties such as reducing retail prices

for a specified period of time, featuring Nestlé’s brands in retailers’ circulars, and providing special displays. Retailers failing to meet Nestlé’s contractual requirements became ineligible to receive promotional funds, or, at the extreme, Nestlé simply withdrew its brands from non-complying retailers’ stores.

### Rewarding Selling Rather Than Buying

As the name suggests, pay-for-performance is a form of trade allowance that rewards retailers for performing the primary function that justifies a manufacturer’s offering a trade allowance—namely, selling increased quantities of the manufacturer’s brand to consumers. Pay-for-performance programs are designed to *reward retailers for selling the manufacturer’s*

brand supported with a trade allowance rather than for merely buying the brand at an off-invoice price.

One form of pay-for-performance programs is called *scanner-verified trade promotions* or *scan downs*. (There are other pay-for-performance programs, such as those tied to loyalty marketing data.<sup>61</sup>) The “scan down” name is based on the idea that retail sales volume for a trade-supported brand is recorded via optical scanning devices at the point of sale. Scan downs entail three key facets:<sup>62</sup>

1. A manufacturer agrees with a retailer on a period during which the retailer receives an allowance for all quantities of a promoted brand that are sold to consumers at the designated deal price (e.g., an item that regularly sells to consumers at \$1.99 per unit is to be reduced to \$1.79).
2. The retailer’s own scanning data verify the exact amount of the promoted brand that has been sold during this period at the deal price (e.g., 5,680 units at \$1.79 each).
3. The manufacturer pays the retailer quickly, say within 5 days, at the designated allowance for the quantity sold. The manufacturer then reimburses the retailer for the reduced margin in selling a certain number of units (e.g., 5,680 units at a reduced margin of \$0.20, or \$1,136) and compensates the retailer for the amount of the trade allowance (e.g., 5,680 units at \$0.05 each, or \$284.00; thus, the manufacturer would mail a check to the retailer totaling \$1,420).

### A Win-Win-Win Situation

Scanner-verified programs provide an incentive to the retailer only for the items sold at discount to consumers during the agreed-on time period. Thus, unlike off-invoice allowances, manufacturers using scan downs do not pay for allowances where no benefit is received. Rather, manufacturers compensate retailers only for those items that are sold to consumers at discounted prices. Hence, this form of pay-for-performance program benefits all parties: consumers, retailers, and manufacturers. Consumers win by receiving reduced prices; retailers win by obtaining allowances for moving increased quantities of manufacturers’ promoted brands; and manufacturers win by increasing sales of their brands, if only temporarily. By comparison,



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when using off-invoice allowances, manufacturers have no assurance that the off-invoice allowances given to retailers will be passed on to consumers.

The technological infrastructure has long been available in the United States (as well in most other economically developed countries) to support this form of trade promotion, and well-known companies such as Nielsen, VDC, and IRi make it possible by serving, for a fee, as scanning agents. Scanning agents profit from performing the following functions: (1) collecting scanner data from retailers, (2) verifying the amount of product movement that meets the manufacturer’s promotional requirements and warrants compensation, (3) paying the retailer, and (4) collecting funds from the manufacturer along with a commission for services rendered. With mobile phone apps, such scanning options will only increase for consumers, retailers, and manufacturers.

### 18-6d CUSTOMIZING PROMOTIONS: ACCOUNT-SPECIFIC MARKETING

**Account-specific marketing**, also called *co-marketing*, is a descriptive term that characterizes promotional and advertising activity that a manufacturer *customizes* to specific retail accounts. With off-invoice programs, a manufacturer’s promotion dollars are anything but customized to the needs of specific retail accounts—they are offered to *all* customers. In contrast, account-specific marketing directs promotion dollars to specific retail customers and develops in concert with the retailer advertising and promotion programs that simultaneously serve the manufacturer’s brand, the retailer’s volume and profit requirements, and the consumer’s

**Account-specific marketing** A descriptive term that characterizes promotional and advertising activity that a manufacturer *customizes* to specific retail accounts. Also called *co-marketing*.



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needs. Local radio tie-in advertising and loyalty programs using retailers' shopper databases are especially popular account-specific practices.

### Some Examples

When introducing its expensive Photosmart photography system—a photo-scanning-and-printing system for home computers—Hewlett-Packard (HP) developed co-marketing arrangements with a small number of retailers. HP selected prime consumer prospects in each retailer's trade area and mailed invitations that appeared to be from the retailer, not HP. Prospective purchasers were invited to see an in-store demonstration and receive a chance to win a free Photosmart system.

An illustration from the CPG category is Hormel Foods' account-specific effort with the SPAM® Family of Products (the canned-meat product). To boost sales and to lure new consumers to the brand, Hormel Foods introduced the “SPAM Stuff” continuity program. Following in the footsteps of Kool-Aid and Pepsi, both of which had previously launched “stuff” programs, Hormel Foods offered consumers points toward the acquisition of free items (such as beanbag characters, boxer shorts, mouse pads, mugs, and T-shirts) with each purchase of SPAM products. In addition to offering “freebies” to encourage consumers to try SPAM products, Hormel Foods developed some account-specific programs to draw the trade's attention to the brand. Retailers were given SPAM advertising materials for their advertising flyers. They also received local advertising support for promoting SPAM on the radio and in newspapers. To further excite retailer participation, Hormel Foods offered one supermarket per region with a “SPAM Day” promotion for the best in-store display. Winning stores received “SPAM-wear” for employees and

**Cooperative (co-op) advertising** is an arrangement between a manufacturer and retailer (or distributor) whereby the manufacturer pays for all or some of the advertising costs undertaken by the reseller on behalf of the manufacturer's products.

the practice eventually spread to companies that manufacture and market soft goods (e.g., apparel items) and durable items such as the HP Photosmart system. Because account-specific marketing requires a lot of effort in both development and implementation and is costly, interest among packaged goods companies already has peaked.<sup>63</sup> However, because powerful retailers benefit from well-designed account-specific programs, co-marketing is here to stay.

### What Does the Future Hold?

Account-specific marketing is a relatively recent innovation. First introduced by marketers in the packaged goods field,

## 18-6e OTHER FORMS OF TRADE PROMOTIONS

### Cooperative Advertising and Vendor-Support Programs

Another form of trade promotion occurs when manufacturers of branded goods pay for part of the expense that retailers incur when advertising manufacturers' brands. Both cooperative advertising and vendor support programs support this relationship. However, a fundamental distinction between the two is that manufacturers initiate cooperative advertising, whereas retailers initiate vendor support programs.

**Cooperative (co-op) advertising** is an arrangement between a manufacturer and retailer (or distributor), and initiated by the manufacturer, whereby the manufacturer pays for all or some of the advertising costs undertaken by the reseller on behalf of the manufacturer's products.<sup>64</sup> The following five elements are common to all cooperative advertising agreements:

1. *Specified time period.* Co-op funds typically apply to a specified time period (e.g., a year). As a hypothetical example, General Mills might offer a CVS drug store a co-op program running from January 1 through December 31st.

2. *Accrual account.*

The retailer (e.g., CVS) receives from the manufacturer (e.g., General Mills) an advertising fund, called an accrual account, against which the advertising costs are charged.

3. *Payment share.*

The payment share (also known as the participation rate) is the amount that the manufacturer reimburses the retailer for advertising. Manufacturers generally agree to pay a set percentage

ranging from 25 to 100 percent of the cost for each ad placed by the retailer. For example, if CVS places a \$1,000 weekly circular ad featuring General Mills' cereals, and the payment share is 50 percent, then General Mills would pay CVS \$500 from the accrual account set up for that CVS store.

4. *Performance guidelines.* These are the manufacturer requirements that the retailer must satisfy to qualify for advertising reimbursement. Such requirements typically involve suitable media, size and type of logos, the use of trademarks, copy and art directions, competing brands, and product content.

5. *Billing for reimbursement.* This details how the retailer is to be reimbursed. In our example, to receive reimbursement from General Mills, CVS (as the retailer) must present a copy of the invoice from the media in which the ad was placed, as well as evidence of the actual ad copy (called a "tearsheet") or direct link to the ad if online.

There are several reasons why cooperative advertising is used.<sup>65</sup> First, consumers of infrequently purchased products (appliances, apparel, furniture, etc.) are more responsive to retailer ads, especially before a major purchase. Second, cooperative advertising stimulates greater retailer buying (from the manufacturer) and merchandising support. A third advantage of co-op advertising is that it allows manufacturers to have access to local media usually at rates lower than if the manufacturer advertised directly rather than through retailers. Unfortunately, many retailers never spend the



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cooperative advertising dollars they have accumulated. Estimates are close to \$50 billion available in the total accrual pool, yet fewer than half of retailers eligible are spending these accruals, and less than one-third of the total amount is spent.<sup>66</sup>

In contrast to cooperative advertising, **vendor-support programs** are *initiated by retailers*. A retailer, such as a supermarket chain, develops an advertising program in consultation with local advertising media and then invites its vendors (i.e., manufacturers) to pay for a certain percentage of the media cost for the campaign. Vendor support programs are most likely used when the retailer's power is greater than that of the manufacturers that compete against one another for the retailer's limited shelf space. Such power differentials can be found with big-box retailers (e.g., Walmart, Target, Home Depot) working with much smaller vendors.

### Trade Contests and Incentives

Contests and incentive programs are developed by manufacturers to encourage better performance from retailers and their salespeople. A **trade contest** typically is directed at store-level or departmental managers and generally is based on managers meeting a sales goal established by the manufacturer. For example, perhaps General Mills would run a contest for store managers in a region to win a big-screen digital TV in order to increase overall quarterly sales of General Mills' products in their stores. Whereas trade contests are usually related to achieving overall sales goals, **trade incentives** are given to retail managers and salespeople for performing certain tasks,

**Vendor-support** These programs are initiated by retailers. A retailer, such as a supermarket chain, develops an advertising program in consultation with local advertising media and then invites its vendors (i.e., manufacturers) to pay for a certain percentage of the media cost for the campaign.

**Trade contest** A contest typically directed at store-level or departmental managers that is based on the managers meeting a sales goal established by the manufacturer.

**Trade incentives** Incentives given to retail managers and sales people for performing certain tasks.



**Table 18.6** ▶ Nine Empirical Generalizations about Promotions

1. Temporary retail price reductions substantially increase sales—but only in the short term.
2. The greater the frequency of deals, the lower the height of the deal spike.
3. The frequency of deals changes the consumer's reference price.
4. Retailers pass through less than 100 percent of trade deals.
5. Higher-market-share brands are less deal elastic.
6. Advertised promotions can result in increased store traffic.
7. Feature advertising and displays operate synergistically to influence sales of discounted brands.
8. Promotions in one product category affect sales of brands in complementary and competitive categories.
9. The effects of promoting higher- and lower-quality brands are asymmetric.

Source: Adapted from Robert C. Blattberg, Richard Briesch, and Edward J. Fox, "How Promotions Work," *Marketing Science* 14, no. 3 (1995): G122–G132.

For example, this might include setting up a special merchandising display in a store associated with a manufacturer's sweepstakes or contest aimed at consumers. Finally, a practice called "**push money**," occurs when manufacturers provide financial incentives directly to retail salespeople to aggressively sell to consumers a select item in the manufacturer's product line. This is sometimes used by manufacturers in retail clothing stores.

### Trade Shows

A **trade show** is a temporary forum (typically lasting several days) for sellers in a product category (e.g., consumer electronics, autos, small appliances, toys, clothing, furniture, food products, sporting goods, industrial tools) to exhibit and demonstrate their goods and services to present and prospective buyers. Although the trade show is not a direct form of trade promotion, it is important to discuss this as it can provide an extremely effective way for assisting customers to learn about and try new products. One of the largest trade shows is the Consumer Electronics Show (CES) in Las Vegas featuring more than 300 exhibit sessions, with more than 160,000 attendees from 150 countries.

Worldwide, there are over 24,500 trade shows each year, contributing to over \$100 billion in revenue.<sup>67</sup> The average cost of making a first face-to-face contact with a potential customer in trade shows or exhibitions is estimated to be \$96 compared to \$1,039 without.<sup>68</sup> There are many functions that trade shows provide: (1) servicing present customers, (2) identifying prospects, (3) introducing new or modified products, (4) gathering information about competitors' new products, (5) taking product orders, and (6) enhancing the company's image.<sup>69</sup>

**Push Money** When manufacturers provide financial incentives directly to the retail salespeople to aggressively sell to consumers a select item in the manufacturer's product line

**trade show** A temporary forum for sellers in a product category to exhibit and demonstrate their goods and services to present and prospective buyers.

## 18-7 Generalizations about Promotions

The foregoing discussion has referred to research evidence regarding how promotions work and the objectives accomplished. Researchers—especially during the past two decades—have vigorously studied the functioning and effectiveness of sales promotions. These empirical efforts have enabled researchers to draw some tentative conclusions. These conclusions, more formally termed *empirical generalizations*, represent consistent evidence regarding different facets of promotion performance. Nine empirical generalizations are noteworthy (see Table 18.6).<sup>70</sup>

### 18-7a GENERALIZATION 1: TEMPORARY RETAIL PRICE REDUCTIONS SUBSTANTIALLY INCREASE SALES—BUT ONLY IN THE SHORT TERM

The evidence is clear that temporary retail price reductions generally result in substantial increases in short-term sales. These short-term sales increases are termed *sales spikes*. These spikes generally occur, however, at the expense of some reduction in consumer purchases of the promoted brand either preceding or following the promotional period.<sup>71</sup> Moreover, the effects of retail price promotions are *short lived*. For example, one study examined price promotions for various brands in the soup and yogurt categories—the former representing a storable product and the latter a perishable—and found that the effect these promotions had on consumers' purchase likelihood, brand choice, and purchase quantity lasted only a

matter of several weeks and did not alter consumers' long-term purchase behavior.<sup>72</sup>

**18-7b GENERALIZATION 2: THE GREATER THE FREQUENCY OF DEALS, THE LOWER THE HEIGHT OF THE DEAL SPIKE**

When manufacturers and retailers offer frequent deals, consumers learn to anticipate the likelihood of future deals, and thus their responsiveness to any particular deal is diminished. Infrequent deals generate greater spikes, whereas frequent deals generate less dramatic sales increases. The psychology underlying this generalization is straightforward: When deals are frequently offered, the consumer's *internal reference price* (i.e., the price the consumer expects to pay for a particular brand) is lowered, thus making the deal price less attractive and generating less responsiveness than would be the case if the deal were offered less frequently.

**18-7c GENERALIZATION 3: THE FREQUENCY OF DEALS CHANGES THE CONSUMER'S REFERENCE PRICE**

A corollary to the preceding generalization is that frequent deals tend to reduce consumers' price expectation, or reference price, for the deal-offering brand. This lowering of a brand's reference price has the undesirable consequence of lowering the brand's equity and thus the seller's ability to charge premium prices. Taken together, Generalizations 2 and 3 indicate that excessive dealing has the undesirable effects of both reducing a brand's reference price and diminishing consumer responsiveness to any particular deal.

**18-7d GENERALIZATION 4: RETAILERS PASS THROUGH LESS THAN 100 PERCENT OF TRADE DEALS**

As previously described, manufacturers' trade deals, which typically are offered to retailers in the form of off-invoice discounts, are not always passed on to consumers. Although a manufacturer offers, say, a 15 percent off-invoice allowance, perhaps only 50 percent of retailers (or even fewer) will extend this allowance to consumers as lower retail prices. There is no legal obligation for retailers to pass through trade discounts. Retailers choose to pass along discounts only if their profit estimates lead them to the conclusion that greater profits can be earned from passing discounts to consumers rather than from directly "pocketing" the discounts. It is for this reason that manufacturers increasingly are implementing *pay-for-performance programs* that require retailers to perform specific services (e.g., provide special display space for a deal-offering brand) in order to receive discounts.

**18-7e GENERALIZATION 5: HIGHER-MARKET-SHARE BRANDS ARE LESS DEAL ELASTIC**

Suppose that a brand's price is reduced at retail by 20 percent and that sales volume increases by 30 percent. This would represent an *elasticity coefficient* of 1.5 (i.e.,  $30 \div 20$ ), a value indicating that the increase in the quantity demanded is proportionately one and one-half times greater than the reduction in price. Generalization 5 suggests that for brands holding larger market shares, the deal elasticity coefficient generally is *smaller* than for smaller-share brands. The reason is straightforward: Smaller-share brands have proportionately more customers to gain when they are placed on deal, whereas larger-share brands have fewer remaining customers. As a result, larger-share brands when placed on deal gain "less bang for the promotional buck" compared with smaller-share brands.

**18-7f GENERALIZATION 6: ADVERTISED PROMOTIONS CAN RESULT IN INCREASED STORE TRAFFIC**

Research suggests that store traffic generally benefits from brand-dealing activity. When exposed to a retailer's advertising featuring brands on deal, some consumers will switch stores, if only temporarily, to take advantage of attractive deals from stores other than those in which they most regularly shop. This is enabled with mobile phone shopping apps as well.

Retailers refer to this temporary store-switching behavior as consumer "cherry picking," an apt metaphor. Interestingly, research has demonstrated that cherry-picking shopping behavior increases with increases in family size, when the head of household is a senior citizen, when a family does not have a working woman in the household, and with decreases in family income. All of these variables suggest that cherry-picking is greater when the *opportunity cost* of visiting multiple stores is reduced—for example, it is less costly in terms of time expenditure for a retired senior citizen to visit multiple stores to avail him- or herself of price discounts than it is for a younger, employed person.<sup>73</sup> This same research further revealed that cherry pickers save on average approximately 5 percent per item across all purchases. However, even with mobile phone shopping aids, net savings from cherry picking may decline as one must burn gas traveling from store to store to obtain deals.

**18-7g GENERALIZATION 7: FEATURE ADVERTISING AND DISPLAYS OPERATE SYNERGISTICALLY TO INFLUENCE SALES OF DISCOUNTED BRANDS**

When brands are placed on price deal, sales generally increase (see Generalization 1). When brands are placed on price deal and are advertised in the retailers' advertised features, sales

increase even more (see Generalization 6). When brands are placed on price deal, are feature advertised, and receive special display attention, sales increase substantially more. In other words, the combined effects of advertising and display positively interact to boost a dealt brand's retail sales.

**18-7h GENERALIZATION 8: PROMOTIONS IN ONE PRODUCT CATEGORY AFFECT SALES OF BRANDS IN COMPLEMENTARY AND COMPETITIVE CATEGORIES**

An interesting thing often happens when a brand in a particular product category is promoted—namely, sales for brands in complementary and competitive categories are affected. For example, when Tostitos tortilla chips are promoted, sales of complementary salsa brands likely increase. Conversely, sales of brands in the competitive potato chip

category could be expected to decrease as consumers' tortilla-chip purchases temporarily reduce their purchases of potato chips.

**18-7i GENERALIZATION 9: THE EFFECTS OF PROMOTING HIGHER- AND LOWER-QUALITY BRANDS ARE ASYMMETRIC**

When a *higher*-quality brand is promoted, say, via a substantial price reduction, there is a tendency for that brand to attract switchers and thus steal sales from lower-quality brands.<sup>74</sup> However, a *lower*-quality brand on promotion is proportionately less likely to attract switchers from higher-quality brands. That is, switching behavior is *asymmetric*—the proportion of switchers drifting from low- to high-quality brands, when the latter is on deal, is higher than the proportion moving in the other direction when a low-quality brand is on deal.<sup>75</sup>

# Summary

Sales promotion was introduced in this first of three chapters devoted to the topic. The precise nature of sales promotion was described. Promotion was explained as having three targets: the trade (wholesalers, distributors, and retailers), consumers, or a company's own sales force. The chapter proceeded to discuss the reasons for a significant trend toward increased investment in promotions vis-à-vis advertising. This shift is part of the movement from pull- to push-oriented marketing (and representing mostly trade promotion), particularly in the case of consumer package goods companies (CPGs). Underlying factors include a balance-of-power transfer from manufacturers to retailers, increased brand parity and growing price sensitivity, reduced brand loyalty, splintering of the mass market and reduced media effectiveness, a growing short-term orientation, and favorable consumer responsiveness to sales promotions.

The chapter also detailed the specific tasks that promotions can and cannot accomplish. For example, promotions cannot give the trade or consumers compelling long-term reasons to purchase. However, promotions are ideally suited for generating trial-purchase behavior, facilitating the introduction of new products, gaining shelf space for a brand, encouraging repeat purchasing, and performing a variety of other tasks.

Following this general introduction, the chapter presented the topic of trade-oriented sales promotions and described its various forms. Trade-oriented promotions represent on average over 50 percent of CPG companies' promotional budgets. These programs perform a variety of objectives. Trade allowances, or trade deals, are offered to retailers for performing activities that support the manufacturer's brand. Manufacturers find allowance promotions attractive for several reasons: they are easy to implement, can successfully stimulate initial distribution, are well accepted by the trade, and can increase trade purchases during the allowance period. However, two major disadvantages of trade allowances, especially of the off-invoice variety, are that retailers often do not pass

them along to consumers and they may induce the trade to stockpile a product in order to take advantage of the temporary price reduction. This merely shifts business from the future to the present. Two prevalent practices in current business are forward buying and diverting. Another form of trade deal, called a slotting allowance, applies to new-product introductions. Manufacturers of grocery products typically are required to pay retailers a slotting fee for the right to have their product carried by the retailer. Exit fees, or deslotting charges, are assessed to manufacturers whose products do not achieve prearranged levels of sales volume.

To reduce forward buying and diverting, some manufacturers have focused on a review of the entire category (i.e., category management) or have revised their method of pricing products. On this latter point, P&G had introduced what it calls value pricing, or what others refer to as everyday low pricing by a manufacturer, or EDLP(M). This method of pricing can help eliminate the historical practice of periodically offering attractive trade deals and instead charges the same low national price at all times. Another major development in the grocery industry that is aimed at curtailing forward buying and diverting is the implementation of pay-for-performance programs, which also are called scanner-verified systems, or scan downs. With this method of trade allowance, retailers are compensated for the amount of a manufacturer's brand that they sell to consumers, rather than according to how much they purchase from the manufacturer (as is the case with off-invoice allowances). Finally, account-specific marketing (also known as co-marketing) is another method suggested to help with trade allowance problems.

The chapter then discussed other forms of trade allowances, such as cooperative advertising, vendor support programs, trade contests and incentives, and trade shows that may serve as viable options for manufacturers working with trade partners. The chapter concluded with a set of generalizations about trade promotion effectiveness based on research in the marketing discipline.

# Discussion Questions

1. The term *promotional inducement* has been suggested as an alternative to the term *sales promotion*. Explain why this term might be more descriptive than the established one.
2. Describe the factors that have accounted for sales promotion's rapid growth. Do you expect a continued increase in the use of promotion throughout the following decade?
3. Why, in your opinion, is offering sales promotions online to consumers a good idea? Are there any special challenges with this? Any creative ideas? How has social media helped provide sales promotions to consumers?
4. Explain in your own words the meaning of push-versus pull-oriented promotional strategies. Using an illustration of a well-known supermarket brand of your choice, explain which elements of this brand's marcom mix embody push and which embody pull.
5. Assume you are the chief marketing officer (CMO) of a large, well-known CPG company (e.g., P&G, Unilever, or Johnson & Johnson). What steps might you take to restore a balance of power favoring your company in its relations with retailers?
6. Are promotions able to reverse a brand's temporary sales decline or a permanent sales decline? Be specific.
7. How can a manufacturer's use of trade- and consumer-oriented promotions generate enthusiasm and stimulate improved performance from the sales force?
8. Generalization 5 in the chapter claimed that higher-market-share brands are less deal elastic. Construct a realistic example to illustrate your understanding of this empirical generalization.
9. Generalization 8 asserted that promotions in one product category affect sales of brands in complementary and competitive categories. Tostitos tortilla chips were used as an example of this generalization. Provide examples of two additional brands and the complementary and competitive product categories that likely would be affected by promotions for your two illustrative brands.
10. Assume you are the marketing manager of a company that manufactures a line of paper products (tissues, napkins, etc.). Your current market share is 7 percent, and you are considering offering retailers an attractive bill-back allowance for giving your brand special display space. Comment on this promotion's chances for success.
11. In your own words, explain the practices and problems of forward buying and diverting. Also, describe the advantages and disadvantages of bill-and-hold programs.
12. Assume you are a buyer for a large supermarket chain and that you have been asked to speak to a group of marketing students at a nearby university. During the question-and-answer session following your comments, a student makes the following statement: "My sister works for a grocery product manufacturer, and she says that slotting allowances are nothing more than a form of bribery!" How would you defend your company's practice to this student?
13. Explain why selling private brands often enables large retail chains to pocket trade deals instead of passing their reduced costs along to consumers in the form of lower product prices.
14. In your own words, explain why EDLP(M) pricing diminishes forward buying and diverting. Can EDLP(M) be challenging to implement?
15. From your perspective, discuss how pay-for-performance programs, or scan downs, would, if widely implemented, virtually eliminate forward buying and diverting.
16. It is estimated that at least one-third of the billions of co-op advertising dollars offered by manufacturers to retailers go unspent. Why? What could a manufacturer do to encourage a greater number of retailers to spend co-op dollars? Would programs such as the retailer digital media exchanges explained in the *Marcom Insight* help?
17. If you were to design a trade show booth, what would it look like? What objectives would you have for the trade show?

# Consumer Sales Promotion: Sampling and Couponing

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Appreciate the objectives and classification of consumer-oriented sales promotions.
- 2 Recognize that many forms of promotions perform different objectives for marketers.
- 3 Know the role of sampling, the forms of sampling, and the trends in sampling practice.
- 4 Be aware of the role of couponing, the types of coupons, and the developments in couponing practice.
- 5 Understand the coupon redemption process and misredemption.
- 6 Appreciate the role of promotion agencies.

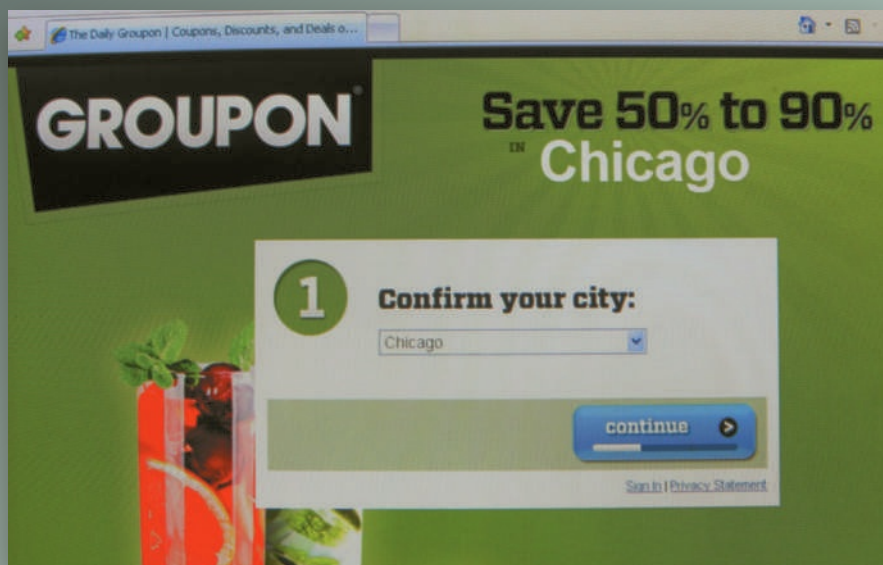
## Marcom Insight

### Groupon: Is the “New” Model for Couponing Still Working?

This past year, consumers received 321 billion coupons, primarily through freestanding-inserts (FSIs) in Sunday newspapers, in-store handouts,

direct mail, magazines, and in- or on-pack delivery. Given that just over 89 percent of all coupons distributed are FSIs with an average redemption rate close to 0.5 percent, it is no wonder that only 2.5 billion (about 0.8%) of all coupons are redeemed.

To counter this apathy and inefficiency with coupons, and to appeal to more tech-savvy consumers, Groupon (derived from “group coupon”) was launched in November 2008 in Chicago. Groupon was the first “deal-of-the-day” website (<http://www.groupon.com>), offering discounted gift certificates from local or national companies. Currently, Groupon serves 500 local markets



Scott Olson/Getty Images

in 48 countries, such as the United States, Canada, Mexico, most of Europe, South America, and Southeast Asia (including India and China through partners). Groupon's major U.S. competitor is Living Social, with Google and Facebook considering, but not yet launching, competing services.

Groupon's marketing strategy is that it offers one "Groupon" per day in each of its local markets. When a certain number of consumers sign up for the offer (the "tipping point"), it becomes available to all. If this predetermined number is not reached, the deal is not offered to anyone. Groupon keeps approximately 50 percent of the money the customer pays for the coupon. For example, a \$100 dinner at a fine restaurant could be purchased by the consumer for \$50 through Groupon. Then, Groupon and the restaurant would split the \$50, with the restaurant receiving \$25 from Groupon.

With Groupon, retailers are not required to pay upfront costs. In order to find the right retailer at the local level, Groupon relies on its sales staff to thoroughly research each city. They also find businesses with outstanding online reviews and use social media sites (e.g., Facebook) to further promote services. Customers who sign up for Groupon receive a daily e-mail to see if they are interested in a product or service offer, many of which focus on health, fitness, and beauty. In 2010, the company was expected to make \$1 billion in sales—faster than any company ever. Due to its success, Groupon launched an initial public offering (IPO) in November 2011.

Sounds like a great business idea—right? (You may be saying to yourself, "Why didn't I think of that!") Yet, nothing is that simple with marketing strategy, especially in the volatile area of e-commerce. After revenue doubled to over \$500 million in the fourth quarter of 2011, Groupon posted a \$37 million loss in the first quarter of 2012. Problems emerged after their financial executives failed to set aside enough money for customer refunds. (Any unredeemed daily deal can be returned within the first 7 days after purchase for a refund.) Groupon had more customers seeking refunds than

expected due to a greater number of higher priced deals offered. Moreover, critics have challenged Groupon's basic strategy on at least three points: (1) successful deals might swamp a small business with too many customers, (2) the deals merely attract one-time bargain hunters, and (3) an estimated seven of eight deals suggested by merchants are rejected. Of course, Groupon is working to overcome these criticisms as their sales staff continues to provide the best match of a deal between customers and retailers.

Recently, Groupon feels its worst days are behind it, having beat revenue predictions with \$765 million for the second quarter of 2016. Although it had a loss for this quarter, the company added 1.1 million users, streamlined its business, and began running its first nationwide ad campaign since 2011—all signs of a more optimistic future.

Sources: Devora Rogers, "Promotion Industry Trends: A Year in Review," *2016 Inmar Analytics Forum*, <http://go.inmar.com/rs/134-NXN-082/images/Inmar-Promotion-Industry-Trends-A-Year-In-Review.pdf> (accessed October 8, 2016); Bari Weiss, "Groupon's \$6 Billion Gambler," *Wall Street Journal*, December 20, 2010, [http://online.wsj.com/article\\_email/SB10001424052748704828104576021481410635432-1My-QjAxMTAwMDEwODExNDgyWj.html](http://online.wsj.com/article_email/SB10001424052748704828104576021481410635432-1My-QjAxMTAwMDEwODExNDgyWj.html); Geoff Williams, "Groupon's Andrew Mason: The Unlikely Dealmaker," *Small Business* (blog), August 9, 2010, <http://smallbusiness.aol.com/2010/08/09/groupons-andrew-mason-the-unlikely-dealmaker/1#c29811638>; Jamie Dunham, "Marketing to Women: Groupon or Groupoff? 10 Facts You Need To Know," *The Lipstick Economy* (blog), October 8, 2010, <http://jamiedunham.wordpress.com/2010/10/08/marketing-to-women-groupon-or-groupoff-10-facts-you-need-to-know/>; Shayndi Rice, "Growing Pains at Groupon," *Wall Street Journal*, February 9, 2012, B1; Shayndi Rice and John Letzing, "Groupon Reveals Weak Controls," *Wall Street Journal*, March 31–April 1, 2012, A1, A6; Doris Hajewski, "Eateries Aren't Always Groupon Groupies," *Milwaukee Journal Interactive*, April 3, 2011, <http://www.jsonline.com/business/119159609.html>; Garrett Sloane, "Groupon Hurt by Lack of Repeat Biz," *New York Post*, January 3, 2012, [http://www.nypost.com/p/news/business/daily\\_deal\\_downer\\_BD1cnhAMIIINGF8bU6qOeP](http://www.nypost.com/p/news/business/daily_deal_downer_BD1cnhAMIIINGF8bU6qOeP); Groupon (accessed April 16, 2012), <http://www.groupon.com/cities>; Aminah Elahi, "Groupon Stock Jumps 25 Percent on Earnings News," *Chicago Tribune*, July 27, 2016, <http://www.chicagotribune.com/bluesky/originals/ct-groupon-q2-earnings-bsi-20160727-story.html> (accessed October 8, 2016).

## 19-1 Introduction

Building on Chapter 18, which introduced the general topic of sales promotions and then focused on trade-oriented promotions, this chapter exclusively covers consumer-oriented promotions. The practices of sampling and couponing receive primary attention in this chapter; the subsequent chapter then explores additional forms of consumer-oriented promotions.

Before proceeding, it is appropriate to reiterate some advice that was provided in Chapter 1 with the following mantra:

All marketing communications should be  
 (1) directed to a particular *target market*, (2) clearly *positioned*, (3) created to achieve a *specific objective*, and (4) undertaken to accomplish the objective *within budget constraints*.

Thus, in the context of consumer promotions, target marketing and brand positioning continue to be the starting points for all decisions. With precise target and clear positioning, brand managers are prepared to specify the objective a particular promotion program is designed to accomplish. Managers also must work to ensure that promotion spending does not exceed their brands' budget limitations.

### 19-1a WHY USE CONSUMER PROMOTIONS?

In almost every product category, whether durable products or consumer packaged goods (CPGs), several brands are available to wholesalers and retailers (the trade) to choose among and for consumers ultimately to select or reject for personal or family consumption. As a brand

manager, your objective is to get your brand adequately placed in as many of the right retail outlets as possible and to ensure that the brand moves off the shelves with frequency that is sufficient to keep retailers satisfied with its performance and to achieve your own profit objectives. This requires you to first have consumers try your brand and then, hopefully, become regular purchasers.

Unfortunately, your competitors have identical goals regarding the trade, activating consumer trial purchases, and achieving purchase regularity from the same consumers you also covet. Their gain is your loss. It is a vicious zero-sum game in the battle for trade customers and final consumers.

Certainly, advertising can help in flying above the day-to-day action found with sales promotions engaged in fighting off the competition and engaging in hand-to-hand battle. Yet, advertising alone is insufficient; promotion by itself is inadequate. However, together they can make a formidable opponent.

So, why use consumer promotions? The short response is that promotions are used because they accomplish objectives that advertising by itself cannot. Consumers often need to be induced to buy now rather than later, to buy your brand rather than a competitor's, to buy more rather than less, and to buy more frequently. Sales promotions are uniquely suited to achieving these objectives. Whereas advertising can make consumers aware of your brand and shape a positive image, promotions serve to consummate the transaction.

Before proceeding, a final preliminary point is in order. You may have already experienced many types of sales promotions (e.g., coupons, samples, sweepstakes, games, rebates) that will be discussed in this and the next chapter. Yet, it is our wish that you study the material in these two chapters with the goal of really understanding *why* the various types of promotions are used and which unique objectives each is designed to accomplish. Sophisticated brand managers do not simply reach into a “bag” and pick out any promotional tool as if the multiple forms of promotions are completely interchangeable. Rather, each is chosen to accomplish strategic objectives to a degree better than alternative options, given the budget constraint.

### 19-1b BRAND MANAGEMENT OBJECTIVES AND CONSUMER REWARDS

What objectives do brand managers hope to accomplish by using consumer-oriented promotions, and why are consumers receptive to samples, coupons, contests, sweepstakes, cents-off offers, and other promotional efforts? Answers to these interrelated questions will provide us with a useful framework for understanding why particular forms of promotions are useful in view of the goal(s) that must be accomplished for a brand at a given point in time.

### Brand Management Objectives

The overarching objective of consumer-oriented promotions is to promote increased sales (*sales promotion = promoting sales*). Secondary to this overall goal, and in concert with trade-oriented promotions (the subject of the previous chapter), consumer promotions are capable of achieving various sales-influencing objectives for the brand:<sup>1</sup>

- Gaining trade support for increased quantities of our brand during a limited period and providing superior display space for our brand during this period
- Reducing brand inventory for a limited period when inventories have grown to an excessive level due to slow sales, economic conditions, or effective competitive actions caused
- Providing the sales force with increased motivation during a promotional period to gain greater distribution for our brand, better display space, or other preferential treatment vis-à-vis competitive brands
- Protecting our customer base against competitors' efforts to lure them away
- Introducing new brands to the trade and to consumers
- Entering new markets with established brands
- Promoting trial purchases among consumers who have never tried our brand or achieving retrieval from those who have not purchased our brand recently
- Rewarding present customers for continuing to purchase our brand
- Encouraging repeat purchasing of our brand and reinforcing brand loyalty
- Enhancing our brand's image
- Increasing advertising readership
- Facilitating the process of continually expanding the contact information in our database

As can be seen, consumer promotions are used to accomplish a variety of objectives during a specified time period, with the ultimate goal of driving increased sales of our brand. Consumer promotions, when done effectively, can serve to gain the trade's support, inspire the sales force to improve performance, and most important for present purposes, motivate consumers to commit a trial purchase of our brand and, ideally, to purchase it with greater frequency and perhaps even in larger quantities.

To simplify matters, we focus primarily on objectives directed at *influencing consumer behavior* rather than initiating trade or sales-force action. We will focus on three important and general categories of objectives: (1) generating purchase trial and retrieval, (2) encouraging repeat purchases, and (3) reinforcing brand images.



Some sales promotions (such as samples and coupons) are used primarily with the objective of influencing consumers to *try or retry a brand*. A brand manager employs these promotional tools to prompt nonusers to try a brand for the first time or to encourage retrial from prior users who have not purchased the brand for perhaps extended periods. At other times, managers use promotions to hold onto their current customer base by rewarding them for continuing to purchase the promoted brand or loading them with a stockpile of the manufacturer's brand so they do not switch to another brand in the short run. This is sales promotions' *repeat-purchase objective*. (These promotions usually are located in, on, or near the product.) Sales promotions also can be used for *image reinforcement purposes*. For example, the careful selection of the right premium object or appropriate sweepstakes prize can serve to bolster a brand's image.

### Consumer Rewards

Consumers would not be responsive to sales promotions unless there was something in it for them—and, in fact, there is. All promotion techniques provide consumers with rewards (benefits, incentives, or inducements) that *encourage certain forms of behavior* brand managers desire. These rewards, or benefits, are both utilitarian and hedonic.<sup>2</sup>

Consumers who respond to sales promotions receive various *utilitarian*, or functional, benefits: (1) obtaining monetary savings (e.g., when using coupons); (2) reducing search and decision costs (e.g., by simply availing themselves of a promotional offer and not having to think about other alternatives); and (3) obtaining improved product quality made possible by a price reduction that allows consumers to buy superior brands they might not otherwise purchase. Consumers also obtain *hedonic* benefits when taking advantage of sales promotion offers: (1) accomplishing a sense of being a wise shopper when taking advantage of sales promotions; (2) achieving a need for stimulation and variety when, say, trying a brand one otherwise might not purchase if it were not for an attractive promotion; (3) obtaining entertainment value when, for example, the consumer competes in a promotional contest or participates in a sweepstakes; (4) being viewed as “tech-savvy,” for example, with a smartphone coupon; and (5) socializing with others on a deal with a group coupon. Consumer promotions also perform an informational function by influencing consumer beliefs about a brand—for example, by suggesting the brand is of higher quality than previously thought because it is co-promoted with another brand that is widely regarded as being high quality.<sup>3</sup>

The rewards consumers receive from sales promotions sometimes are immediate, while at other times they are delayed. An *immediate reward* is one that delivers monetary savings or some other form of benefit as soon as the consumer performs a marketer-specified behavior. For

example, you potentially obtain immediate pleasure when you try a free food item or beverage that has been sampled in a supermarket or a club store such as Costco or Sam's Club. *Delayed rewards* are those that follow the behavior by a period of days, weeks, or even longer. For example, you may have to wait 6 or 8 weeks before a mail-in premium item can be enjoyed, if it arrives at all (e.g., a NCAA Final Four T-shirt for several soda barcodes submitted online).

Generally speaking, consumers are more responsive to immediate rewards than they are to delayed rewards. Of course, this is in line with the natural human preference for immediate gratification.

### 19-1c CLASSIFICATION OF PROMOTION METHODS

Table 19.1 presents a six-cell typology that was constructed by cross-classifying the two forms of consumer rewards (immediate versus delayed) with the three objectives for using promotions (generating trial purchases, encouraging repeat purchases, and reinforcing brand image).

**Cell 1** in Table 19.1 includes four promotion techniques—samples, instant coupons, shelf-delivered coupons, and mobile phone coupons (with apps)—that encourage *trial or retrial purchase behavior* by providing consumers with an *immediate reward*. The reward is either monetary savings, in the case of instant coupons, or a free product, in the case of samples.

Optical scanner-delivered (“electronic checkout”) coupons, media- and mail-delivered coupons, online coupons, social (group) coupons, and free-with-purchase premiums—all found in **cell 2**—are some of the techniques that generate consumer *trial/retrial*, yet *delay the reward*. Coupons along with samples are the topics of the present chapter, whereas premiums and other forms of consumer-oriented promotions are covered in the following chapter.

**Cells 3 and 4** contain promotional tools that are intended to encourage *repeat purchases* from consumers. Marketing communicators design these techniques to reward a brand's existing customers and to keep them from switching to competitive brands—in other words, to encourage repeat purchasing. *Immediate reward tools*, in **cell 3**, include price-offs; bonus packs; in-, on-, and near-pack premiums; and games. *Delayed reward techniques*, listed in **cell 4**, include in- and on-pack coupons, refund and rebate offers, and continuity programs (e.g., via retail loyalty cards).

Building a *brand's image* is primarily the task of advertising; however, sales promotion tools may support advertising efforts by reinforcing a brand's image. By nature, these techniques are *incapable of providing consumers with an immediate reward*; therefore, **cell 5** is vacant. **Cell 6** contains self-liquidating premiums and two promotional tools, contests and sweepstakes, that, if designed

**Table 19.1** ▶ Major Consumer-Oriented Promotions

CONSUMER REWARD	BRAND MANAGEMENT OBJECTIVE		
	GENERATING TRIAL AND RETRIAL	ENCOURAGING REPEAT PURCHASES	REINFORCING BRAND IMAGE
Immediate	<b>Cell 1</b> <ul style="list-style-type: none"> <li>• Samples (19*)</li> <li>• Instant coupons (19)</li> <li>• Shelf-delivered coupons (19)</li> <li>• Mobile phone coupons and apps (19)</li> </ul>	<b>Cell 3</b> <ul style="list-style-type: none"> <li>• Price-offs (20)</li> <li>• Bonus packs (20)</li> <li>• In-, on-, and near-pack premiums (20)</li> <li>• Games (20)</li> </ul>	<b>Cell 5</b> (No promotions match cell 5's conditions)
Delayed	<b>Cell 2</b> <ul style="list-style-type: none"> <li>• Scanner-delivered coupons (19)</li> <li>• Media- and mail-delivered coupons (19)</li> <li>• Online coupons (19)</li> <li>• Social (group) coupons (19)</li> <li>• Mail-in and online premiums (20)</li> <li>• Bounce-back coupons (19)</li> <li>• Free-with-purchase premiums (20)</li> </ul>	<b>Cell 4</b> <ul style="list-style-type: none"> <li>• In- and on-pack coupons (19)</li> <li>• Rebates and refunds (20)</li> <li>• Continuity programs (20)</li> </ul>	<b>Cell 6</b> <ul style="list-style-type: none"> <li>• Self-liquidating premiums (20)</li> <li>• Sweepstakes and contests (20)</li> </ul>

\*Indicates the chapter, either Chapter 19 or Chapter 20, in which this form of sales promotion is covered.

appropriately, can reinforce or even strengthen a brand's image in addition to performing other tasks.

We should note that the classification of promotional tools in Table 19.1 is necessarily simplified. First, the table classifies each technique with respect to the *primary objective* it is designed to accomplish. However, that promotions are capable of accomplishing more than a single objective. For example, bonus packs (cell 3) are classified as encouraging repeat purchasing, but first-time triers also occasionally purchase brands that offer extra volume and represent a good value. The various forms of coupons located in cells 1 and 2 are designed primarily to encourage triers or retriers and to attract switchers from other brands. In actuality, however, current purchasers redeem most coupons, not new buyers. In other words, although intended to encourage trial purchasing and switching, coupons can also invite repeat purchasing by rewarding present customers for continuing to purchase "our" brand.

Note also that two of the promotional tools in Table 19.1, *coupons* and *premiums*, are found in more than one cell. This is because these techniques achieve different objectives depending on the specific form of delivery vehicle. Coupons delivered through most media (newspapers, magazines, and online) or in the mail offer a form of delayed reward, whereas instant coupons that are peeled from a package at the point of purchase or instantly on a smartphone offer an immediate reward. Similarly, premium objects that are

delivered in, on, or near a product's package provide an immediate reward, whereas those requiring mail delivery yield a reward only after some delay.

## 19-2 Sampling

Most practitioners agree that sampling is the premier sales promotion device for generating trial usage. Sample distribution is almost a necessity when introducing truly new products that can afford this form of promotion. Sampling is effective because it gives consumers an opportunity to experience a new brand personally. It allows an active, hands-on interaction rather than a passive encounter, as is the case with the receipt of promotional techniques such as coupons. A recent survey indicated that over 90 percent of consumers said they would buy a new brand if they liked a sample of the brand and considered its purchase price acceptable.<sup>4</sup>

By definition, **sampling** includes any method used to deliver an actual- or trial-sized product to consumers. The vast majority of manufacturers use sampling as part of their marcom programs to generate trials and leverage trade support. Companies use a variety of methods and media to deliver samples:

- **Direct mail:** Samples are mailed to households targeted by demographic characteristics or in terms of geodemographics (as discussed in Chapter 4).

**Sampling** Any method used to deliver actual- or trial-size products to consumers.

- **Newspapers and magazines:** Samples often are included in magazines and newspapers, which represent cost-efficient forms of sampling for reaching a mass audience. For example, Viva is a brand that competes with Bounty, Brawny, and other brands in the paper towel category, where annual sales exceed \$2 billion. Viva is premium priced due to its higher quality. To convince consumers that the higher price is justified, consumers needed to actually touch Viva towels. To get samples of Viva into the hands of consumers, sheets were stitched into issues of two magazines, *Reader's Digest* and *Every Day with Rachel Ray*.<sup>5</sup>
- **Door-to-door sampling by distribution crews:** This form of sampling allows considerable targeting and possesses advantages such as lower cost and short lead times between when a brand manager requests sampling and when the sampling company ultimately delivers the samples. Companies that specialize in door-to-door sampling target household selection to fit the client's needs. Samples can be distributed just in blue-collar neighborhoods, in Hispanic areas, or in any other locale where residents match the sampled brand's target market.
- **On- or in-pack sampling:** This method uses the *package of another product* to serve as the sample carrier. A key requirement of this form of sampling is that the sampled brand and the carrier brand must be complementary with respect to their benefits, target audience characteristics, and image.
- **High-traffic locations and events:** Shopping centers, movie theaters, airports, and special events offer valuable forums for sample distribution. Digital ("smart") sampling machines, such as Kraft Heinz's iSample machine developed with Intel, and based on facial recognition software to detect age and gender, have revolutionized sampling distribution (see *Insights Online* in MindTap). More will be said about this form of sampling in a later discussion of creative forms of sampling.

insights  
online

To learn more about the iSample machine, go to Insights Online in MindTap.

- **Sampling at unique venues:** Brand managers and their promotion agencies sometimes choose unique locations for sampling products that are especially appropriate for people at a certain stage of life, referred to as life's change points. Sampling to college students at the beginning of a new school year (e.g., in dorms, rec centers) is one illustration of *change-point sampling*. Marriage offices are another change-point for reaching newlyweds. Newlywed kits containing various products are sometimes presented to couples when they apply for marriage licenses. The rationale



Photo Courtesy of Intel Corporation

for this sampling location is that newlyweds in the United States spend in excess of \$70 billion for their households in the first year after marriage.<sup>6</sup>

- **In-store sampling:** Demonstrators provide product samples in grocery stores and other retail outlets for trial while consumers are shopping. It is understandable that in-store sampling is the most frequent form of sampling as it offers samples to consumers where and when their purchase decisions can be influenced most immediately.<sup>7</sup> Although there can be "moochers," research shows that about 60 percent of grocery shoppers sample products on trial, and 37 percent go on to buy the item.<sup>8</sup> A toy store such as Toys "R" Us, for example, would be an appropriate outlet for reaching moms and kids; beaches, concerts, and sporting events are excellent venues for delivering samples to teens and young adults. And fast-food restaurants—such as KFC, McDonald's, Sonic, and Wendy's—have turned to sampling as a means for introducing new menu items.<sup>9</sup>
- **Online sampling:** Brand managers are increasingly distributing samples online. They typically employ the services of companies that specialize in online sample delivery such as [www.samplestor.com](http://www.samplestor.com) and [www.thefreesite.com](http://www.thefreesite.com). These and other specialized companies serve as online sampling portals for the CPG

companies they represent. Interested consumers enter these sampling sites and register to receive free samples for brands that interest them. Samples are then mailed in a timely fashion. Because mailing represents a major cost element, it is estimated that online sampling costs are perhaps three times greater than sampling in stores or at special events.<sup>10</sup> The justification for this added expense is that people who go online to request particular samples generally are really interested in those brands—and eventually may purchase them—in comparison, say, to people who receive a sample at an event.

One very successful sampling campaign for Campbell's V8 Fusion + Tea products was conducted almost entirely on Facebook. The campaign gave Facebook followers who "friend" the V8 Fusion page a chance to receive one of the 1,000 samples of V8 V-Fusion + Tea given out each Monday. The Facebook page had a thermometer indicating how many samples were left in the week's quota out of 1,000. Yet, it turns out that most had been given away to fans within hours of being placed online. Campbell's also provided a small number of samples directly through Facebook ads and at high-traffic locations (e.g., Rockefeller Plaza).<sup>11</sup>

### 19-2a MAJOR SAMPLING PRACTICES

Historically, many sampling efforts were unsophisticated and wasteful. In particular, there was a tendency to use mass-distribution outlets in getting sampled products in the hands of as many people as possible. Sophisticated sampling

now insists on three prudent practices: (1) targeting rather than mass distributing samples, (2) using innovative distribution methods where appropriate, and (3) undertaking efforts to measure sampling's return on investment.

### Targeting Sample Recipients

Sampling services that specialize in precision distribution (targeting) have emerged in recent years. For example, one sampling specialist aims for children under the age of 8 by distributing samples at zoos, museums, and other locations that appeal to young children and their parents. It also reaches children and teens (ages 9 to 17) at venues such as little league baseball fields, movie theaters, and skating centers. Suppose you wanted to reach preteens and preschool-age children with free samples. This could be accomplished by distributing sample packs at stores such as Toys "R" Us, the advantage of which has been described in these terms:

*When you're giving your product to customers in Toys "R" Us, you can bet with 99 percent accuracy you're reaching families with children under 12 or grandparents with grandchildren that age. You don't have that kind of certainty of reach with other [forms of marketing communications].<sup>12</sup>*

Male high school students represent one of the most inaccessible markets because they are not particularly heavy television viewers or magazine readers. A company that specializes in targeted sample distribution developed a program that connected with teenage males by distributing gift packages of product samples (such as shaving cream, razors, mouthwash,

The screenshot shows the Facebook profile for V8 V-Fusion. At the top, there is a blue navigation bar with the Facebook logo on the left and login fields for 'Email or Phone' and 'Password' on the right, along with a 'Log In' button. Below the navigation bar, the profile picture is a collage of V8 V-Fusion products: a yellow and blue umbrella, a can of Sparkling (Tangerine Raspberry), a bottle of Smoothie (Strawberry), a pair of glasses, and a bottle of +Tea (Vegetable & Fruit). To the right of the profile picture is a 'Sign Up' button and a 'Log In' button. Below the profile picture, the name 'V8 V-Fusion' is displayed, followed by '293,984 likes · 872 talking about this'. A 'Like' button is also visible. At the bottom of the page, there are navigation tabs for 'About', 'Photos', 'Likes', 'Events', and 'Products'. The 'About' tab is selected, showing a description: 'The official V8 V-Fusion page is here, with generous servings of delicious fruit and veggie fun! Let's chat health, happiness, and how much we love our kids. :o)'. The 'Likes' tab shows a thumbs-up icon and the number '293k'. The 'Products' tab shows a dropdown menu with '3' items.

and candy) at tuxedo rental shops. Recipients picked up their sample pack when they arranged to rent a prom tuxedo.

Samples are distributed to young adults (ages 18 to 24) at colleges and universities, malls, beaches, and concerts. Airports, shopping centers, and high-density retail districts are good sites for homing in on adults ages 25 to 54. Newlyweds, as mentioned previously, receive free samples when applying for marriage licenses.

How might you reach urban residents? For example, a company that specializes in delivering samples to urban African Americans and Latinos has established a network of several thousand African-American and Latino churches in which samples are distributed. Ministers in these churches often present sample bags to members of the congregation. This company also distributes samples to urban residents through a large network of beauty salons and barber shops.<sup>13</sup>

A final illustration of targeted sampling involves the distribution of Benadryl anti-itch cream conducted a few years ago by Warner-Lambert, then makers of Benadryl (since merged under the Pfizer name). Warner-Lambert wanted to develop a sampling program that would contact victims of itching caused by mosquito bites, heat rash, poison ivy, and so on. The objective was to approach prospective consumers at “point-of-itch” locations where they would be most receptive to learning about the virtues of Benadryl. The company considered sampling at retail lawn-and-garden departments but eliminated that prospect as not quite satisfying its point-of-itch objective. It eventually came up with the clever idea of sampling at KOA Kampground locations where people camp, enjoy the outdoors, and . . . itch. Twenty-five million people visit KOA Campgrounds every year. During a two-summer period Warner-Lambert distributed six million Benadryl samples to 550 campgrounds, thereby achieving effective and cost-efficient sample distribution.<sup>14</sup>

All of these illustrations indicate that almost any group of consumers can be selectively sampled. The only limitation to targeted sampling is the absence of creativity!

### Using Creative Distribution Methods

Companies are applying numerous creative ways to get sample merchandise into the hands of targeted consumers.

To sample Cetaphil skin-care products, “pop-up shops” (temporary storelike facilities) were set up in three major cities: Atlanta, Chicago, and New York. Visitors to the “stores” received free hand massages with Cetaphil and also were invited to spin a wheel of fortune to take their chance at winning Cetaphil products such as skin cleanser and moisturizing lotion and cream. Over 250,000 samples of Cetaphil products were sampled during this promotional event, and to encourage subsequent purchasing visitors received a coupon worth \$1 off any Cetaphil product.<sup>15</sup>

Progresso Soup, sold by The Pillsbury Company (now owned by General Mills), employed a fleet of “Soupermen” to deliver cups of hot soup from backpack dispensers to consumers in cold-weather cities such as Cleveland, Chicago, Detroit, and Pittsburgh. From October through March, sampling teams visited consumers in these cities at sporting events, races, outdoor shows, and other locales—all of which represented ideal locations for getting consumers to try cups of hot Progresso soup.

Guinness Import Company sampled its unique beer using tractor trailers equipped with dozens of taps. These trailers traveled to Irish music festivals in cities such as New York, Chicago, and San Francisco. Guinness invested in the trailers because it regards hands-on sampling at special events as a good opportunity to create a unique brand usage experience and to avoid the clutter of mass-media advertising.

The famous Ben & Jerry’s Homemade ice cream (now part of Unilever) offers another illustration of creative sampling. Requiring the event to match Ben & Jerry’s upscale, pastoral image, the promotion planners created an “Urban Pasture” motif complete with cow mannequins, banners, lounge chairs, live bands, and, of course, free ice cream. The event toured 13 major U.S. cities, including Boston, Chicago, Los Angeles, and New York. The “Urban Pasture” set up in each city included a main stage, from which music was played, and sports and entertainment celebrities hosted ice-cream-scooping matches, with the winner at each tour stop receiving the opportunity to select a charity to receive an attractive donation—clearly in line with the brand’s philanthropic image. Each “pasture” was up for a single day, but sampling crews remained



Source: General Mills, Inc.

in each city for at least an additional week during which time they sampled Ben & Jerry's ice cream from cow-bedecked buses.<sup>16</sup>

The promotion agency for Nivea for Men skin-care products devised a clever method to sample their product. Street teams distributed samples of Nivea products at almost 800 rail and subway stations across the United States. The brand enjoyed a 100 percent increase in sales in large part due to this creative sampling program.<sup>17</sup>

The marketers of EBoost, an immunity and energy booster, required a unique way to sample this brand so as to distinguish it from competitive offerings. The sampling solution was to distribute samples of EBoost to hotel guests—by placing samples on bedside tables and pillows or in bathrooms, or by handing out samples at check-in. Hotel sampling not only benefited EBoost, but also the participating hotels that added value for their customers when giving away samples of a desirable product.<sup>18</sup> Managers of many brands other than EBoost have also enjoyed success in distributing samples in hotels.

Finally, if you were brand manager of a line of toilet tissue and thought sampling would benefit the brand, how would you provide consumers with free samples? Obviously, many of the traditional sampling methods would be inappropriate due to the high cost of sending out, say, millions of rolls of tissue. Brand managers of P&G's Charmin brand faced

precisely this challenge. They had tried various sampling methods without success, but then someone thought of the idea of sampling Charmin at outdoor events. The company manufactured a fleet of tractor-trailer mounted bathrooms (see Figure 19.1) and conducted the Charmin Potty Palooza tour at events such as state fairs and Oktoberfests. Each trailer was equipped with running water, wallpapered walls, faux-wood floors, Charmin toilet tissue, and various samples of P&G's other brands—Safeguard soap, Bounty paper towels, and Pampers diapers—along with changing tables. As described by Charmin's brand manager, "[Toilet tissue] is a category that consumers don't think much about. To break through that and understand the benefits of Charmin Ultra, you really need to try it." P&G's research indicated a 14 percent increase in Charmin sales among people who used P&G's Potty Palooza facilities.<sup>19</sup>

### Estimating Return on Investment

As previously detailed in Chapter 2, marketing communicators are increasingly being held accountable for their decisions. Chief financial and marketing officers, senior marketing executives, and other corporate leaders are demanding evidence that investments in advertising and promotions can be justified by the profits they return. Return on investment (ROI) is a tool that can be used to assess whether an investment in a sampling program is cost justified. Table 19.2 lays out the straightforward steps in applying an ROI analysis to a sampling investment.<sup>20</sup> Please read carefully the systematic procedure described in Table 19.2.

### 19-2b WHEN SHOULD SAMPLING BE USED?

Promotion managers use sampling to induce consumers to try either a brand that is new or one that is moving into a different market. Although it is important to encourage trial usage for new brands, sampling is not appropriate for all new or improved products. Ideal circumstances include the following:<sup>21</sup>

1. When a new or improved brand is either *demonstrably superior* to other brands or when it has *distinct relative advantages* over brands that it is intended to replace. If a brand does not possess superiority or distinct advantages, it probably is not economically justifiable to give it away.
2. When the product concept is so innovative that it is *difficult to communicate by advertising alone*. For example, Procter & Gamble sampled its new line of olestra-made Fat Free Pringles to lunchtime crowds in 20 major cities. The brand management team knew that consumers had to experience for themselves that this fat-free version of Pringles tasted virtually the same as regular Pringles chips. The earlier examples of sampling V8 Fusion + Tea, Ben & Jerry's Homemade ice cream, and Charmin toilet tissue further illustrate the need to sample products when advertising



Courtesy of Procter & Gamble. Used with permission.

**Figure 19.1** ▶ Sampling Charmin via a Fleet of Tractor Trailers

**Table 19.2** ▶ Calculating the ROI for a Sampling Investment

Step 1:	<i>Determine the total cost of sampling, which includes the cost of the sample goods plus the costs of distribution—mailing, door-to-door distribution, and so on. Assume, for example, that the cost of distributing a trial-sized unit is \$0.60 and that 15,000,000 units are distributed; therefore, the total cost is \$9 million.</i>
Step 2:	<i>Calculate the profit per unit by determining the average number of annual uses of the product and multiplying this by the per-unit profit. Assume, for example, that on average six units of the sampled product are purchased per year and that the profit per unit is \$1. Thus, each user promises the company a profit potential of \$6 when they become users of the sampled brand.</i>
Step 3:	<i>Calculate the number of converters needed for the sampling program to break even. (Converters are individuals who after sampling a brand become users.) Given the cost of the sampling program (\$9 million) and the profit potential per user (\$6), the number of conversions needed in this case to break even is 1,500,000 (i.e., \$9 million divided by \$6). This number represents a 10 percent conversion rate just to break even (i.e., 1,500,000 divided by 15,000,000).</i>
Step 4:	<i>Determine the effectiveness of the sampling. For a sampling to be successful, the conversion rate must exceed the break-even rate with gains in the 10 to 16 percent range. In this case, this would mean a minimum of 1,650,000 people must become users after trying the sampled brand (i.e., 1,500,000 times 1.1) to justify the sampling cost and yield a reasonable profit from the sampling investment.</i>

is insufficient for conveying the fundamental brand message. In general, sampling enables consumers to learn about product advantages that marketers would have difficulty convincing them of via advertising alone. (See the *Insights Online: Global Focus* in MindTap for an application of this principle in China.)

- When promotional budgets *can afford to generate consumer trial quickly*. If generating quick trial is not essential, then cheaper trial-impacting promotional tools such as coupons should be used.



To learn more about how Oreos were introduced in China, go to Insights Online in MindTap.

### 19-2c SAMPLING PROBLEMS

There are several problems with sampling. First, it is expensive. Second, the postal service or other distributors can mishandle mass mailings of samples. Third, samples distributed door to door or in high-traffic locations may suffer from wasted distribution and not reach the hands of the best potential customers. Fourth, in- or on-package sampling excludes consumers who do not buy the carrying brand. Fifth, in-store sampling often fails to reach sufficient numbers of consumers to justify its expense.

A sixth problem with samples is that consumers may misuse them. Consider the case of Sunlight dishwashing liquid, then a product of Lever Brothers (now Unilever). This product, which smells like lemons, was extensively sampled a number of years ago to more than 50 million

households. Unfortunately, nearly 80 adults and children became ill after consuming the product, having mistaken the dishwashing liquid for lemon juice! According to a Lever Brothers' marketing research director at the time of the sampling, there is always a potential problem of misuse when a product is sent to homes rather than purchased with prior product knowledge at a supermarket.<sup>22</sup>

A final sampling problem, pilferage, can result when samples are distributed through the mail. This occurred in Poland shortly after the Iron Curtain separating Eastern from Western Europe was literally and symbolically demolished with the fall of Communist dominion in the East. P&G mailed 580,000 samples of Vidal Sassoon Wash & Go shampoo to consumers in Poland, the first ever mass mailing of free samples in that country. The mailing was a big hit—so big, in fact, that about 2,000 mailboxes were broken into. The shampoo samples, although labeled “Not for sale,” turned up on open markets and were in high demand at a price of 60 cents each. P&G paid nearly \$40,000 to the Polish Post, Poland's mail service, to deliver the samples. In addition to the cost of distribution, P&G paid thousands more to have mailboxes repaired.<sup>23</sup>

Due to its expense and because of waste and other problems, the use of sampling fell out of favor for a period of time as many marketers turned to less expensive promotions (e.g., couponing). However, with the development of creative solutions and innovations (e.g., the iSample machine used by Kraft Heinz), brand managers and their promotion agencies have again become enthusiastic about sampling. Sampling has become more efficient in reaching specific target groups, its results are readily measurable, and the rising costs of media advertising have increased its relative attractiveness.

### 19-3 Couponing

A **coupon** is a promotional device that rewards consumers for purchasing the coupon-offering brand by providing cents-off or dollars-off savings, which typically range from a low of 30¢ to \$2 or much more, depending on the price of the couponed item (see Figure 19.2). For example, Maxwell House coffee offered a coupon for \$1 for a variety of its coffee products. The overall, average face value of coupons distributed in 2016 was \$1.68.<sup>24</sup>

Coupons are delivered through newspapers; magazines; freestanding inserts; direct mail; in or on packages; online (including social group coupons); mobile phone apps; and at the point of purchase by package, shelf, and electronic delivery devices. Not all delivery methods have the same objective. *Instant coupons* (i.e., those that can be peeled from packages or received on a smartphone at the point of purchase) provide immediate rewards to consumers and encourage trial purchases as well as repeat buying from loyal consumers (see Table 19.1). *Mail- and media-delivered coupons* delay the reward, although they also generate trial purchase behavior. Before discussing these specific coupon delivery modes in detail, it first will help to examine recent developments in coupon use.

#### 19-3a COUPONING BACKGROUND

Approximately 321 billion coupons are distributed annually in the United States,<sup>25</sup> and coupon promotions cost U.S. marketers about \$4.2 billion each year.<sup>26</sup> Nearly all

CPG marketers issue coupons. The use of coupons is not, however, restricted to packaged goods. For example, General Motors Corporation mailed coupons valued as high as \$1,000 to its past customers in hopes of encouraging them to purchase new cars. Surveys indicate that a majority of all American consumers (78.3%) use coupons at least on occasion per year, with redemption levels increasing during periods of economic downturns and declining when the economy is bustling.<sup>27</sup> Research has established that consumers vary greatly in terms of their *psychological inclination* to use coupons and that this coupon proneness is predictive of actual coupon redemption behavior. That is, some consumers are more inclined to use coupons because they are thrifter and receive greater psychological pleasure from saving money.<sup>28</sup>

Although vastly more coupons are distributed in the United States than elsewhere, *redemption rates* (the percentage of all distributed coupons that are taken to stores for price discounts) are higher in most other countries. However, couponing in some countries is virtually nonexistent or in the fledgling stage. For example, in Germany the government limits the face value of coupons to 1 percent of a product's value, which effectively eliminates couponing in Germany for low-priced CPGs. Only a small amount of couponing occurs in France because the few chains that control the retail grocery market in that country generally oppose the use of coupons. Couponing activity in Japan is in the early stages following the lifting of government restrictions.

#### Coupon Distribution Methods

The method of coupon distribution brand managers prefer is the *freestanding insert* (FSI). FSIs, which are inserts in Sunday newspapers, account for 89.1 percent of all coupons distributed in the United States.<sup>29</sup> The other media for coupon distribution include dual electronic and paper (2.3%), magazine pop-up (1.3%), direct mail (1.0%), electronic checkout (1.0%), instant redeemable (0.9%), handout (0.9%), in-ad (e.g., retail store circular) (0.6%), magazine (on-page) (0.5%), shelf pad (0.3%), electronic discount (Internet, paperless) (0.3%), Internet (print-at-home) (0.3%), among others.<sup>30</sup> These percentages vary slightly from year to year, but FSIs have dominated coupon distribution for many years.

Another major form of coupon distribution has been the establishment of cooperative coupon programs. These are programs in which a service distributes coupons for a single company's multiple brands or brands from multiple companies. Two such service companies—Valassis and News America's SmartSource service—are responsible for distributing the billions of FSI coupons in separate inserts in newspapers around the United States. Both Valassis and SmartSource distribute coupons every Sunday throughout the year and represent literally

**Coupon** A promotional device that rewards consumers for purchasing the coupon-offering brand by providing cents-off or dollars-off savings.



Figure 19.2 ▶ Illustration of Coupon Offers



hundreds of different brands and companies. Procter & Gamble, the leading issuer of FSIs, has its own FSI insert program (P&G brandSAVER) that is distributed in Sunday newspapers every week. Valpak Direct Marketing Systems is a cooperative program for distributing coupons by direct mail. One other form that has been growing is the use of *digital paperless coupons* (“load to card”) that typically associate coupons offers with a retailer loyalty card.<sup>31</sup>

### Coupon Cost

The extensive use of couponing has not occurred without criticism. Some critics contend that coupons are wasteful and may actually increase prices of consumer goods. Whether coupons are wasteful and inefficient is debatable, but it is undeniable that coupons are an expensive proposition. For a better understanding of coupon costs, consider the case of a coupon with a \$1 face value. (The *face value* is the amount paid to the consumer when he or she redeems the coupon at a retail checkout when purchasing the brand for which the coupon is offered.) The actual cost of this coupon is considerably more than \$1. In fact, the actual cost, as shown in Table 19.3, is substantially more at \$1.64. As can be seen from the table, the major cost element is the face value of \$1 that is deducted from the purchase price. But the marketers offering this coupon incur several other costs: (1) a hefty distribution and postage charge (45 cents), (2) a handling fee that is paid to retailers for their trouble (8 cents), (3) a misredemption charge resulting from fraudulent redemptions (estimated at 7 cents), (4) internal preparation and processing costs (2 cents), and (5) a redemption cost (2 cents). The actual cost of \$1.64 per redeemed coupon is 64 percent greater than the face value of \$1. Assume a marketer distributes 40 million

of these FSI coupons and that 2 percent, or 800,000, are redeemed. The total cost of this coupon “drop” would thus amount to \$1,312,000. It should be apparent that coupon activity requires substantial investment to accomplish desired objectives.

Obviously, programs that aid in reducing costs, such as cooperative couponing and online delivery (especially to smartphones), are eagerly sought. Coupons are indeed costly, some are wasteful, and other promotional devices may be better. However, the extensive use of coupons suggests either that there are a large number of incompetent brand managers or that superior promotional tools are not available or are economically infeasible. The latter explanation is more reasonable, with more efficient technological solutions on the horizon.

### Is Couponing Profitable?

There is evidence that those households most likely to redeem coupons are also the most likely to buy the brand in the first place. Moreover, most consumers revert to their pre-coupon brand choice immediately after redeeming a competitive brand’s coupon.<sup>32</sup> Thus, when consumers who redeem would have bought the brand anyway, the effect of couponing, at least on the surface, is merely to increase costs and reduce the per-unit profit margin. However, the issue is more involved than this. Although most coupons are redeemed by *current brand users*, competitive dynamics force companies to continue offering coupons to *prevent consumers from switching* to other brands that do offer coupons or other promotional deals.

Couponing is a fact of life that will remain an important part of marketing in North America and elsewhere. The real challenge for promotion managers is to seek ways to increase couponing profitability, to target coupons to consumers who may not otherwise purchase their brands, and to reward consumers for remaining loyal to their brands.

The following sections describe the major forms of couponing activity, the objectives each is intended to accomplish, and the innovations designed to increase couponing profitability. The presentation of couponing delivery methods follows the framework presented earlier in Table 19.1. Table 19.4 presents a summary of comparative redemption rates for major coupon distribution methods.

### 19-3b POINT-OF-PURCHASE COUPONING

As will be described later in the context of point-of-purchase communications (see Chapter 22), approximately 76 percent of purchase decisions are made while shoppers are in the store. It therefore makes sense to deliver coupons at the point where decisions are made. Point-of-purchase coupons come in four forms: instant, shelf-delivered, electronically delivered by optical scanner, and mobile phone coupons.

**Table 19.3** ▶ Full Coupon Cost

1. Face value	\$1.00
2. Distribution and postage cost	0.45
3. Handling charge	0.08
4. Consumer misredemption cost	0.07
5. Internal preparation and processing cost	0.02
6. Redemption cost	0.02
<b>Total Cost</b>	<b>\$1.64</b>

Source: Adapted and updated from an analysis performed by the McKinsey & Co. Consulting firm.

**Table 19.4** ▶ Coupon Redemption Rates by Distribution Method

RANK	METHOD	REDEMPTION RATES (%)
1	Instant redeemable	23.6
2	On pack	13.0
3	Mobile phone (est.)	12.0
4	Electronic shelf	11.2
5	Instant redeemable (cross ruff)	11.1
6	Shelf pad (on shelf)	11.1
7	Internet (home printed)	9.0
8	Electronic checkout	6.6
9	Handout in-store/with sample	4.6
10	Direct mail*	4.4
11	Bounceback	3.6
12	In pack	3.5
13	Freestanding insert (FSI)**	0.5
14	Newspaper ROP	0.4
15	Magazine (on page)	0.3

\*Direct mail represents the highest redemption rate for all mass-delivered (mail, media) coupons.

\*\*FSIs represent 89.0 percent of all coupons distributed.

Source: Estimated from Inmar (CMS) 2013–2015 data. Mobile phone redemptions rates are between 8 and 16 percent, thus the average of 12 percent was used; [http://go.inmar.com/rs/inmar/images/Inmar\\_2014\\_Coupon\\_Trends\\_Report.pdf](http://go.inmar.com/rs/inmar/images/Inmar_2014_Coupon_Trends_Report.pdf) <http://go.inmar.com/rs/134-NXN-082/images/Inmar-Promotion-Industry-Trends-A-Year-In-Review.pdf>; <https://pointofsale.com/Success-stories/Study-Shows-ROI-for-Mobile-Coupon-Redemption.html>.

### Instantly Redeemable Coupons

Most coupon distribution methods have delayed impact on consumers because the coupon is received in the consumer's home and held for a period of time before it is redeemed. *Instantly redeemable coupons* (IRCs) are peelable from the package and are designed to be removed by the consumer and redeemed at checkout when purchasing the brand carrying the coupon. Or, it could be received directly on a smartphone—such as those found for apps for Starbucks, Sweetgreen, Target, and many other retailers. (This will be covered later in the chapter in greater detail for mobile phone coupon apps.) This form of coupon represents an immediate reward that can spur the

consumer to trial purchase the promoted brand (see cell 1 in Table 19.1). Instant coupons provide a significant price reduction and an immediate point-of-purchase incentive for consumers.

Although the instant (peelable) coupon is a minor form of couponing, it has emerged in recent years as an alternative to price-off deals (in which every package must be reduced in price). The redemption level for instant coupons is considerably higher than the level for other couponing techniques. As noted in Table 19.4, whereas the dominant couponing method (FSIs) generates an average redemption level of approximately 0.5 percent (i.e., on average about 5 out of every 1,000 households that receive FSIs actually redeem them at stores), the average redemption rate for instant coupons has been estimated to be 23.6 percent.<sup>33</sup> One would think that most purchasers would remove instant (peelable) coupons at the time of purchase so as to receive the savings, but it is obvious that the majority does not take advantage of these instant coupons.

A study compared the effectiveness of instantly redeemable (peelable) coupons against freestanding inserts in generating sales for a brand of body wash. The FSI coupons and IRCs had 50-cent or \$1 face values. Each coupon type and value combination (that is, 50-cent FSI coupon, \$1 FSI coupon, 50-cent IRC, or \$1 IRC) was placed on the body wash brand in each of two markets for a 2-month period. Recorded sales data revealed that the IRCs outperformed FSI coupons of equal value. Moreover, the 50-cent IRC increased sales volume by 23 percent more than the \$1 FSI coupon!<sup>34</sup> This obviously is a counterintuitive finding that requires explanation.

A spokesperson for the research company said his company had no idea why the 50-cent IRC outperformed the \$1 FSI coupon. However, research from the academic front offers an answer. One study found that a 75-cent coupon was not considered any more attractive than a 40-cent coupon.<sup>35</sup> A more directly relevant study determined that higher-value coupons *signal higher prices* to consumers.<sup>36</sup> This is especially true when consumers are *unfamiliar with a brand*. In this situation, high coupon values may scare off consumers by suggesting, or signaling, that these brands are expensive.

Perhaps the \$1 FSI coupon for the body wash implied to prospective customers that the brand must be high priced or it could not otherwise justify offering such an attractive coupon. This being the case, they would not have removed the FSI coupon for later redemption. Comparatively, the 50-cent IRC was available to consumers at the point of purchase where the brand's actual price was also available. They had no reason to expect a high price; rather, they saw an opportunity to receive an attractive discount by simply peeling the coupon and presenting it to the clerk when checking out.

Ironically, higher-valued coupons may attract primarily current brand users who know the brand's actual price and realize the deal the attractive coupon offers, whereas a higher-valued coupon may discourage potential switchers from other brands if to them it signals a high price. This, of course, is particularly problematic with FSIs, which are received away from the point of purchase and, as a matter of practicality, include only the coupon value but not the brand's regular price. Such is not the case, however, with IRCs.

It would be unwise to draw sweeping generalizations from this single study based on only one product category (body wash), but the intriguing finding suggests that IRCs are capable of outperforming FSIs. Only with additional research will we know whether this finding holds up for other products.

### Shelf-Delivered Coupons

Shelf-delivered coupon devices are attached to the shelf alongside coupon-sponsoring brands. Although sometimes delivered from a shelf-box dispenser, usually, such shelf-delivered coupons are in the form of a "shelf pad" or "tear pad" next to the item. Consumers interested in purchasing a particular brand can tear a coupon from the pad

and redeem it when checking out. The average redemption rate for shelf-delivered coupons is approximately 11.08 percent.<sup>37</sup>

### Electronic Check-Out Coupons

There are several electronic systems for dispensing coupons at the point of purchase. Best known among these is an electronic checkout service from Nielsen Catalina Solutions that is available in thousands of stores nationwide. Nielsen Catalina has offered two programs, one called Checkout Coupon and the other Checkout Direct. The *Checkout Coupon* program delivers coupons based on the particular brands a shopper has purchased. Once the optical scanner records that the shopper has purchased a competitor's brand, a coupon from the participating manufacturer is dispensed. By targeting competitors' customers, Nielsen Catalina's Checkout Coupon program ensures that the participating manufacturer will reach people who buy the product category, but are not currently purchasing the manufacturer's brand. The redemption rate is approximately 4 percent.<sup>38</sup> Yet, recently, 12 Digit Marketing is offering a competing system to Nielsen Catalina in which manufacturer can *compete* for the right to provide the coupon based on a scanned purchase rather than giving exclusive rights to one participating competitor.<sup>39</sup>

Nielsen Catalina's other couponing program, *Checkout Direct*, enables marketers to deliver coupons only to consumers who satisfy the coupon-sponsoring manufacturer's specific targeting requirements. The Checkout Direct program allows the coupon user to target consumers with respect to their purchase pattern for a particular product (e.g., direct coupons only to consumers who purchase toothpaste at least once every 6 weeks) or based on the amount of product usage (e.g., deliver coupons only to heavy users of the product). When shoppers who satisfy the coupon-sponsor's requirement make a purchase (as indicated by their loyalty or credit card), a coupon for the sponsoring brand is automatically dispensed for use on the shopper's next purchase occasion.

Frito-Lay used the Checkout Direct system to increase trial purchases when it introduced the Baked Lay's brand. Frito-Lay's brand managers targeted superheavy users of healthier snack foods such as its own Baked Tostitos. Based on optical scanner data that records and stores consumers' past purchase data, the Checkout Direct system was programmed to issue coupons for Baked Lay's only to those consumers who purchased "better-for-you" snacks at least eight times during the past 12 months. When these consumers checked out, the scanner triggered a coupon for Baked Lay's. In excess of



Diane Gerrity

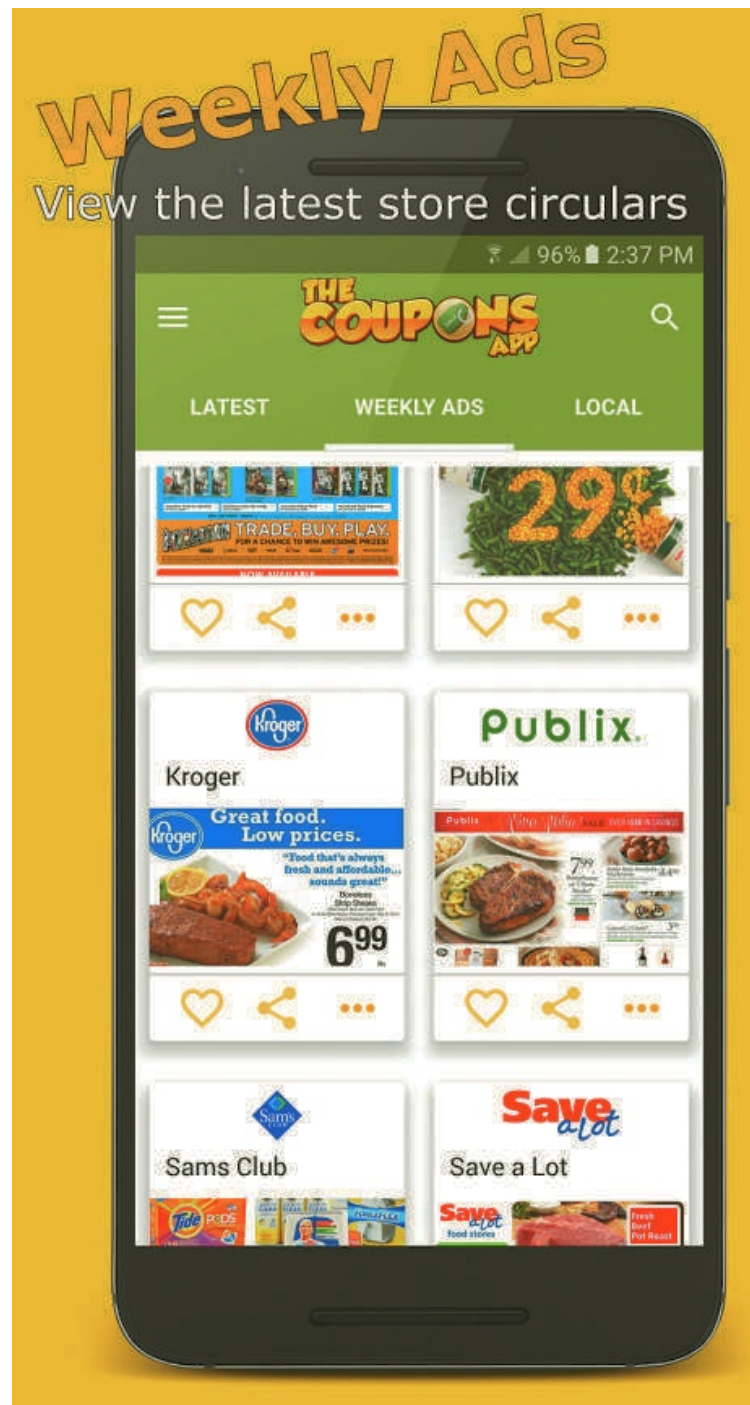
40 percent of the coupons were redeemed, and the repeat-purchase rate was a very impressive 25 percent.<sup>40</sup>

Both Nielsen Catalina programs are used to encourage trial purchasing or to induce retrial among those consumers who have not purchased a particular brand for a period of time. However, because coupons are distributed to consumers when they are checking out of a store and cannot be used until their next visit, the reward is *delayed*—unlike the instant or shelf-delivered coupons. Nevertheless, these scanner-delivered couponing methods are effective and cost-efficient because they provide a way to target coupon distribution carefully. Targeting, in the case of Checkout Coupon, is directed at competitive-brand users and, in the case of Checkout Direct, is aimed at users who satisfy a manufacturer's prescribed product-usage requirements.

### Mobile Phone Coupons and Apps

The use of mobile phone or digital coupons to aid grocery shopping is of keen interest to 46 percent of consumers.<sup>41</sup> For example, the St. Louis-based grocer Shop 'n Save is partnering with aisle411, a mobile-based navigation service, to offer shoppers an app to quickly find items and suggest coupon promotions on their phones. Others, such as grocers D'Agostino, Marsh, and ShopRite, have worked with a Cellfire application to merge digital coupons with store-based loyalty programs. (Cellfire is just one of many mobile phone organizations attempting to use phones [i.e., "third screen"] to distribute coupons and perform other marcom tasks.) In addition, Massachusetts-based Stop & Shop was one of the first to use a self-scanning system, called ScanIt! Mobile. This app allows shoppers to use their own smartphones to scan groceries and redeem targeted coupons. In general across the United States, grocers are working to add optical scanners, upgrade software, and train cashiers to take advantage of mobile phone couponing. This certainly appears to be a major technological boost for shoppers that is expanding quickly.<sup>42</sup>

More recent coupon app use examples abound, including use by retailers such as Starbucks, Sweetgreen, Target, CVS, and Sears/Kmart, among others.<sup>43</sup> In the restaurant category, digital coupon expenditures have reached \$3.2 million (in total) for Starbucks, \$536 thousand for Chi-Chi's, and \$467 thousand for Dunkin' Donuts.<sup>44</sup> Also, Nielsen Catalina has developed their BuyerVision Mobile app for consumer packaged goods (CPG) brands (e.g., Campbell's Soup), consisting of



Source: Google

personalized offers based on the shopper's buying history.<sup>45</sup> The use of and tie-in with retailer loyalty cards will no doubt further enable digital paperless coupons in the future. As noted in Chapter 1, *geo-conquesting* efforts also have arisen, in which companies target coupon and other promotions applied to consumers at their competitor's location. Finally, research has shown that expiration length, face value, and product type are important factors influencing redemption of mobile phone coupons.<sup>46</sup>

### 19-3c MAIL- AND MEDIA-DELIVERED COUPONS

These coupon-delivery modes initiate trial purchase behavior by offering consumers *delayed* rewards. Mail-delivered coupons represent about 1.0 percent of all manufacturer-distributed coupons. Mass-media modes (newspapers and magazines) are clearly dominant, carrying over 90 percent of all coupons—the bulk of which is in the form of FSIs in Sunday newspapers.

#### Mail-Delivered Coupons

Marketers typically use mail-delivered coupons to introduce new or improved products. Mailings can be either directed at a broad cross section of the market or targeted to specific geodemographic segments. Mailed coupons achieve the highest household penetration.

Coupon distribution via magazines and newspapers reaches fewer than 60 percent of all homes, whereas mail can reach as high as 95 percent. Moreover, direct mail achieves the highest redemption rate (4.4%) of all mass-delivered coupon techniques.<sup>47</sup> There also is empirical evidence to suggest that direct-mail coupons increase the amount of product purchases, particularly when coupons with higher face values are used by households that own their homes, have larger families, and are more educated.<sup>48</sup>

The major disadvantage of direct-mailed coupons is that they are relatively expensive compared with other coupon-distribution methods. Another disadvantage is that direct mailing is especially inefficient and expensive for brands enjoying a high market share. This is because a large proportion of the coupon recipients may already be regular users of the coupon brand, thereby defeating the primary purpose of generating trial purchasing. The inefficiencies of mass mailing account for the rapid growth of efforts to target coupons to narrowly defined audiences such as users of competitive brands.

#### FSIs and Other Media-Delivered Coupons

As earlier noted, approximately 89.1 percent of all coupons distributed in the United States are via FSIs in Sunday newspapers. The cost per thousand for FSIs is only about 50 to 60 percent of that for direct-mail coupons, which largely explains why FSIs are the dominant coupon-delivery mode. Another advantage of FSIs is that they perform an extremely important reminder function for the consumer who peruses the Sunday inserts, clips coupons for brands he or she intends to buy in the coming week, and then redeems these at a later date.<sup>49</sup> Finally, there is some evidence that FSIs also perform an advertising function. That is, when perusing the Sunday inserts, consumers are exposed to FSI “advertisements” and are somewhat more likely to purchase promoted brands even without redeeming coupons.<sup>50</sup> This comes as no great

surprise because FSI coupons often are eye-catching “advertisements.”

Research has shown that attractive pictures in FSIs are particularly effective when viewers of the FSI are loyal to a brand other than the one featured in the FSI. In this situation, consumers, loyal as they are to another brand, are not motivated to process arguments about a nonpreferred brand featured in the FSI. Thus, the use of attractive pictures (versus message arguments) is necessary to increase the odds that consumers will clip the FSI coupon.<sup>51</sup>

In addition to FSIs, coupons also are distributed in magazines and as part of the regular (noninsert) newspaper page. Redemption rates for coupons distributed in magazines and newspapers average less than 1 percent.<sup>52</sup> A second problem with magazine- and newspaper-delivered coupons is that they do not generate much trade interest. Also, coupons delivered via magazines and newspapers are particularly susceptible to misredemption. The latter issue is so significant to all parties involved in couponing that it deserves a separate discussion later.

Finally, some coupons are known as *bounce-back coupons* in that they are requested by consumers via toll-free numbers or online. These coupons are then sent directly to consumers in the mail (i.e., they “bounce-back” to consumers). Their redemption rate has been estimated to be about 3.6 percent (see Table 19.4).

### 19-3d IN- AND ON-PACK COUPONS

*In- and on-pack coupons* are included either inside a product’s package or as part of a package’s exterior. This form of couponing should not be confused with the previously discussed instant, or peelable, coupon. Whereas IRCs are removable at the point of purchase and redeemable for that particular item while the shopper is in the store, an in- or on-pack coupon cannot be removed until it is in the shopper’s home to be redeemed on a subsequent purchase occasion. This form of couponing thus offers consumers a *delayed* reward that is designed more for encouraging repeat than trial purchases (see cell 4 in Table 19.1).

A coupon for one brand often is promoted by another brand. For example, General Mills promoted its brand of granola bars by placing cents-off coupons in cereal boxes. Practitioners call this practice *crossruffing*, a term borrowed from bridge and bridge-type card games where partners alternate trumping one another when they are unable to follow suit.

Although marketers use crossruffing to create trial purchases or to stimulate purchase of products, such as granola bars, that are not staple items, in- and on-pack coupons the *same brand* carries are generally intended to *stimulate repeat purchasing*. That is, once consumers have exhausted the contents of a particular package,

they are more likely to repurchase that brand if an attractive inducement, such as a cents-off coupon, is available immediately. A package coupon has *bounce-back value*, so to speak. An initial purchase, the bounce, may stimulate another purchase, the bounce back, when an appealing inducement such as an in-package coupon is made available.<sup>53</sup> (This term should not be confused with the “bounce-back coupon” previously discussed.)

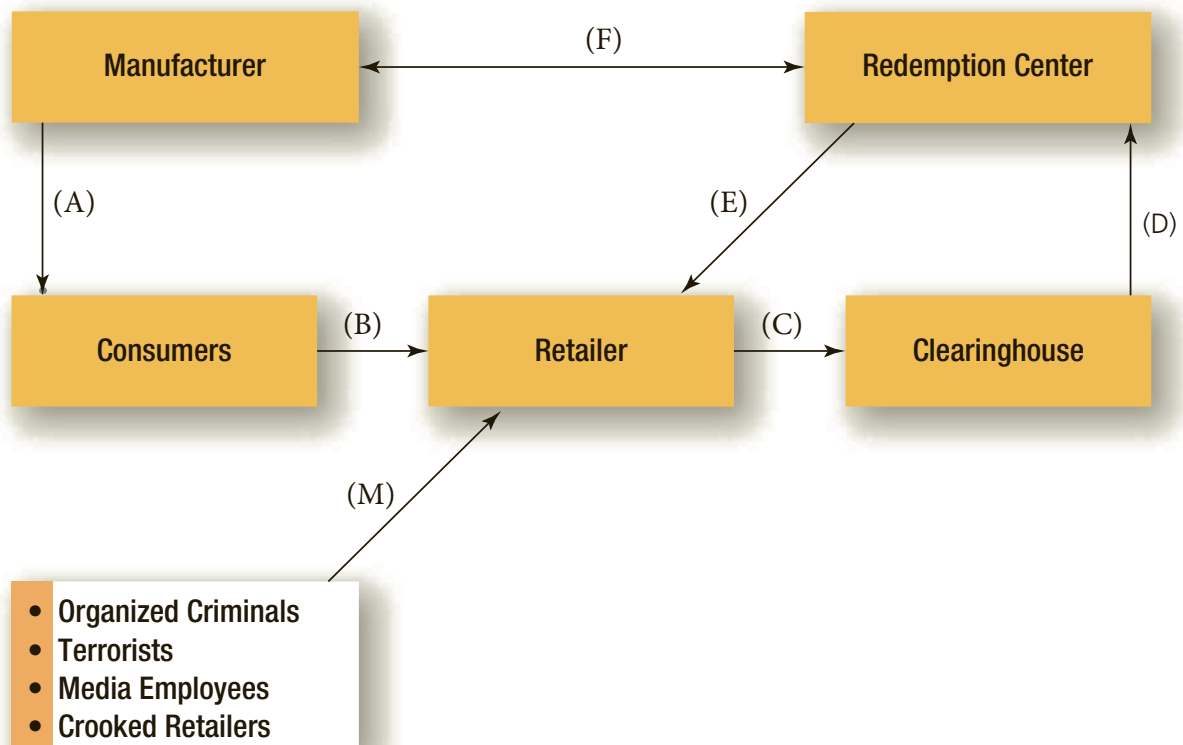
A major advantage of in- and on-pack coupons is that there are virtually *no distribution costs*. Moreover, redemption rates are much higher because brand users receive most of the package-delivered coupons. The average redemption rate for in-pack coupons is around 3.5 percent, whereas the redemption rate for on-pack coupons is 13 percent.<sup>54</sup> Limitations of package-delivered coupons are that they offer delayed value to consumers, do not reach nonusers of the carrying brand, and do not leverage trade interest due to the delayed nature of the offer.

### 19-3e ONLINE AND SOCIAL GROUP COUPONING

Many online sites distribute coupons. Although still representing a very small percentage of all coupons distributed (less than 1%), online couponing is growing in popularity, and redemption rates now stand at 9 percent for those printed at home/work and 12 percent for mobile phones in general. Then, as with other modes of coupon delivery, consumers redeem the printed coupon (or mobile phone bar code) along with the purchased item at checkout.

Allowing consumers to print their own coupons creates considerable potential for *fraud* because it leaves open the possibility that consumers will manipulate the face value and print multiple copies. Moreover, computer-savvy criminals download coupon files and scan coupons into their computers, and then change the bar codes, dates, amounts, and even the sponsoring brand.<sup>55</sup> To avoid this problem, some online couponing services allow the consumer to select the brands for which he or she would like to receive coupons, and then actual

Figure 19.3 ▶ Coupon Redemption and Misredemption Process





Source: Broach Extremators

coupons are mailed. Certainly, the advent of mobile phone coupons can help reduce such problems, including delays, for consumers.

Also, as described in detail in the *Marcom Insight*, social group coupons from Groupon and Living Social (among others) have exploded onto the coupon scene in the last several years. In contrast to the “tipping point,” the minimum number to activate a purchased coupon from Groupon, Living Social offers a free deal if the coupon recipient can sign up three of their friends after purchase. For Groupon, estimated redemptions rates range from 78 to 82 percent *once the coupon is purchased*.<sup>56</sup> Readers are encouraged to revisit the *Marcom Insight* for additional information on Groupon. Finally, the largest messaging app in China—WeChat—began offering “shared coupons,” whereby friends can share coupons via the app with other friends and are notified when one is used.<sup>57</sup>

### 19-3f THE COUPON REDEMPTION PROCESS AND MISREDEMPTION

Coupon misredemption is a widespread problem. The best way to understand how misredemption occurs is to examine the redemption process. A graphic of the process is presented in Figure 19.3.

#### The Process

The usual process begins with a manufacturer distributing coupons to consumers via FSIs, direct mail, or any of the other distribution modes previously described (see *path A* in Figure 19.3). Consumers collect coupons, take them to the store, and present them to a checkout clerk, who subtracts each coupon’s face value from the shopper’s total purchase cost (see *path B*). For the shopper to be entitled to the coupon discount, certain conditions and restrictions must be met: (1) he or she must buy the merchandise specified on the coupon in the size, brand, and quantity directed; (2) only one coupon can be redeemed per item; (3) cash may not be given for the

coupon; and (4) the coupon must be redeemed before the expiration date. (Some coupon misredemption occurs because consumers present coupons that do not meet these requirements.)

Retailers, in turn, redeem the coupons they have received to obtain reimbursement from the manufacturers that sponsored the coupons. Retailers typically hire another company, called a *clearinghouse*, to sort and redeem the coupons in return for a fee (see *path C*). Clearinghouses, acting on behalf of a number of retail clients, consolidate coupons before forwarding them. Clearinghouses maintain control by ensuring that their clients sold products legitimately in the amounts they submitted for redemption.

Clearinghouses forward the coupons to *redemption centers* (see *path D*), which serve as agents of coupon-issuing manufacturers. A redemption center pays off on all properly redeemed coupons (see *path E*) and then is compensated for its services by the manufacturer (see *path F*). If a center questions the validity of certain coupons, it may go to its client, a manufacturer, for approval on redeeming suspected coupons.

The system is not quite as clear-cut as it may appear from this description. Some large retailers act as their own clearinghouses, some manufacturers serve as their own redemption centers, and some independent firms offer both clearinghouse and redemption-center services.

However, regardless of the specific mechanism by which a coupon is ultimately redeemed (or misredeemed), the retailer is reimbursed for the amount of the face value paid to the consumer and for payment of a handling charge, which currently in the United States is 8 cents per coupon. Herein rests the potential for misredemption: An unscrupulous person could earn \$1.08 from redeeming a coupon that has a face value of \$1. One thousand such misredeemed coupons would produce earnings of \$1,080. Exacerbating the potential for misredemption is the fact that many coupons now have face values worth \$1 or more.

## The Consequences

Prior estimates of the misredemption rate have ranged from a low of 7 percent to a high of 40 percent. Many brand managers have assumed a 20 to 25 percent rate of misredemption when budgeting for coupon events. However, it is likely that past estimates of coupon misredemption have been inflated; it now appears that fraudulent coupon redemption is, on average, closer to 3 or 4 percent rather than the 20 to 25 percent assumed previously.<sup>58</sup> Although imposing tighter controls at all stages of the coupon redemption process has reduced the magnitude of misredemption, a 3 to 4 percent misredemption level nevertheless represents millions of dollars lost by manufacturers.

## The Participants

How does misredemption occur and who participates in it? Misredemption occurs at every level of the redemption process. Sometimes *individual consumers* present coupons that have expired, coupons for items not purchased, or coupons for a smaller-sized product than that specified by the coupon. Consumers also on occasion electronically alter the barcodes on computer-generated coupons to receive larger discounts than coupon-offering manufacturers intended.

Some *clerks* take coupons to the store and exchange them for cash without making a purchase. At the store level, *retailer managers* may boost profits by submitting extra coupons in addition to those redeemed legitimately. A dishonest retailer can buy coupons on the black market, age them in a clothes dryer (or even in a cement mixer) so that they appear to have been handled by actual consumers, combine them with legitimate coupons, and then mail in the batch for redemption. In fact, this happened in the case of 53 independent grocers who had fraudulently cashed in \$1 million from submitting aged coupons stolen from newspapers that were discovered with narcotics by Miami police in 1986. U.S. Postal Inspectors (with the help of a clearinghouse) devised a fake coupon, “Broach” bug spray, to help catch the retailers.<sup>59</sup>

Shady *clearinghouses* engage in misredemption by combining illegally purchased coupons with real ones and certifying the batch as legitimate. Texas-based International Outsourcing Services, the largest coupon clearinghouse in the United States handling over 3 billion coupons a year, was indicted in federal court in 2007 for allegedly defrauding CPG companies in the amount of \$250 million over a 9-year period.<sup>60</sup> Workers were forced to take thousands of coupons from “chop crews” that collected Sunday newspaper inserts and then made them look worn in concert mixers. As of 2016, the case is just beginning in federal court.<sup>61</sup> In another case of clearinghouse fraud, the branch manager of International Data’s Memphis office was convicted in 2004 for defrauding companies of more than \$50 million.<sup>62</sup>

Perhaps the major source of coupon misredemption is large-scale *professional misredeemers* (see *path M*, standing for misredemption, in Figure 19.3). These professional misredeemers either: (1) recruit the services of actual retailers to serve as conduits through which coupons are misredeemed or (2) operate phony businesses that exist solely for the purpose of redeeming huge quantities of illegal coupons. Illegal coupons typically are obtained by removing FSIs from Sunday newspapers.

The following examples illustrate organized misredemption efforts. The proprietor of Wadsworth Thriftway store in Philadelphia illegally submitted in excess of 1.5 million coupons valued at more than \$800,000.<sup>63</sup> The top three executives of the Sloan’s Supermarket in New York were indicted for their role in a 20-year operation that led to \$3.5 million in coupon misredemption.<sup>64</sup> Another Philadelphian acted as a liaison between charities, from which he purchased coupons in bulk, and a supermarket employee, who submitted them for repayment by manufacturers or their redemption centers. The middleman earned \$200,000 from the couponing scam before he was arrested.<sup>65</sup> Five operators of Shop n Bag supermarkets in Philadelphia bought nearly 12 million coupons for only 20 to 30 percent of their face value and then redeemed them prior to being arrested.<sup>66</sup> And finally, according to the *New York Post*, Middle Eastern terrorists misredeemed perhaps up to \$100 million by funneling illegally redeemed coupons through minimarts and Hispanic bodegas.<sup>67</sup>

## 19-4 The Role of Promotion Agencies

As discussed in Chapter 7, brand managers typically employ advertising agencies to create advertising messages, buy advertising media, and perform other services related to a brand’s advertising function. Although less known than their ad agency counterparts, brand managers also hire specialized promotion agencies to help formulate promotion strategies and implement tactical programs.

Assume, for example, that a brand manager believes that a new brand needs to be sampled in trial-sized bottles to facilitate high levels of trial-purchase behavior. The promotion also will include coupons in the box containing the trial-size sample. Further, an introductory advertising campaign in magazines will include an attractive sweepstakes offer to draw attention to the ad and enhance consumer involvement with the brand. The brand manager determines that it will be best to use the services of a promotion agency that can expertly design a sampling program that efficiently targets sample distribution to young consumers and a sweepstakes program that would appeal to this age group.



### 19-4a THE RISE OF THE ONLINE PROMOTION AGENCY

In addition to conventional promotion agencies, which traditionally have emphasized programs using offline media and in-store distribution, there is a new generation of promotion agencies that emphasize online promotions. The Internet has become an increasingly important venue for conducting promotions. (See *Chief! Marketer* magazine's Sourcebook for a listing of their top 100 promotion agencies at <http://www.chiefmarketer.com/promo-top-shops-2016>, including GMR Marketing, Epsilon Ryan, and

Momentum Worldwide.) Coupons, sweepstakes offers, online promotional games, free sample offerings, and online continuity programs are just some of the promotions that are virtually ubiquitous online. These programs are effective because they enable marketers to target promotions to preferred consumers, to deliver the programs relatively inexpensively, and to measure results with greater precision than what is possible with other marketing programs. Promotion agencies are a valuable resource for brand managers in both planning strategically sound promotions and carrying through their implementation.

# Summary

This chapter focused on consumer-oriented promotions. The many sales promotion tools available to marketers are classified in terms of whether the reward offered to consumers is immediate or delayed and whether the manufacturer's objective is to achieve trial impact, encourage repeat purchases, or reinforce brand images. Then, specific sales promotion techniques are classified as falling into one of six general categories (see Table 19.1). The first and most important requirement for a successful sales promotion is that it be based on clearly-defined objectives. Second, the program should be designed with a specific target market in mind. It also should be realized that many consumers, perhaps most, desire to maximize the rewards gained from participating in a promotion, while minimizing the amount of time and effort invested. Consequently, an effective promotion, from a consumer-response perspective, should make it relatively easy for consumers to obtain their rewards, and the size of the reward must be sufficient to justify the consumers' efforts. A third essential ingredient for effective sales promotions is that programs should be developed with the interests of retailers in mind—not just those of the manufacturer.

The bulk of the chapter was devoted to two of the major forms of consumer-oriented sales promotions: sampling and couponing. It was pointed out that sampling is the premier promotion for generating trial usage of a new brand. The various methods of distributing samples were presented, and it was emphasized that regardless of distribution method, three practices are necessary for sampling success: (1) targeting rather than mass distributing samples, (2) using innovative distribution methods where appropriate, and (3) undertaking efforts to measure sampling's return on investment. The specific circumstances when sampling is appropriately used were discussed, and various problems with sampling were identified.

The second major type of promotion, couponing, was described in terms of the magnitude of usage and types of distribution methods (via freestanding inserts [FSIs], direct mail, optical scanners, at the point of purchase, mobile phones, online, etc.). The growing role of online and mobile phone couponing with apps was identified. A major section described the coupon-redemption process and in this context discussed the act of coupon misredemption.

## Discussion Questions

1. Why are immediate (versus delayed) rewards more effective in inducing the consumer behaviors a brand marketer desires? Use a specific, concrete illustration from your own experience to support your answer.
2. One of the major trends in product sampling is selective sampling of targeted groups. Assume you work for a company that has just developed an energy bar that tastes almost as good as other energy bars, but has far fewer calories. Marketing research has identified the target market as economically upscale consumers, ages primarily 25 to 54, who reside in suburban and urban areas. Explain specifically how you might selectively sample your new product to approximately two million such consumers.
3. Compare and contrast sampling and media-delivered coupons in terms of objectives, consumer impact, and overall roles in marketing communications strategies.
4. A consumer packaged goods company plans to introduce a new bath soap that differs from competitive soaps by virtue of a distinct new fragrance. Should sampling be used to introduce the product?
5. A manufacturer of golf balls introduced a new brand that supposedly delivered greater distance than competitively priced balls. However, in accordance with restrictions the governing body that regulates golf balls and other golfing equipment and accessories established, this new ball when struck by a driver travels on average only a couple of yards farther than competitive brands. The manufacturer identified a list of three million golfers and mailed a single golf ball to each. In view of what you have learned about sampling in this chapter, comment on the advisability of this sampling program.
6. Present your personal views concerning the number of coupons distributed annually in the United States. Is widespread couponing in the best interest of consumers?
7. Rather than offering discounts in the form of coupons, why don't brand managers simply reduce the prices of their brands?
8. Using Table 19.3 as a rough guide, calculate the full cost per redeemed coupon given the following facts: (1) face value = 75 cents, (2) 20 million coupons

distributed at \$7 per thousand, (3) redemption rate = 3 percent, (4) handling cost = 8 cents, and (5) misredemption rate = 5 percent.

9. Go through a Sunday newspaper and select three FSIs. Analyze each in terms of what you think are the marketer's objectives in using this particular promotion. Do not restrict your chosen FSIs to just those offering coupons. Do the same for online coupons.
10. Assume you are brand manager of Mountain State Bottled Water. This new brand competes in a product category with several well-known brands. Your marketing communications objective is to generate trial purchases among predominantly younger and better-educated consumers. Propose a promotion that would accomplish this objective. Assume that your promotion is purely experimental and that it will be undertaken in a small city of just 250,000 people. Also assume that: (1) you cannot afford product sampling; (2) you will not advertise the promotion; and (3) your budget for this experimental promotion is \$5,000. What would you do?
11. Describe your recent experiences with either group coupons (e.g., Groupon, Living Social) or mobile phone coupons. (Consult a friend if needed.) Have these technological changes helped spark your interest in couponing? The brands or services purchased? Discuss any problems experienced with the new methods.
12. A concluding section of the chapter indicated that promotion agencies have become an increasingly important resource for brand managers in planning and executing promotional programs. One could argue that the fees brand managers pay for the services of promotion agencies might better be spent elsewhere—for example, on increased advertising levels. Present arguments both in favor of and in opposition to hiring promotion agencies.

# Consumer Sales Promotion: Premiums and Other Promotions

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Understand the role of premiums, the types of premiums, and the developments in premium practice.
- 2 Recognize the role of price-off promotions and bonus packages.
- 3 Be aware of the role of rebates and refund offers.
- 4 Know the differences among sweepstakes, contests, and games, and the reasons for using each form of promotion.
- 5 Understand the role of continuity promotions.
- 6 Appreciate retailer-driven promotions.
- 7 Evaluate the potential effectiveness of sales promotion ideas, and the effectiveness of completed promotional programs.



Facebook © 2012. © Burger King Corporation

## Marcom Insight

### Whopper Sacrifice: Is an Online Premium Offer Worth 10 Friends?

One of the most talked about, creative, and quirky online premium offers in years was Burger King's "Whopper Sacrifice" developed by the Crispin, Porter + Bogusky ad agency (see <https://www.youtube.com/watch?v=fcMtnF6Bn2Y>). To earn an "Angry Whopper," visitors to the Whopper Sacrifice Facebook app had to "defriend" 10 Facebook friends to receive a coupon for the offer. In just a week, the Whopper Sacrifice app generated 25,000 coupons with 234,000 friends removed from Facebook user pages. As the Angry Whopper retail price was \$3.69, customers were trading each deleted friend for 37 cents worth of a burger and bun.

One student with more than 200 Facebook friends remarked, "It's a good excuse to get rid of old girlfriends and their families on my account and get a Whopper out of it." Yet, in a follow-up e-mail, the student admitted that it was hard defriending people and that he got stuck at seven. He started questioning, "Do I like one-tenth of a Whopper more than the information these people could one day post on Facebook?"

The Whopper Sacrifice premium offer process worked as follows. First, the Facebook user would go the Whopper Sacrifice Facebook app site that would show 10 of their friends and ask them to “click on a friend to begin the sacrifice.” Once a user would click on a friend, the app responded with “watch the sacrifice” and then showed a picture of their friend being burned. The user is then told, “You liked (your friend). You love the Whopper.” (At this point, the friend is told in the news feed that the user defriended them for a Whopper.) When the user reached 10 people defriended, they received an online coupon for the Angry Whopper.

Burger King relied on viral distribution and did not consult Facebook with this unique premium offer. Unfortunately, because Facebook explicitly says it will not inform users about friend removal, Facebook disabled the Whopper Sacrifice page after only a week. However, this was not before the 25,000 Angry Whopper coupons were requested with user contact information, as well as enormous buzz and press, making Whopper Sacrifice an extremely “successful” online premium offer for Burger King.

Crispin, Porter + Bogusky has been behind other quirky, yet successful stunts for Burger King, including the BK King; “Flame,” a hamburger-scented body spray; “Whopper Virgins,” a series of blind taste tests between the BK Whopper and McDonald’s Big Mac in Romania and Thailand; and “Whopper Freakout,” in which certain BK restaurants removed the Whopper from their menus and videotaped consumer responses for commercials. No doubt, the quirky Whopper Sacrifice offer was “successful” due to its viral nature and publicity value. Yet, the contact information provided (including Facebook “likes”) can be invaluable for further database and marketing efforts. As such, creative sales promotions can work as fully integrated marketing communication programs for the brand.

Sources: Jenna Wortham, “The Value of a Facebook Friend? About 37 Cents,” *New York Times* (blog), January 9, 2009, <http://bits.blogs.nytimes.com/2009/01/09/are-facebook-friends-worth-their-weight-in-beef/>; Brian Morrissey, “Whopper Sacrifice Ends,” *Adweek*, January 15, 2009, <http://www.adweek.com/news/technology/whopper-sacrifice-ends-98062>.

## 20-1 Introduction

This chapter picks up where Chapter 19 left off and discusses major forms of consumer-oriented promotions other than sampling and couponing. To frame the subsequent discussion again, Table 19.1 is repeated in this

chapter as Table 20.1 and represents the primary placement of the sales promotion technique.

The presentation proceeds as follows: first discussed is the use of product *premiums* (cells 2, 3, and 6 in Table 20.1); second, *price-off promotions* (cell 3); third, *bonus packs* (cell 3); fourth, *games* (cell 3); fifth, *rebates*

**Table 20.1** ▶ Major Consumer-Oriented Promotions

CONSUMER REWARD	BRAND MANAGEMENT OBJECTIVE		
	GENERATING TRIAL AND RETRIAL	ENCOURAGING REPEAT PURCHASES	REINFORCING BRAND IMAGE
Immediate	<b>Cell 1</b> <ul style="list-style-type: none"> <li>• Samples (19*)</li> <li>• Instant coupons (19)</li> <li>• Shelf-delivered coupons (19)</li> <li>• Mobile phone coupons and apps (19)</li> </ul>	<b>Cell 3</b> <ul style="list-style-type: none"> <li>• Price-offs (20)</li> <li>• Bonus packs (20)</li> <li>• In-, on-, and near-pack premiums (20)</li> <li>• Games (20)</li> </ul>	<b>Cell 5</b> (No promotions match cell 5’s conditions)
Delayed	<b>Cell 2</b> <ul style="list-style-type: none"> <li>• Scanner-delivered coupons (19)</li> <li>• Media- and mail-delivered coupons (19)</li> <li>• Online coupons (19)</li> <li>• Social (group) coupons (19)</li> <li>• Mail-in and online premiums (20)</li> <li>• Bounce-back coupons (19)</li> <li>• Free-with-purchase premiums (20)</li> </ul>	<b>Cell 4</b> <ul style="list-style-type: none"> <li>• In- and on-pack coupons (19)</li> <li>• Rebates and refunds (20)</li> <li>• Continuity programs (20)</li> </ul>	<b>Cell 6</b> <ul style="list-style-type: none"> <li>• Self-liquidating premiums (20)</li> <li>• Sweepstakes and contests (20)</li> </ul>

\*Indicates the chapter, either Chapter 19 or 20, in which this form of sales promotion is covered.

and refunds (cell 4); sixth, *continuity programs* (cell 4); and seventh, *sweepstakes and contests* (cell 6). Three additional topics will follow the discussion of specific promotional tools: (1) overlay and tie-in promotions, (2) retailer-driven promotions, and (3) techniques for evaluating sales promotion ideas and conducting postmortem analyses.

As in Chapter 19, we emphasize that each of the various promotional techniques covered in this chapter performs a unique role that is best used to achieve limited objectives. This chapter conveys each tool's role and identifies, where appropriate, unique limitations or problems associated with using each tool. It will be useful to review Table 20.1 before studying the various types of promotions.

## 20-2 Premiums

Broadly defined, **premiums** are articles of merchandise or services (e.g., travel) manufacturers offer as a form of gift to *induce action* on the part of consumers and possibly also retailers and the sales force. Our focus in this chapter is on premiums' consumer-oriented role. Premiums represent a versatile promotional tool and—depending on the type of premium offer—are able to generate trial purchases, encourage repeat purchasing, and reinforce brand images. Brand managers' major reasons for providing premiums are to increase consumer brand loyalty and to motivate new purchases.<sup>1</sup>

Brand managers use several forms of premium offers to motivate desired consumer behaviors: (1) free-with-purchase premiums; (2) mail-in and online offers; (3) in-, on-, and near-pack premiums; and (4) self-liquidating offers. These forms of premiums perform somewhat different objectives. Free-with-purchase, mail-in, and online offers are useful primarily for generating brand *trial* or *retrial*. In-, on-, and near-pack premiums serve *customer-holding purposes* by rewarding present consumers for continuing to purchase a liked or preferred brand. And, self-liquidating premiums perform primarily a

**Premiums** A merchandise or services (e.g., travel) manufacturers offer as a form of gift to *induce action* on the part of consumers and possibly also retailers and the sales force.

**Free-with-purchase premiums** Premiums that represent a delayed reward to consumers that are primarily designed to generate *trial purchases*.

*image-reinforcement* function, yet also can serve a *customer-holding* purpose.

### 20-2a FREE-WITH-PURCHASE PREMIUMS

Both marketers of durable goods and consumer packaged goods (CPG) brands provide **free-with-purchase premiums** (also called *free-gift-with-purchase premiums*). As shown in Table 20.1, this form of premium typically represents a delayed reward to consumers that is primarily designed to generate *trial purchases*. Examples of this type

Buy any 4 participating products\*  
Get a \$5 Target GiftCard™

\*Offer valid on participating products, see store for details.

available at Target

Excludes trial and travel sizes. The offer is valid from 8/21/2014 to 9/30/15. See store for participating products. The Bullseye Design, Target and Target GiftCard are registered trademarks of Target Brands, Inc. Terms and conditions are applied to gift cards. Target is not a participating partner in or sponsor of this offer.

of free-with-purchase premium include an offer from Michelin to receive a \$100-retail-value emergency roadside kit with the purchase of four Michelin tires. Also, Michelin provided a \$100 credit card for a purchase of four Michelin tires. Volkswagen gave away Apple iPods with purchases of New Beetle automobiles. Sun City, a nationwide developer of homes for retirees, offered a free golf cart to people who purchased a new home within 18 days from receiving the offer. Finally, Target recently offered a \$5 gift card if one bought any four participating products—helping boost sales for these brands. Attractive premiums such as these might motivate indecisive consumers to purchase the premium-offering item rather than a competitive option.

Yet, although consumers responding to these free premiums are more responsive to future marketing communications and product usage, they tend to represent lower overall customer lifetime values than regular customers.<sup>2</sup>

**Mail-in and Online offers** are premiums in which consumers receive a free item from the sponsoring manufacturer in the mail or online in return for submitting a required number of proofs of purchase or taking some action related to the brand.

Research also has shown that the perceived value of a premium item, or gift, depends on the *value of the brand that is offering the gift*. In particular, the identical item was perceived to be of lower value when it was offered as a free gift by a lower-versus higher-priced brand.<sup>3</sup> This finding buttresses the point made in the previous chapter that sales promotions perform an *informational role* in addition to utilitarian and hedonic functions. This is to say that sales promotions provide signaling information consumers use to judge product quality and value. An important implication of this finding is that brands used as gift items must be cautious that their images are not damaged by the sponsoring brand. The adage “Beware of the company you keep” is as applicable in the premium-partners context as it is in social relations.

## 20-2b MAIL-IN AND ONLINE OFFERS

By definition, **mail-in** and **online offers** are premiums in which consumers receive a free item from the sponsoring manufacturer in the mail or online in return for submitting a required number of proofs of purchase or taking some action related to the brand. As shown in Table 20.1, this form of premium represents a *delayed reward* to consumers that is primarily designed to generate *trial purchases* (cell 2).

For example, Kellogg’s brand of Smart Start cereal urged consumers to mail in for a free cholesterol and wellness kit, and its Frosted Flakes brand offered a children’s book by mail with the purchase of two Kellogg’s cereals (see Figure 20.1). Nestlé’s brand of Nesquik chocolate milk offered a free zip-up hoodie to consumers who provided six UPC bar codes from Nesquik items along with \$6.99 for handling and shipping. Colgate-Palmolive offered a free SpongeBob powered toothbrush to those families that (1) purchased a regular Colgate toothbrush and (2) provided evidence of their child having visited a dentist. As noted in the *Marcom Insight*, Burger King offered a free Whopper with an online coupon if Facebook users “defriended” 10 of their friends on Facebook.

Perhaps as few as 2 to 4 percent of consumers who are exposed to free mail-in offers actually take advantage of these opportunities. However, mail-in premiums can be effective if the premium item is appealing to the target market. This is especially true and challenging in launching sales promotions globally, as noted in the *Insights Online: Global Focus* on “Keys to Success with Global Sales Promotions” found in MindTap.



**Figure 20.1** ▶ Illustration of a Mail-In Premium

insights  
online

For more insight on global sales promotions, go to Insights Online in MindTap.

## 20-2c IN-, ON-, AND NEAR-PACK PREMIUMS

**In-** and **on-pack premiums** offer a free item inside or attached to a package or make the package itself the premium item. In general, in- and on-package premiums offer consumers *immediate value* and thereby encourage increased product consumption from consumers who like or prefer the premium-offering brand (see Table 20.1, cell 3).

For example, Colgate toothpaste sometimes attaches a free Colgate toothbrush to the package, and Pantene shampoo is occasionally packaged with a unit of free Pantene conditioner. Ford Motor Company, in conjunction with Target stores and various brands of Kellogg's cereal (Froot Loops, Frosted Flakes, and Cocoa Krispies), promoted its Fusion automobile by placing 600,000 toy Fusions into these cereal boxes. Among these 600,000 toy cars was one red model affixed with the Target logo. The person buying that particular box won a real Fusion. In a similar promotion, Ralston Purina offered tiny sports car models in about 11 million boxes of six cereal brands. Ten of these boxes contained scale-model red Corvettes. Lucky consumers turned in the models for real Corvettes.

**Near-pack premiums** provide the retail trade with specially displayed premium pieces that retailers then give to consumers who purchase the promoted product. Near-pack premiums are less expensive because additional packaging is not required. Furthermore, near-pack premiums can build sales volume in stores that put up displays and participate fully.

### The Special Case of “Buy X, Get 1 Free” Offers

One of the most frequent promotions consumer packaged goods (CPG) companies use is the “Buy X, Get 1 Free” (“BOGO”) offer—where X stands for 1, 2, 3, or sometimes even 4 purchases that are needed to receive a free gift. The “gift” in this case is another unit of the same brand that is conducting the promotion or a unit of a different brand. For example, to promote their new breakfast menu, Subway offered a buy one sub sandwich and get one free promotion before 9 A.M. in the month of April (Buy 1, Get 1 Free). Crunch Crisp candy wafers ran a Buy 2 Get 1 Free promotion. Also in the candy category, M&M's had a Buy Any 3, Get Any 1 Free offer for the consumer to buy any three of M&M's brands (e.g., M&M's, Twix, 3 Musketeers, Snickers) and receive a free M&M's candy of choice. Little Debbie, a maker of sugar-based snack items, offered a free box of any type of Little Debbie snack (e.g., Honey Buns, Oatmeal Creme Pies) when purchasing four boxes of any type of Little Debbie snack (Buy 4, Get 1 Free). Recently, Sonic

**In- and on-pack premiums** A premium offer that includes a free item inside or attached to a package or makes the package itself the premium item.

**Near-pack premium** A premium offer that provides the retail trade with specially displayed premium pieces that retailers then give to consumers who purchase the promoted product.

**Self-liquidating offer** Known as SLOs by practitioners, this form of premium requires that a consumer mails in a stipulated number of proofs of purchase along with sufficient money to cover the manufacturer's purchasing, handling, and mailing costs of the premium item.



happymay/Shutterstock.com

began running a BOGO national offer for their boneless chicken wings (<https://www.youtube.com/watch?v=bgOFdT8kB6s>), and Tic Tac has a BOGO offer across all of their fresh mint line of products.

The Buy X, Get 1 Free form of premium represents an *immediate reward* to consumers. For manufacturers, this type of premium serves the purpose primarily of *rewarding a brand's loyal customers* or *encouraging trial* from purchasers of competitive brands who are willing to switch in order to save money. In essence, making use of a Buy 1, Get 1 Free offer is tantamount to paying half price for each unit. Unlike other forms of premiums, which typically generate relatively low levels of consumer response, Buy X and Get 1 Free promotions are received heartily by consumers due to the immediacy of the reward and the attractive savings.

## 20-2d SELF-LIQUIDATING OFFERS

The name **self-liquidating offers** (known as SLOs by practitioners) reflects that the consumer mails in a stipulated number of proofs of purchase along with sufficient money to cover the manufacturer's purchasing, handling, and mailing costs of the premium item. In other words, consumers pay for the actual cost (not retail price) of the premium; from the manufacturer's perspective the item is *cost-free*, or, in other words, *self-liquidating*. Attractive self-liquidating premiums can serve to enhance a brand's image (see cell 6 in Table 20.1)—by associating the brand with a positively valued premium item—and also can encourage repeat purchasing by requiring



multiple proofs of purchase to be eligible for the premium offer. Brand managers often use SLOs as a complement to sweepstakes offers. The combination of these two promotions enhances consumer interest in and interaction with the brand.

Gerber employed an SLO promotion when offering the Gerber Keepsake Millennium Cup. With 12 Gerber baby food proofs of purchase and \$8.95, consumers received a cup engraved with their child's name and birth date. This item at retail likely would have sold for around \$25. Gerber projected that many parents would purchase Gerber products exclusively until they acquired the requisite number of proofs of purchase.

It is noteworthy that very few consumers ever send for a premium. Companies expect only 0.1 percent of self-liquidators to be redeemed. A circulation of 20 million, for example, would be expected to produce only about 20,000 redemptions. Industry specialists generally concur that the most

**Price-off promotions** A form of sales promotion that entails a reduction (typically ranging from 10 to 25%) in a brand's regular price. Also called *cents-off* or *price packs*.

important consideration in developing a self-liquidating offer is that the premium be appealing to the target audience and represent a meaningful value. It is generally assumed that consumers look for a savings of at least 50 percent of the suggested retail price. The *Insights Online* in MindTap provides an illustration of a valued and highly successful SLO.

insights  
online

To learn more about Nabisco's successful SLO, go to Insights Online in MindTap.

## 20-2b WHAT MAKES A GOOD PREMIUM OFFER?

It is undeniable that consumers enjoy gifts, like to receive something for free, and are responsive to offers for premium objects that are attractive and valuable. However, brand managers must be careful to select premiums that are suitable in view of the objectives that are intended to be accomplished during the promotional period. In other words, some forms of premiums serve somewhat different objectives. As always, the choice of premium object and delivery method should be based on an explicit detailing of which objective is to be accomplished. Also, managers must be careful in choosing premium items that are compatible with the brand's image and appropriate for the target market.

## 20-3 Price-Offs

**Price-off promotions** (also called *cents-off* or *price packs*) entail a reduction (typically ranging from 10 to 25%) in a brand's regular price. A price-off is clearly labeled as such on the package. This type of promotion is effective when the marketer's objective is: (1) to reward present brand users; (2) to get consumers to purchase larger quantities of a brand than they normally would (i.e., to load them), thereby effectively preempting the competition; (3) to establish a repeat-purchase pattern after initial trial; (4) to ensure that promotional dollars do, in fact, reach consumers (no such assurance is possible with the trade-allowance promotions covered in Chapter 18); (5) to obtain off-shelf display space when such allowances are offered to retailers; or (6) to provide the sales force with an incentive to obtain retailer support. Although price-off promotions perform multiple objectives, this text classifies price-offs as primarily representing a form of *immediate reward* for consumers to encourage *repeat purchasing* (see cell 3 in Table 20.1).

Price-offs are unable to reverse a brand's downward sales trend, produce a significant number

MANUFACTURER'S COUPON EXPIRES 01/02/2017

buy one get one FREE!

Buy any ONE (1) Single Pack (60ct) of Tic Tac® Mints or Tic Tac Mixers and get ONE (1) Single Pack (60ct) of Tic Tac® Mints or Tic Tac Mixers for FREE

0009800-211930

MAXIMUM VALUE \$1.79

© Ferrero. All rights reserved.

\*When You Buy Any One (1) Single Pack (60ct) of Tic Tac® Mints or Tic Tac Mixers (see coupon for details)

of new users, or attract as many trial users as samples, coupons, or premium packs. Further, *retailers often dislike price-offs* because they create inventory and pricing problems, particularly when a store has a brand in inventory at both the price-off and the regular prices. Yet, despite trade problems, price-offs have strong consumer appeal.

### 20-3a FEDERAL TRADE COMMISSION PRICE-OFF REGULATIONS

Manufacturers cannot indiscriminately promote their brands with continuous or near-continuous price-off labeling. To do so would deceive consumers into thinking the brand is on sale when in fact the announced sale price is actually the regular price.

In 1966, the Fair Packaging and Labeling Act was passed by Congress and directed the Federal Trade Commission (FTC) to establish the following price-off labeling regulations:<sup>4</sup>

1. Price-off labels may only be used on brands already in distribution with established retail prices.
2. There is a limit of three price-off label promotions per year per brand size.
3. There must be a hiatus of at least 30 days between price-off label promotions on any given brand size.
4. No more than 50 percent of a brand's volume over a 12-month period may be generated from price-off label promotions.
5. The manufacturer must provide display materials to announce the price-off label offer.
6. The dealer is required to show the regular shelf price in addition to the new price reflecting the price-off label savings.

Additional guidance from the FTC (revised “Fred Meyer Guides”) is offered to avoid price discrimination charges under the Robinson-Patman Act when not offering proportionally equal pricing terms to competing customers, which may result in the likelihood of injury.<sup>5</sup> Of course, cost differences and charging a lower price to meet competition are some of the allowable defenses.

### 20-4 Bonus Packs

**Bonus packs** are extra quantities of a product that a company makes available to consumers at the regular price. Listerine mouthwash provided consumers with a free 250-milliliter bottle along with the purchase of a 1.7-liter bottle. Carnation

**ENTER FOR A CHANCE TO WIN AN X-MEN TRANSFORMATION**

**YOUR GAME PIECE COULD WIN:**

- A 3-night trip to NYC for an exclusive X-MEN: APOCALYPSE makeover and professional photo shoot with special effects artists
- Thousands of other X-Men and White Castle prizes

**WHERE TO GET YOUR GAME PIECE:**

- In-Castle with a medium or large soft drink or in a specially marked White Castle 6-pack from your local retailer

**MANUFACTURER'S COUPON EXPIRES 10/30/2016**

**SAVE 50¢**

On the purchase of one package of 6 White Castle® Microfreezable Hamburgers, Cheeseburgers, Jalapeño Cheeseburgers, or 4 Chicken Breast Sandwiches

0082988-011020

**MANUFACTURER'S COUPON EXPIRES 10/30/2016**

**SAVE \$1.00**

On the purchase of one package of 16 White Castle® Microfreezable Hamburgers or Cheeseburgers

0082988-011021

**RESTAURANT ONLY**

**DOUBLE CHEESE SLIDERS 99¢ each (limit 4)**

**RESTAURANT ONLY**

**BUY ONE GET ONE FREE**

Combo Meal #1-6 or any Breakfast Combo

Source: White Castle

offered consumers 25 percent more hot cocoa mix at the regular price. Flex-A-Min, a product designed to enhance joint flexibility, offered 33 percent more tablets for free. Electrasol dishwashing powder provided 25 percent more of the product at the regular price. Golf ball manufacturers on occasion reward consumers with an extra sleeve of three balls when they purchase a dozen.

Table 20.1 classifies this form of promotion as providing consumers with an *immediate reward* and, for manufacturers, primarily serving a *repeat purchase* objective (see cell 3). In other words, *present brand users* are the consumers most likely to avail themselves of a bonus offer; therefore, receiving a bonus quantity (at no extra price) rewards these consumers for their purchase loyalty and encourages repeat purchasing.

Bonus packs are sometimes used as an *alternative to price-off deals* when the latter are either

**Bonus pack** A form of sales promotion whereby extra quantities of the product that a company makes are made available to consumers at the regular price.

overused or resisted by the trade. The extra value offered to the consumer is readily apparent and for that reason can be effective in *loading current users* and thereby removing them from the market—a defensive tactic that is used against aggressive competitors.

**Games** provide consumers with an instant reward (e.g., a winning game piece).

## 20-5 Games

Promotional games represent a growing form of promotion that are being increasingly used in lieu of sweepstakes and contests. **Games** provide consumers with an *instant reward* and, for marketers, serve primarily to encourage *repeat purchasing* from existing brand users (see cell 3 in Table 20.1). Promotional games are capable of creating excitement, stimulating brand interest, and reinforcing brand loyalty. For example, White Castle recently offered a game in which a winning piece could win a three-night trip to New York City for an exclusive *X-Men Apocalypse* movie makeover and professional photo shoot with special-effects artists. Many varieties of instant-win games are available online. Simply “Google” (instant-win games) and thousands of entries will appear. Playing games online requires that one provide an e-mail address and perhaps additional address information. These games are designed to increase consumer engagement with the sponsoring brand.

One of the many forms of instant-win games is the placement of winning numbers under package lids. Coca-Cola, for example, offered consumers a chance to win \$1 million and a role in a movie from Universal Studios, along with thousands of other smaller prizes, if the consumer opened a can containing winning numbers. V8 vegetable juice had a look-under-the-cap contest in which winners received trips to famous resorts. Note that almost invariably, games are marketed with claims of “instant win” because consumers prefer instant gratification.

### 20-5a AVOIDING SNAFUS

Brand managers and the promotion firms they recruit to execute games have to be extremely careful to ensure that a game does not go awry. There have been a number of celebrated snafus in the conduct of promotional games. For example, due to a printing error, 30,000 residents of Roswell, New Mexico, received scratch-off tickets from their local Honda dealer that pronounced each of them a winner of the dealer’s \$1,000 grand prize. Because the dealer was unable to pay off on the full \$30,000,000 liability, the 30,000 “winners” received an apology along with an opportunity to win a \$5,000 grand prize or one of twenty \$1,000 prizes.<sup>6</sup>

A Pepsi bottler in the Philippines offered a one-million-peso grand prize (which at the time was equivalent to approximately US\$36,000) to holders of bottle caps with the number 349 printed on them. To the bottler’s (and PepsiCo’s) great chagrin, a computer error (by the

printer that produced the game numbers) created 500,000 bottle caps with the winning number 349 imprinted—making PepsiCo liable for approximately \$18 billion! The botched promotion created mayhem for PepsiCo, including

attacks on Pepsi trucks and bottling plants and anti-Pepsi rallies. Pepsi’s sales plummeted in the Philippines, and market share fell by nine points. To resolve the problem, PepsiCo paid consumers with winning caps \$19 apiece. More than 500,000 Filipinos collected about \$10 million. The Filipino justice department excused PepsiCo from criminal liability and dismissed thousands of lawsuits.<sup>7</sup>

The Beatrice Company’s Monday Night Football promotion illustrates another failed game. Contestants scratched silver-coated footballs off cards to reveal numbers, hoping to win the prize offered if the numbers on the cards matched the number of touchdowns and field goals scored in the weekly Monday night National Football League game. Game planners intended the chances of getting a match to be infinitesimal. However, to Beatrice’s great surprise, a salesperson for rival Procter & Gamble (P&G) put in a claim for a great deal more money than Beatrice had planned on paying out. A computer buff, the salesperson cracked the game code and determined that 320 patterns showed up repeatedly in the cards. By scratching off just one line, he could determine which numbers were underneath the rest. Knowing the actual number of touchdowns and field goals scored on a particular Monday night, he would start scratching cards until winning numbers were located. He enlisted friends to assist in collecting and scratching the cards. Thousands of cards were collected, mostly from Beatrice salespeople. The P&G salesperson and friends identified 4,000 winning cards worth \$21 million in prize money! Beatrice discontinued the game and refused to pay up.<sup>8</sup>

This section would be incomplete without discussing a major scandal that rocked the promotions industry in 2001. Brand managers for McDonald’s restaurants and Simon Marketing, a company hired to run a summer promotion for McDonald’s, created a Monopoly-type game that was to provide customers with millions of dollars in promotional prizes. Unfortunately, there was a major problem in the game’s execution. An employee in charge of game security at Simon Marketing allegedly stole winning tickets and distributed them to various friends and accomplices, who obtained approximately \$13 million in prize money. After learning of the theft and informing the Federal Bureau of Investigation, McDonald’s immediately apologized in national advertising and introduced a different promotional game run by another promotional agency so as to make good on its promise to customers and restore its credibility. Apparently, the Simon Marketing employee who ripped off McDonald’s had for several years been stealing winning game tickets from other games.<sup>9</sup>



Justin Sullivan/Getty Images News/Getty Images

**Figure 20.2** ▶ Illustration of a Rebate Offer

A spokesperson for the Promotion Marketing Association, the trade association for the industry, characterized this debacle as a “black eye” for the promotion marketing industry. The moral is clear: Promotional games can go awry, and brand managers must go to extreme lengths to protect the integrity of the games that are designed to build, not bust, relationships with customers.

**Refund** The practice in which manufacturers give cash discounts or reimbursements to consumers who submit proofs of purchase for CPGs

**Rebate** A cash reimbursement for purchasing a durable good.

## 20-6 Refunds and Rebates

A **refund** refers to the practice in which manufacturers give *cash discounts* or reimbursements to consumers who submit proofs of purchase for CPGs (e.g., \$5 refund for ten proofs of purchase for Minute Maid orange juice). The **rebate** (see Figure 20.2) usually refers to a cash reimbursement for purchasing a durable good (e.g., \$3,000 refund on a new car). Recently, U.S. auto dealers increased rebate incentives by \$400 or more—for a total average of \$3,888—as car sales slowed.<sup>10</sup> Unlike coupons, which the consumer redeems at retail checkouts, rebates are mailed to manufacturers (or their representatives) with proofs of purchase, and, unlike premiums, the consumer receives a cash reimbursement with a rebate rather than a gift item. Marketers are fond of rebates because they provide an alternative to the use of coupons and stimulate increased consumer purchasing. Rebate offers can reinforce brand loyalty, provide the sales force with something to talk about, and enable the manufacturer to flag the package with a potentially attractive deal.

There are many examples of refunds for CPG companies. For example, Campbell’s offered a \$5 refund to customers who provided cash register receipts indicating they had bought 10 cans of Campbell’s soups and had also purchased a DVD for the movie, *Shrek the Third*. Hartz Ultra Guard (for killing fleas and ticks) offered a \$3 refund on that item. For CPG brands, refunds require consumers to acquire slips

at retail sites or to go online to designated websites and download appropriate forms. Some evidence indicates that consumers are more responsive to online than off-line (via traditional retail outlets) rebate and refund offers.<sup>11</sup>

Refunds and rebates can help broaden the accessibility of key events that are tied to one’s brand. For example, in advance of the Long Beach Grand Prix Race, specially marked packages of Tecate brands offered mail-in refunds worth \$100 off two 3-day race tickets and four 12-packs of Tecate or \$10 off a single-day admission with the purchase of a 12-pack. Tecate’s purpose was to make the event more affordable for their primary target market (Hispanic consumers in Southern California) and drive traffic to retail stores.<sup>12</sup>

Durable goods companies, especially manufacturers of electronic items, are increasing their use of rebates. As noted earlier, automobile companies are among the major users. As another example, General Motors offered a \$7,500 rebate on its premium-priced Cadillac XLR.<sup>13</sup> European manufacturers are increasingly using rebates when selling their cars in the United States.

Rebates offer consumers *delayed* rather than immediate value, since the consumer must wait to receive the reimbursement. In using these programs, manufacturers achieve *customer-holding objectives* by encouraging consumers to make multiple purchases (in the case of CPG items) or by rewarding previous users with cash discounts for again purchasing the manufacturer’s brand. Rebate offers also can attract switchers from competitive brands who avail themselves of attractive discount offers.

### 20-6a PHANTOM DISCOUNTS

Perhaps the major reason manufacturers are using rebates more now than ever is that many consumers *never bother to redeem them*. Thus, when using rebates, manufacturers get the best of both worlds—they stimulate consumer purchases of rebated items without having to pay out the rebated amount because most consumers do not mail in rebate forms. Thus, rebates can be thought of as a form of *phantom discount*.<sup>14</sup> It is for this reason that some consumer advocates condemn manufacturers’ use of rebates.

One may wonder why consumers purchase rebated items but then fail to take the time to submit forms to receive the rebate amount. Academic research offers an explanation. It appears that at the time of brand choice, consumers tend to exaggerate the benefit to be obtained from a rebate relative to the future effort required to redeem a rebate offer.<sup>15</sup> In other words, it seems that many consumers engage in a form of *self-deception* when purchasing rebated merchandise. They find rebate offers attractive and on that basis decide to purchase particular brands. Yet, later on at home, they are unwilling to

commit the necessary time and effort to send in rebate forms, or simply forget to do so.

Are manufacturers exploiting consumers when offering rebates, or are consumers to be blamed for their own inaction? This should make for interesting class discussion.

### 20-6b REBATE FRAUD

Rebate fraud occurs by manufacturers, retailers, and consumers. Manufacturers commit fraud when promoting rebate offers, but then fail to fulfill them when consumers submit rebate slips with accompanying proof of purchase. Retailers sometimes advertise attractive rebates, but then do not disclose (or disclose only in fine print) that the rebates will not arrive for several months, or that the consumer must purchase another item to be eligible for the rebate. For example, a retail advertisement may claim that a computer has a \$400 rebate offer, but neglect to mention that the consumer must sign up for three years of online service to receive it.<sup>16</sup>

It is not just marketers that engage in misleading or fraudulent rebating practices. At times, some consumers undertake their own form of rebate-related fraud with bogus claims paid out to “professional” rebaters. Fraud occurs when professionals acquire their own cash registers, generate phony cash-register receipts, and send them on to manufacturers to collect refund checks without making the required product purchases. Other scam artists use computers to design phony UPC symbols, which they mail to manufacturers as evidence of purchases they actually have not made. Of course, these professionals do not send in just single refund requests; rather, they submit requests under multiple names and then have refund checks mailed to different post office boxes.

Two promotions illustrate this fraudulent practice.<sup>17</sup> One manufacturer ran a \$3 refund offer requiring submission of a UPC to be eligible for the refund. Three out of four refund requests had the same misprinted UPC number on them. Investigators determined that *Moneytalk*, a former refunding magazine, had misprinted the product's UPC number in one of its issues. In a second case, a manufacturer's rebate forms were available in stores before its product reached store shelves. Nonetheless, this did not deter 2,200 rebate requests from flowing in immediately—all accompanied by bogus cash-register receipts and UPC numbers.

Postal inspectors and marketers are taking aggressive efforts to curtail refunding fraud. Many marketers are beginning to state on their refund and rebate forms that they will not send checks to post office boxes. Others are stating that checks will be mailed only to the return address listed on the envelope. Because organized refund redeemers use computers

to generate mailing and return address labels, manufacturers are further deterring fraud by stipulating on their refund and rebate forms that printed mailing labels are prohibited.

## 20-7 Sweepstakes and Contests

Sweepstakes and contests are widely used. Although sweepstakes (or sweeps) and contests differ in execution, both offer consumers the opportunity to win cash, merchandise, or travel prizes.

### 20-7a SWEEPSTAKES

In a sweepstakes, winners are determined purely *on the basis of chance*. Therefore, proofs of purchase *cannot* be required as a condition for entry. Here are two sweepstakes offers to illustrate this technique. A sweep from Pottery Barn (see Figure 20.3) encouraged consumers to visit their Hawaii sweepstakes website, text “Hawaii” to a number, or scan their Quick Response (QR) code with a mobile phone to win a six-day trip for four to the island of O’ahu. (Some companies include 2-D barcodes with promotions that can be scanned to view video demos and other information.)

Another example of a sweepstakes is from Musselman's applesauce. This ad (see Figure 20.4) is aimed at young mothers and provides a sweepstakes offer for entrants at the Musselman's Facebook site for a chance to win one of 50 six-month memberships to a Curves fitness center. Note that in Figure 20.4 a coupon offer (save 75 cents) and a mail-in-premium offer are provided in addition to the sweepstakes. As described later in this chapter, this form of multiple promotion is known as an *overlay* promotion—one promotion “laid” on top of others.

Sweepstakes represent a very popular promotional tool. Approximately three-quarters of packaged-goods



Colin Underhill/Alamy Stock Photo

**Figure 20.3** ▶ Illustration of a Sweepstakes Offer

marketers use sweepstakes, and nearly one-third of households participate in at least one sweepstakes every year.<sup>18</sup> Compared with many other sales promotion techniques, sweepstakes are relatively inexpensive, simple to execute, and are able to accomplish a variety of marketing objectives. In addition to reinforcing a brand's positioning and image, well-designed sweepstakes can attract attention to advertisements, promote increased brand distribution at retail, augment sales-force enthusiasm, and reach specific groups through a prize structure that is particularly appealing to consumers in the group.

The effectiveness and appeal of a sweepstakes is generally limited if the sweepstakes is used alone. When tied in with

**Contest** A form of consumer-oriented sales promotion in which consumers have an opportunity to win cars, merchandise, or prizes. Usually, there is some "skill" or effort required on the part of participants.

social media, advertising, point-of-purchase displays, and other promotional tools, sweepstakes can work effectively to produce significant results. However, consumer response to sweepstakes is very low, perhaps less than 0.5 percent.<sup>19</sup> Nonetheless, because sweeps require less effort from consumers and generate greater participation, brand managers greatly prefer this form of promotion over contests.

### 20-7b CONTESTS

In a **contest**, the participant must act according to the rules of the contest and may or may not be required to submit proofs of purchase. Usually, there is some "skill" or effort

**Save 75¢** on any two (2) packages of Musselman's® 6-pack 4 oz. cups of Apple Sauce

**Save 75¢** on any two (2) packages of Musselman's® 4-pack Big Cup or Squeezables or Squeezables Sour Apple Sauce or 23-24 oz. jars of Apple Sauce or 18-pack 4 oz. cups of Apple Sauce.

**MAIL TO: MUSSELMAN'S MAIL-IN OFFER, P.O. BOX 423, EAST RUTHERFORD, NJ 07073-0423**

**MAIL-IN ORDER FORM**  
Expires 02/28/17

\*NAME \_\_\_\_\_  
\*EMAIL \_\_\_\_\_  
\*ADDRESS \_\_\_\_\_  
\*CITY/STATE/ZIP \_\_\_\_\_

**SAVE 10 PROOFS AND GET:** five digital music downloads or one digital movie rental or one three-month digital magazine subscription or a \$25 restaurant.com eGift code

**SAVE 20 PROOFS AND GET:** ten digital music downloads or two digital movie rentals or one six-month digital magazine subscription or one movie theater ticket (\$13 value) or a \$50 restaurant.com eGift code

**CHECK THIS BOX TO RECEIVE INFORMATION ON FUTURE MUSSELMAN'S OFFERS AND PROMOTIONS.**

**MUSSELMAN'S**  
**MUSSELMOMS**  
- sweepstakes -  
**YOU COULD WIN A Curves MEMBERSHIP!**

You have this "mom" thing mastered. You're smart, efficient and superhuman - a true MusselMom. The kids know it, and it's time the world did, too.

Enter to be one of the 50 **Curves** six-month membership winners by posting a video, picture or written story that shows why you or a friend are MusselMom material. It could be anything from touting tricks of the trade to sharing a memorable mom moment. Visit Musselman's Facebook Page or Musselmans.com/offers-promos for more details and to learn an easy way to claim a Curves® workout for you and a friend.

**- TREAT YOUR FAMILY TO DINNER & A MOVIE -**  
READ ABOVE TO LEARN HOW.

Figure 20.4 ▶ Illustration of Another Sweepstakes Offer

required on the part of participants. Illustrative of many contests is one conducted for Hershey's Syrup. Managers of this brand, in conjunction with its promotion agency, created a contest that appealed to soccer moms and their children. The contest required submission of an action photo of a 6- to 17-year-old child or teen playing soccer along with an original store receipt with the purchase price of a 24-ounce

bottle of Hershey's Syrup circled. This promotion associated Hershey's Syrup with soccer, which is enjoyed by millions of families, and also encouraged brand purchasing so as to allow the consumer to participate in the contest and thus become eligible to win any of numerous prizes. A contest such as this fits with the brand's wholesome image and matches the interests of many consumers in its target market.

Contests sometimes require participants to do more than simply send in a photo. For example, in a contest for Klement's Sausage (see Figure 20.5), if tailgaters at Milwaukee's Miller Park are spotted by the Klement's "Brat Patrol" grilling Klement's sausages or bratwurst, they could win Brewers T-shirts for six friends and their picture shown on the Miller Park Jumbotron. (Klement's is the originator of the sausage race during the sixth inning of every Milwaukee Brewers' home game.) In Johnsonville's "No Ordinary Burger Contest," participants were to share their unique Johnsonville burger recipes to become finalists in a live TV cook-off in order to win a \$10,000 grand prize (see Figure 20.5). Dickies, a manufacturer of work clothes, required entrants to nominate someone for the "American Worker of the Year" award and to explain in 100 words or less their reasons why the nominee deserved this recognition. A promotion for Sun-Maid raisins required entrants to create an original recipe that used at least one-half cup of raisins and could be prepared in 20 minutes or less. Pillsbury (now part of General Mills and maker of dessert baking mixes and frostings) required entrants to explain in 50 words or less, "What upcoming event would you like the Pillsbury Doughboy to help you celebrate and why?" The makers of Motrin IB ran

an *Extreme Makeover: Home Edition* contest whereby participants could win an extreme makeover of their homes valued at \$50,000. The contest required participants to send a photo of their homes and write an essay regarding why their homes were worthy of an extreme makeover. This contest appropriately related Motrin to the successful TV program *Extreme Makeover: Home Edition* in claiming

that Motrin IB (Ibuprofen) is *Home Edition's* “partner in pain relief.” One caution with contests is that some have consumers write essays praising their brand, and thus, are likely to be viewed as somewhat self-serving.<sup>20</sup>

Consumer response to contests is typically lower than even the very low response to sweepstake offers. Nonetheless, if a standard distribution of approximately 40 million FSIs announce a contest and if, say, 0.4 percent of recipients participate in the contest, there will be a total of 160,000 participants. By virtue of participating in the contest, these individuals will have interacted with the brand more than as mere recipients of advertising messages and

thus will have an opportunity to bolster their attitude toward the brand.

**20-7c ONLINE SWEEPS AND CONTESTS**

Online promotional events are growing in importance. Most companies now direct consumers to register online to participate in a sweepstakes or contest. Online sweeps and contests (along with online games) appeal to consumers and also further the interest of brands by creating awareness, building consumer interaction with the brand, and enabling the expansion of a brand’s opt-in e-mail

The advertisement is split into two main sections. The top section features a photograph of Miller Park stadium with the text "Grillax... it's Klement's Time!" in a large, red, cursive font. Below the photo, it says "Win up to 6 Brewers T-shirts for your Tailgate Party!" and "If the Klement's Brat Patrol spots you tailgating at Miller Park with Klement's, you could win Brewers t-shirts for up to 6 friends in your tailgate party AND get your picture up on the Miller Park Jumbotron! See www.facebook.com/KlementSausage for details." The bottom section contains two identical coupon codes: "Save \$1.00 When You Buy TWO PACKAGES of Klement's 1 LB Fresh Brats or Italian Sausage." and "Save \$1.00 When You Buy TWO PACKAGES of Klement's 1.4oz Pre-cooked Sausage Links." Each coupon includes a barcode and the Klement's logo.

© Klement's Sausage Company, Inc.

The advertisement has a green grassy field background. On the left, a large red banner says "WIN \$10,000!". Below it are two packages of Johnsonville patties: "ORIGINAL BRATWURST PATTIES" and "CHEDDAR BRATWURST PATTIES". On the right, large yellow and red text reads "ENTER THE NO ORDINARY BURGER CONTEST" with the Johnsonville logo below it.

Source: Johnsonville Foods

Figure 20.5 ▶ Illustration of Promotional Contests



**Figure 20.6** ▶ Illustration of an Online Sweepstakes Offer

database. For example, a recent online (and package) sweepstakes from Land O'Frost meat products offered a grand-prize trip for a VIP family trip to Hollywood associated with the premier of the film (*Storks*) or a chance to win movie-related merchandise (see Figure 20.6). You can visit the websites of some of your favorite brands and

see that almost every one offers some form of online sweeps, contest, or game.

## 20-8 Continuity Promotions

Promotions sometimes reward consumers' repeat purchasing of a particular brand by awarding points leading to reduced prices or free merchandise. It follows from this description why **continuity promotions** also are referred to as *reward*, *loyalty*, or *point* programs. In general, continuity promotions reward consumers for purchasing a particular brand repeatedly or shopping regularly at a particular store. The program need not be based on point accumulation and instead may simply require a certain number of purchases to be eligible for prizes. For example, Budget Rent-A-Car ran a continuity promotion whereby renters received free Bolle ski goggles with five Budget car rentals.

Frequent-flyer programs by airlines (e.g., Southwest Rapid Rewards, Delta Sky Miles, United Mileage Plus) and frequent-guest programs by hotels (Best Western Rewards, Hyatt Gold Passport, Marriott Rewards) represent one form of loyalty program. Flyers and hotel guests accumulate points that can be redeemed eventually for free flights and lodging. These programs encourage consumers to stick with a particular airline or hotel to accumulate requisite numbers of points as quickly as possible. Renaissance Hotels, for example, provided 1,000 bonus miles per stay plus three extra miles for every U.S.

dollar spent. These points were added to hotel guests' frequent-flyer point totals with designated airlines. Holiday Inn's Priority Club program rewards consumers for stays at Holiday Inn and at other hotels that InterContinental Hotels Group (IHG) owns. Priority Club members redeem these points for free stays at Holiday Inns or at

other IHG hotels. IHG's website claims that in one 4-year period members redeemed over 50 billion points worth \$340 million.<sup>21</sup>

Consumer goods companies are increasingly using a variety of loyalty programs. For example, Purina, a marketer of pet foods, has a program aimed at its Pro Club members that enables them to earn Purina Points when clipping and mailing in “weight circles” from bags of participating Purina brand dog foods. These points can be redeemed for rewards such as rebate checks (used for future purchases of Purina products), checks for veterinary services, and gift certificates for restaurants and travel.<sup>22</sup>

Consumers who are already loyal to a brand that offers a point program or other continuity plan are rewarded for what they would have done anyway—namely, buy a preferred brand on a regular basis. In such a case, a point program does *not* encourage repeat purchasing, although it can serve to cement an already strong relation with the customer. Conversely, point programs can encourage consumers whose loyalty is divided among several brands to purchase more frequently the brand that awards promotion points or rewards repeat purchases in some other fashion. This is perhaps where continuity programs have the greatest value.

## 20.9 Overlay and Tie-In Promotions

Discussion to this point has concentrated on individual sales promotions. In practice, promotions often are used in combination to accomplish objectives that could not be achieved by using a single promotional tool. Furthermore, these techniques, individually or in conjunction with one another, are often used to promote simultaneously two or more brands either from the same company or from different firms.

The simultaneous use of *two or more sales promotion techniques* is called an **overlay**, or *combination*, program. The *simultaneous promotion of multiple brands in a single promotional effort* is called a **tie-in**, or *group*, promotion. Overlay refers to the use of multiple promotional tools, whereas *tie-in* refers to the promotion of multiple brands from the same or different companies. Overlay programs and tie-ins often are used together, as the following sections illustrate.

### 20.9a OVERLAY PROGRAMS

Media clutter, as noted repeatedly in past chapters, is an ever-present problem facing marketing communicators. When used individually, consumers may never notice promotion tools (particularly coupons). A combination of tools—such as the use of a coupon with a sweepstakes offer (as previously shown in Figure 20.6 for Land

#### Continuity Promotions

Promotions that reward consumers for purchasing a particular brand repeatedly or shopping regularly at a particular store. Also referred to as reward, loyalty, or point programs.

**Overlay** The simultaneous use of two or more sales promotion techniques.

**Tie-in** The simultaneous promotion of multiple brands in a single sales-promotion effort.

O’Frost’s Family Movie Experience Sweepstakes with a \$1.00 off coupon)—increases the likelihood that consumers will attend to a message and process the promotion offer. In addition, the joint use of several techniques in a well-coordinated promotional program equips the sales force with a strong sales tool and provides the trade with an attractive incentive to purchase in larger quantities (in anticipation of enhanced consumer response) and to increase display activity.

### 20.9b TIE-IN PROMOTIONS

Growing numbers of companies use tie-ins (group promotions) to generate increased sales, to stimulate trade and consumer interest, and to gain optimal use of their promotional bud-

gets. Tie-in promotions are cost-effective because the cost is shared among multiple brands. A tie-in involves two or more brands from the same company (an *intracompany* tie-in; see Figure 20.7 for Bush’s different brands of beans) or from different companies (an *intercompany* tie-in; see Figure 20.8 for Campbell’s and Disney/Pixar Studios).

Tie-in relationships between *complementary* brands from different companies are being used with increasing regularity. For example, the combined use of Dole (Dole Food Company, Inc.) bananas and Reese’s (The Hershey Company) toppings can be shown with a coupon that might indicate purchasers of two bottles of Reese’s peanut butter toppings can receive up to two pounds of Dole bananas free. Thus, knowing *how* your consumers use your brand with other brands is important. In addition to achieving strategic marcom objectives, tie-ins represent a cost-efficient promotion because multiple brands—from the same company or from different companies—share the cost of producing and distributing the FSIs that promote the brands.

#### Implementation Problems

Tie-in promotions are capable of accomplishing useful objectives, but not without potential problems. Promotion *lead time*—the amount of time required to plan and execute a promotion—is lengthened because two or more entities have to coordinate their separate promotional schedules. Furthermore, creative conflicts and convoluted messages may result from each partner trying to receive primary attention for its product or service.

To reduce problems as much as possible and to accomplish objectives, it is important that: (1) the profiles of each partner’s customers be similar with regard to pertinent demographic or other consumption-influencing characteristics, (2) the partners’ images reinforce each other (e.g., Reese’s and Dole both are well-known brands with images of consistent high quality), and (3) the partners be willing to cooperate rather than imposing their own interests to the detriment of the other partner’s welfare.

MANUFACTURER COUPON    EXP: 11/15/18

# \$1 OFF!

when you buy any two (2) BUSH'S® Baked Beans (28 oz), Grillin' Beans® (21-22 oz) or Sriracha Beans (22 oz)

(Excludes BUSH'S Cocina Latina®, Variety Beans, Chili Beans, Hummus Made Easy and Chili Magic!)

Not valid with any other offer. Dealer: Bush Brothers & Company will pay face value plus 5¢ handling for each coupon marked on the product. Additional features showing without check to cover coupons redeemed need be shown upon request, or coupons submitted may be voided. Customer must pay sales tax. Void where taxed, prohibited or restricted by law. One coupon per feature, per day. Cash value 100¢. MAIL TO: BUSH BROTHERS & CO., EMS DEPT 30400, 1 Everett Dr., Dal Rio, TX 78048

0039400-090900




## BRING HOME THE FLAVORS THAT BRING US TOGETHER

With a family full of delicious flavors, BUSH'S® gives you so many ways to gather around great taste.



MEET THE WHOLE FAMILY AT BUSHBEANS.COM



Source: Bush Brothers & Company

**Figure 20.7** ▶ Illustration of an Intra-company Tie-In Promotion

## 20.10 Retailer Promotions

Discussion has thus far focused on manufacturer promotions that are directed at consumers. Retailers also design promotions for their present and prospective customers. These retailer-inspired promotions are created to increase store traffic, offer shoppers attractive price discounts or other deals, and build customer loyalty.

### 20.10a RETAIL COUPONS

Coupons are a favorite promotion among many retailers in the grocery, drug, and mass-merchandise areas of business. Some grocery retailers hold special “coupon days” when they redeem manufacturer coupons at double or even triple their face value. For example, in some states, a grocery store on a “triple-coupon day” would deduct \$1.50 from the consumer’s bill when he or she submits a manufacturer’s coupon with a face value of 50 cents. Retailers typically limit their double- or triple-discount offers to manufacturer coupons having face values of 99 cents or less.

Retailers outside the grocery industry frequently use coupons. For example, Bed Bath & Beyond, a well-known home accessories retailer, regularly offers coupons worth 20 percent off most items carried in the store. Ashley Furniture, which markets itself as the number-one home furniture brand in North America, offered coupons in one promotion ranging in value from \$50 to \$250. The \$50-value coupon was redeemable on any purchase ranging from \$499 to \$999, whereas the \$250-value coupon could be redeemed only on purchases of \$2,500 or more.

### 20.10b FREQUENT-SHOPPER (LOYALTY) PROGRAMS

A number of retailers offer their customers frequent-shopper (loyalty) cards that entitle shoppers to discounts on select items purchased on any particular shopping occasion. (A recent variation is the retail mobile phone app that is used similarly.) As an example, in a Wednesday advertising flyer, one grocery retailer offered its cardholders savings such as \$2.99 on the purchase of two Mrs. Paul’s fish fillets, \$1.25 when buying two cans of Minute Maid juice, and \$1.70 with the purchase of

Freschetta pizza. Customers receive these savings by scanning their frequent-shopper cards on checkout, with savings then deducted from the shopper’s bill. These frequent-shopper cards encourage repeat purchasing from a particular retail chain. Because they are designated with labels such as “VIC” (very important customer), they also serve to elevate the shopper’s sense of importance to a store. Finally, frequent-shopper card programs provide

<p>MANUFACTURER COUPON EXPIRES: 11/26/18</p> <p><b>SAVE 40¢</b></p>  <p>on any FOUR (4) Campbell's® Condensed Chicken Noodle, Tomato or Cream of Mushroom Soup</p> <p><small>CONSUMER: One coupon per purchase. Good only on product indicated. Consumer pays any sales tax. Void if sold, exchanged, transferred or reproduced (including by electronic, photographic, digital or other means in any media). RETAILER: Redeem on terms stated for consumer upon purchase of product indicated. ANY OTHER USE CONSTITUTES FRAUD. If submitted in compliance with Campbell Soup Company's Coupon Redemption Policy (copies available upon request), you will be reimbursed face value plus 8¢. Mail to: CAMPBELL SOUP COMPANY, CMS DEPT. #51000, ONE FAWCETT DRIVE, DEL RIO, TX 78840. Failure to produce on request invoices proving purchase of stock covering coupons may void all coupons submitted. Void if tampered, restricted, prohibited or presented by other than retailers of our products. Cash value 1/100¢. © 2018 CSC Brands LP</small></p> <p>0051000-108505</p> 	<p>MANUFACTURER COUPON EXPIRES: 11/26/18</p> <p><b>SAVE 40¢</b></p>  <p>on any TWO (2) Campbell's® Condensed Soup (excluding Chicken Noodle, Tomato or Cream of Mushroom Soup)</p> <p><small>CONSUMER: One coupon per purchase. Good only on product indicated. Consumer pays any sales tax. Void if sold, exchanged, transferred or reproduced (including by electronic, photographic, digital or other means in any media). RETAILER: Redeem on terms stated for consumer upon purchase of product indicated. ANY OTHER USE CONSTITUTES FRAUD. If submitted in compliance with Campbell Soup Company's Coupon Redemption Policy (copies available upon request), you will be reimbursed face value plus 8¢. Mail to: CAMPBELL SOUP COMPANY, CMS DEPT. #51000, ONE FAWCETT DRIVE, DEL RIO, TX 78840. Failure to produce on request invoices proving purchase of stock covering coupons may void all coupons submitted. Void if tampered, restricted, prohibited or presented by other than retailers of our products. Cash value 1/100¢. © 2018 CSC Brands LP</small></p> <p>0051000-108508</p> 	<p>MANUFACTURER COUPON EXPIRES: 11/26/18</p> <p><b>SAVE 50¢</b></p>  <p>on any THREE (3) Campbell's® Slow Kettle® Style, Homestyle or Chunky™ Soup</p> <p><small>CONSUMER: One coupon per purchase. Good only on product indicated. Consumer pays any sales tax. Void if sold, exchanged, transferred or reproduced (including by electronic, photographic, digital or other means in any media). RETAILER: Redeem on terms stated for consumer upon purchase of product indicated. ANY OTHER USE CONSTITUTES FRAUD. If submitted in compliance with Campbell Soup Company's Coupon Redemption Policy (copies available upon request), you will be reimbursed face value plus 8¢. Mail to: CAMPBELL SOUP COMPANY, CMS DEPT. #51000, ONE FAWCETT DRIVE, DEL RIO, TX 78840. Failure to produce on request invoices proving purchase of stock covering coupons may void all coupons submitted. Void if tampered, restricted, prohibited or presented by other than retailers of our products. Cash value 1/100¢. © 2018 CSC Brands LP</small></p> <p>0051000-108512</p> 
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**FINDING DORY**

*Campbell's.*

**SOMETHING THE WHOLE FAMILY CAN DIVE INTO**

No MSG added  
No Artificial Flavors

And don't forget to search for these family favorites

© Disney Pixar © 2018 CSC Brands LP

Source: The Campbell Soup Company

Figure 20.8 ▶ Illustration of an Inter-company Tie-In Promotion



© Susan Van Etten

retailers with valuable databases containing information on shopper demographics and purchase habits, and in turn, for serving up (online) promotions.

In another form of loyalty program, some retailers provide customers with plastic cards or apps that are presented to clerks for automatic scanning with every purchase made from that particular store. For example, Dick's Sporting Goods is a retail chain that specializes in a wide variety of sporting goods products. Dick's has a "Score Card" program whereby customers submit their cards with every purchase and accumulate points enabling discounts on subsequent purchases. This is a perfect application of a loyalty, or rewards, program—one in which earning points fits perfectly with the point-scoring athletic games whose equipment and apparel is featured in this retail chain's stores.

### 20.10c SPECIAL PRICE DEALS

Many retailers use a variety of creative ways of reducing prices on a temporary basis. For example, Goody's—a regional discount apparel chain—has run a price-discounting promotion in which paper shopping bags are mailed out to shoppers—paper bags of the sort that one sees in grocery stores. The bags are printed with statements such as, "20% off everything you can stuff in this bag." The deal is offered on a one-day-only basis and then repeated again at different times throughout the year. The value of a special-pricing program such as this is that it creates excitement on the part of customers, while at the same time not requiring blanket price reductions for all customers—just those who bring their bags to the store on the designated date.

### 20.10d SAMPLES, PREMIUMS, AND GAMES

Sampling is another form of retailer-based sales promotion that is in wide use. Although many instances of store sampling represent joint programs between stores and manufacturers, retailers are sampling their own store or private label products increasingly. Club stores such as Costco are famous for providing a variety of food samples on any given purchase occasion. Such promotions serve to increase sales of the sampled items and also possess an entertainment-type value that enhances the shopping experience.

Stores also offer premiums to encourage purchases of select items. For example, Quiznos offered a free six-inch submarine sandwich when customers purchased chips and a medium fountain drink. Publix, a regional grocery chain known for its outstanding service, conducted a promotion in which consumers purchasing any of four well-known national brands (e.g., Heinz organic ketchup, Del Monte organic sweet peas) would receive a free equivalent item from Publix's GreenWise private label (e.g., buy Heinz organic ketchup and receive a free bottle of GreenWise organic ketchup).

Finally, games are a way for retailers to promote their store and engage their customers. For example, Kroger-owned Pick 'n Save stores, a Midwest grocery chain, offered a Monopoly "collect and win" game promoted with their weekly coupon booklet. With the tagline, "Shop, Play & Win," this ad combined advertising for the store, a Monopoly game that offered the chance to win over \$2,800,000 in prizes, and a product coupon, all in one promotion. Of course, as discussed earlier with the national McDonald's Monopoly game, retailers should be careful with suppliers and other parties in protecting the integrity of such promotions and in delivering top prizes to consumers.

## 20.11 Evaluating Sales Promotion Ideas

Numerous alternatives are available to manufacturers and retailers when planning sales promotions. There also are a variety of objectives that effective promotion programs can achieve. The combination of numerous alternatives and diverse objectives leads to a staggering array of possibilities. A systematic procedure for selecting the type of sales promotion is therefore essential. The following sections outline procedures for appraising potential promotions during the idea stage and then, after they have run, for evaluating their effectiveness.

### 20.11a A PROCEDURE FOR EVALUATING PROMOTION IDEAS

The following straightforward, three-step procedure directs a brand manager in determining which promotion ideas and approaches have the best chance of succeeding.<sup>23</sup>

PNS\_THU

**STARTS THURSDAY, JUNE 16TH, THRU  
WEDNESDAY, AUGUST 31ST, 2011**

MONOPOLY GAME PLAY DATES 6/16/11-8/31/11 OR UNTIL ALL GAME TICKETS HAVE BEEN DISTRIBUTED  
NO PURCHASE NECESSARY TO PLAY OR WIN. SEE STORE FOR OFFICIAL RULES AND ODDS CHART.

**Pick 'n Save**  
SHOP, PLAY & WIN!

**MONOPOLY**  
COLLECT & WIN  
GAME

Over  
**\$2,800,000** in Prizes

Plus over \$13,000,000 in special coupon offers  
**SEE NEXT 3 PAGES FOR MORE INFO!**

The MONOPOLY name and logo, the distinctive design of the gameboard, the four corner squares, the MR. MONOPOLY name and character, as well as each of the distinctive elements of the board and playing pieces are trademarks of Hasbro for its property trading game and game equipment.  
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**Game Time Savings!**  
**COUPON BOOK**

**OVER \$62.00  
IN COUPON SAVINGS!**

COUPONS VALID THURSDAY, JUNE 16 THROUGH WEDNESDAY, JUNE 29, 2011.  
VISIT US ONLINE AT: [WWW.PICKNSAVE.COM](http://WWW.PICKNSAVE.COM)

**GAME SAVER!**

PRICE EFFECTIVE: THURSDAY, JUNE 16 THROUGH WEDNESDAY, JUNE 29, 2011.  
LIMIT 1 WITH THIS COUPON • COUPON NOT AVAILABLE IN-STORE

**\$2.88**

Breyers  
Ice Cream  
Selected 48 Oz.  
Varieties

LIMIT 1 WITH CARD  
THEREAFTER 2/\$7

Save Up To \$3.71

MONOPOLY COLLECT & WIN GAME ITEM

**Pick 'n Save**

Limit one (1) coupon per order, per household. Must present coupon at time of purchase to receive sale price. No reproductions accepted. Redeemable only at Pick 'n Save Stores.

© Pick 'n Save

### Step 1: Identify the Objectives

The most basic yet important step toward developing a successful promotion is the clear identification of the specific objective(s) to be accomplished. Objectives should be specified as they relate both to the trade and to ultimate consumers; for example, objectives may be to generate

trial, to load consumers, to preempt competition, to increase display space, and so on. Nielsen (via a joint venture with IRI) uses national consumer panel sales data (<http://www.ncppanel.com/content/ncp/ncphome.html>) traditionally shown as the product of the *penetration rate* (i.e., trial) and the *buy rate* (i.e., repeat purchases).<sup>24</sup> In turn, the buy rate can be split into the product of *purchase frequency* and *purchase size*. Based on this data, certain sales promotions then can be matched with objectives and their measures (e.g., based on Table 20.1, sampling and online premiums with penetration or trial; bonus packs with purchase size; and in-pack premiums with purchase frequency).

Also, in this first step, the promotional planner must commit the objectives to writing and state them specifically and in measurable terms. For example, “to increase sales” is too general. In comparison, “to increase display space by 25 percent over the comparable period last year” is a specific and measurable goal.

### Step 2: Achieve Agreement

Everyone involved in a brand’s marcom program must agree with the objectives devel-

oped. Failure to achieve agreement on objectives results in various decision makers (such as the advertising, sales, and brand managers) pushing for different programs because they have different goals in mind. Also, in line with the following step, a promotion program can more easily be evaluated with a specific objective as opposed to a vague generalization.

### Step 3: Evaluate the Idea

With specific objectives established and agreement achieved, the following five-point evaluation system can be used to rate alternative sales promotion ideas:

1. *Is the idea a good one?* Every idea should be evaluated against the promotion's objectives. For example, if increasing product trial is the objective, a sample or a coupon would be rated favorably, whereas a sweepstakes would not.
2. *Will the promotion idea appeal to the target market?* A contest, for example, might have great appeal to children, but for certain adult groups have disastrous results. In general, it is critical that the target market be treated as the benchmark against which all proposals should be judged.
3. *Is the idea unique, or is the competition doing something similar?* The prospects of receiving interest from both the trade and consumers depend on developing promotions that are not ordinary. Creativity is every bit as important to the success of promotions as it is with advertising.
4. *Is the promotion presented clearly so that the intended market will notice, comprehend, and respond positively to it?* Sales promotion planners should start with one fundamental premise: Most consumers are unwilling to spend much time and effort figuring out how a promotion works. It is critical to a promotion's success that instructions be user-friendly. Let consumers know easily and clearly what the offer is and how to respond to it.
5. *Is the proposed idea cost-effective?* This requires an evaluation of whether the proposed promotion will achieve the intended objectives at an affordable cost. Sophisticated promotion planners cost out alternative programs and know in advance the likely bottom-line payoff from each promotion option.

#### 20.11b POSTMORTEM ANALYSIS

The previous section described a general procedure for evaluating proposed promotion ideas while they are in the planning stage, before actual implementation. It also is important to have a way of evaluating a promotional program after it has been implemented as well. Such an evaluation would be useful for future planning purposes, especially if the evaluation becomes part of brand management's "institutional memory" rather than discarded shortly after the evaluation is completed. As previously noted, one direct way is to examine the impact of the promotion on Nielsen consumer panel data—for example, the penetration rate (i.e., trial) and buy rate (i.e., repeat purchases consisting of purchase frequency and size). In addition, a seasoned practitioner in the promotion industry has proposed judging completed promotion programs in terms of five characteristics:

expense, efficiency, execution ease, equity enhancement, and effectiveness.<sup>25</sup>

#### Expense

A promotion program's expense is the sum of the direct outlays invested in the promotion. Typical cost elements include the expense to create the promotion; costs to advertise it; and payouts for coupons redeemed, refunds paid, game prizes awarded, samples given away, and so on.

#### Efficiency

Efficiency represents a promotion's *cost per unit moved*. The efficiency metric is calculated simply by dividing the total cost of the completed promotion by the number of units sold during the promotional period.

#### Execution Ease

This represents the total time and effort that went into the planning and execution of a promotion. Obviously, everything else held constant, promotions that require less time and effort are preferred.

#### Equity Enhancement

This criterion involves a subjective assessment of whether a promotion has enhanced a brand's image or possibly even detracted from it. A sweepstakes offer, for example, may serve to enhance a brand's equity by associating it with, say, a prestigious grand prize. A self-liquidating premium may accomplish the same goal. Comparatively, a game may be inappropriate for some brands by virtue of appearing tacky. As always, the evaluation depends on the brand positioning and target-market situation.

#### Effectiveness

A promotion's effectiveness can best be assessed by determining the total units of the promoted item that were sold during the promotional period.

#### Combining the Individual Factors

Having evaluated a completed promotion program along the five "E" dimensions, it is desirable that the individual evaluations be combined into a *single score*. This can be done simply enough by using a straightforward model that weights each of the five factors in importance and then summates the products of each factor's score by its weight. A model such as the following could be used:

$$\text{Program } j\text{'s Score} = \sum_{i=1}^5 (E_{ij} \times W_i) \quad (20.1)$$

where,

Program  $j$  = A just-completed promotional program (one of many potential promotional programs that have been run for a brand and subsequently evaluated).

**Table 20.2** ▶ Evaluation of Three Completed Promotional Programs

PROGRAM <i>j</i>	EXPENSE WEIGHT = 0.2	EFFICIENCY WEIGHT = 0.1	EXECUTION EASE WEIGHT = 0.1	EQUITY ENHANCEMENT WEIGHT = 0.3	EFFECTIVENESS WEIGHT = 0.3	TOTAL SCORE
Program 1	7	6	7	5	9	6.9
Program 2	9	8	8	7	8	7.9
Program 3	8	9	8	10	9	9.0

$E_{ij}$  = Evaluation of the  $j$ th promotional program on the  $i$ th evaluation factor (i.e., the efficiency factor, the executional ease factor).

$W_i$  = Weight, or relative importance, of the  $i$ th factor in determining promotion success. (Note that the weight component is subscripted just with an  $i$ , and not also a  $j$ , because the weights are constant across program evaluations. Comparatively, evaluations of the individual factors,  $E_{ij}$ , require a  $j$  subscript to reflect the likelihood of varying evaluations across different promotional programs.)

Table 20.2 illustrates this model.<sup>26</sup> Consider a company that has run three promotional programs during a particular year. On completion, each program was evaluated with respect to the five evaluative criteria (expense, efficiency, etc.) on 10-point scales, with 1 indicating poor performance and 10 reflecting an excellent execution on each evaluative criterion. Notice also in Table 20.2 that the five criteria have been weighted as follows: Expense = 0.2, Efficiency = 0.1, Execution Ease = 0.1, Equity Enhancement = 0.3, and Effectiveness = 0.3. These weights sum to 1 and reflect the relative importance *to this particular brand manager* of the five factors. (Relative importance of these factors will obviously vary across different brands, depending on each brand's image, the company's financial standing, etc.)

Given this particular set of weights and evaluations, it can be concluded that program 1 was the least successful

of the three promotions, whereas program 3 was the most successful (see Table 20.2). Brand managers can thus archive these evaluations for reference. Eventually, norms can be established for specifying the average effectiveness level different types of promotions (samples, coupon programs, rebates, etc.) achieve.

Of course, Table 20.2 is purely illustrative. However, in actual promotion situations it is possible for brand managers to evaluate promotions formally, provided that the procedure for evaluating each criterion is clearly articulated, systematically implemented, and consistently applied to all promotions that are appraised. The point to be appreciated is that the model on which Table 20.2 is based is suggestive of how promotional programs *can* be evaluated.

Intelligent brand managers should develop their own models to accommodate their brand's specific needs, but the point to be emphasized is that this can be accomplished with the application of thought and effort. The alternative to having a formalized evaluation system, such as the ones proposed here, is simply to run promotion events and then never to evaluate their success. Can you imagine as a student what it would be like to take courses, but never to receive grades, never to be evaluated? How would you know how well you have done? How would your institution know whether grading standards have changed over the years? How would prospective employers know how well you performed in college compared with other job applicants? Like it or not, evaluation is important and good business practice suggests it. The issue is not whether to evaluate promotions, but how to try to do it in a valid and reliable manner.



# Summary

This chapter focused on consumer-oriented promotions other than sampling and couponing. Specific topics addressed included the use of product premiums, price-off promotions, bonus packs, games, rebates and refunds, sweepstakes and contests, and continuity programs.

The discussion of premiums included the various forms of premium offers: free-with-purchase premiums; mail-in and online offers; in-, on-, and near-pack premiums, including Buy X, Get 1 Free (BOGO) offers; and self-liquidating offers (SLOs). Also described were the specific conditions necessary to execute a successful premium promotion.

Price-off promotions, which typically entail a reduction ranging from 10 to 25 percent of a brand's regular price, were described as a form of sales promotion that provides consumers with an immediate reward and serves marketers by encouraging repeat purchasing. As a result of the Fair Packaging and Labeling Act, the Federal Trade Commission was required to issue specific regulations regarding price-off promotions, and these were presented in the chapter.

Bonus packs provide consumers with extra quantities of a promoted brand for free (e.g., 25 percent more than the regular size). This form of promotion represents an immediate reward for consumers and serves to encourage repeat purchasing by rewarding consumers for their loyalty to a brand.

Games are frequently used as a means of increasing consumer enthusiasm and involvement with a brand, and in so doing perform a repeat-purchasing function by providing consumers with an instant reward. The implementation of games is fraught with the potential for snafus, so brand managers and their promotion agencies should exercise caution when using this form of promotion.

CPG companies use refunds and durable goods companies use rebates as a means of offering consumers a cash discount—but, of course, only if they go to the effort of redeeming the offer. Marketers are fond of refunds and rebates because they provide an alternative to the use of coupons and stimulate consumer purchase behavior. Rebate offers can reinforce brand loyalty, provide the sales force with something to talk about, and enable the manufacturer to flag the package with a potentially attractive deal. Because most consumers never redeem rebates, this form of promotion is referred to as a phantom discount. Consumers, in a sense, self-deceive themselves in buying

a brand to take advantage of the rebate offer, but then do not undertake the necessary effort to redeem the rebate within the period allotted by the brand marketer.

Both sweepstakes and contests offer consumers the opportunity to win cash, merchandise, or travel prizes. Unlike other forms of sales promotions, sweeps and contests serve primarily image-enhancement purposes rather than generating trial usage or encouraging repeat-purchase behavior. Whereas sweeps require no effort on the part of the consumer other than mere entry via mail or more frequently online, contests require some “skill” or effort from the consumer (e.g., writing an essay describing why they should win). Sweeps generate higher responses from consumers than contests and thus are generally preferred by brand managers and promotion agencies.

Continuity promotions are used by many marketers to encourage brand loyalty and repeat-purchase behavior. These include the ubiquitous frequent-flyer programs offered by airlines, frequent-guest offerings from hotels, and many variants of these well-known programs that are offered to encourage consumers to continue purchasing a brand so as to accumulate points that eventually can be redeemed to receive some form of reward.

Also, some sales promotions involve the use of two or more sales promotion techniques in combination with one another (i.e., an overlay, or combination, program) or the simultaneous promotion of multiple brands in a single promotional effort (i.e., a tie-in, or group, promotion). Both types of joint promotions are used as a means of spreading promotional dollars among multiple brands or multiple companies and achieving greater impact from every promotional offering.

The chapter concluded by discussing different forms of retailer-driven promotions and procedures for testing promotions, whether undertaken by manufacturers or retailers. First discussed was a three-step procedure for testing promotion ideas prior to their implementation; then the effects of promotions on consumer panel data (e.g., penetration rate [trial] and buy rate [repeat purchases]) were explained; finally a method for conducting a postmortem analysis of completed promotions was described. This latter analysis involves evaluating what can be referred to as the five “E” factors related to promotion success: expense, efficiency, execution ease, equity enhancement, and effectiveness.

# Discussion Questions

1. Present a position on the following statement (voiced by a student who read a previous edition of this textbook): “I can’t understand why in Table 20.1 mail-in premiums are positioned as accomplishing just a trial-impact function. It would seem that this form of promotion also accomplishes repeat-purchasing objectives.”
2. Your company sells hot dogs, brats, and other processed meats. You wish to offer a self-liquidating premium that would cost consumers approximately \$25, would require five proofs of purchase, and would be appropriately themed to your product category during the summer months. Your primary market segment consists of families with school-age children crossing all socioeconomic strata. Suggest two premium items and justify your choices.
3. What is the purpose of the Federal Trade Commission’s price-off regulations based on the Fair Packaging and Labeling Act?
4. Compare bonus packs and price-off deals in terms of consumer impact.
5. How can sales promotion reinforce a brand’s image? Is this a major objective of sales promotion?
6. Compare sweepstakes, contests, and games in terms of how they function and their relative effectiveness.
7. Your company sells antifreeze. Sales to consumers take place in a very short period, primarily September through December. You want to tie in a promotion between your brand and the brand of another company that would bring more visibility to your brand and encourage retailers to provide more shelf space. Recommend a partner for this tie-in promotion and justify the choice.
8. Have you participated in online promotions (e.g., on Facebook), and if so, what has been your experience? Considering just a single online promotion that you participated in and considering yourself representative of the brand’s target market, do you think the promotion accomplished its objective?
9. What are your thoughts regarding the future of online and social media promotions?
10. Visit a local grocery store and identify five instances of sales promotions. Describe each promotion and comment on the objectives that promotion was intended to accomplish for the sponsoring brand or for the retailer.
11. Have you ever participated in some form of loyalty program? What has been your experience? For example, do you think the program served to increase your repeat business with the sponsoring brand? Have you noticed targeted sales promotions due to your participation?

## The Practice and Environment of Integrated Marketing Communications (IMC)

- 1 An Overview of Integrated Marketing Communications
- 2 Enhancing Brand Equity and Accountability
- 3 Brand Adoption, Brand Naming, and Intellectual Property Issues
- 4 Environmental, Regulatory, and Ethical Issues

## Fundamental IMC Planning and Decisions

- 5 Segmentation, Targeting, and Positioning
- 6 The Communications Process and Consumer Behavior
- 7 The Role of Persuasion in IMC
- 8 IMC Objective Setting and Budgeting

## Advertising Management and Media Choices

- 9 An Overview of Advertising Management
- 10 Effective and Creative Ad Messages
- 11 Endorsers and Message Appeals in Advertising
- 12 Traditional Ad Media
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## Sales Promotion Management

- 18 Sales Promotion Overview and the Role of Trade Promotion
- 19 Consumer Sales Promotion: Sampling and Couponing
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## Other IMC Tools

- 21 Public Relations, Content Marketing, Viral Marketing, and Sponsorships
- 22 Packaging, Point-of-Purchase (POP) Communications, and Signage
- 23 Personal Selling

# Part 5

## Other IMC Tools

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**23** Personal Selling **530**

**P**art 5 includes three chapters that examine mar-com tools that are somewhat less prominent than media advertising and sales promotions, but nonetheless play important roles in consumer persuasion and behavior. *Chapter 21* examines the topic of public relations along with content marketing (native advertising), viral marketing and sponsorships. Covered in this chapter are the different activities involved in public relations, the long-term practice of reactive public relations, along with the more recent practice of proactive public relations (including content marketing). A special section is devoted to negative publicity, including the issue of how to handle rumors and urban legends. Also covered in Chapter 21 are the related topics of managing word-of-mouth influence, and viral and buzz marketing for brands. Chapter 21 concludes with event- and cause-oriented sponsorships, including discussion of specific factors a company should consider when selecting an event or cause to sponsor.

*Chapter 22* examines packaging, point-of-purchase (POP) communications, and signage. First, a useful framework that describes the visual, informational, emotional, and workable features that determine

packaging success is presented. Then, the valuable functions that POP performs for consumers, manufacturers, and retailers are detailed. The chapter also presents important results from the POPAI Consumer Buying Habits Study, and provides evidence regarding the impact displays can have on increasing a brand's sales volume. Finally, the strengths and limitations of billboard advertising are examined, as well as how out-of-home (OOH) audience size and characteristics are measured.

*Chapter 23* is devoted to the study of personal selling and introduces students to the often challenging and rewarding job of the salesperson. The chapter describes the different types of salespeople, their duties and activities performed, helpful customer relationship management (CRM) software for sales (e.g., Salesforce.com), advantages and disadvantages of personal selling as a career, and the basic steps involved in the personal selling process as applied to a case study. Also discussed are the determinants of salesperson performance and effectiveness, as well as characteristics of outstanding salespeople.

# Public Relations, Content Marketing, Viral Marketing, and Sponsorships

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Appreciate the nature and role of public relations and marketing public relations.
- 2 Explain the differences between proactive marketing public relations (e.g., with content marketing) and reactive marketing public relations.
- 3 Understand the different types of commercial rumors and how to control them.
- 4 Discuss the importance of word-of-mouth influence.
- 5 Understand the role of viral marketing and building brand buzz in creating favorable word-of-mouth.
- 6 Explain the nature of event sponsorships, including reasons for their growth, factors in selecting appropriate events, and the sponsorship agreement.
- 7 Understand how and why companies ambush events.
- 8 Appreciate the importance of measuring sponsorship performance.
- 9 Recognize the nature, role, and benefits of cause-related marketing.
- 10 Understand that accountability is a key consideration for cause-oriented as well as event-oriented sponsorships.



Stephen Hilger/Bloomberg/Getty Images

## Marcom Insight

### Rats and False Eight-Legged Chicken Rumors: KFC/Taco Bell Restaurants

There are few things in life people find more appalling than rats. Imagine the disgust experienced upon viewing a televised scene of multiple rats running around a restaurant. That restaurant happened to be a KFC/Taco Bell store located in the Greenwich Village section of New York City. Following a call to its tip line from a disgruntled consumer, New York television station WNBC first reported the rats-running-wild story on its early morning news program. The initial response in a joint statement issued by KFC and Taco Bell (both restaurant chains owned by Yum Brands) was that the incident is totally unacceptable, but that it is isolated to a single restaurant that would not be allowed to reopen until it has been sanitized.

One might think: “That should do it. The company has acknowledged the problem and proposed a solution—close the store until it receives a clean bill of health.” Unfortunately, in a



testing/Shutterstock.com

world of YouTube, social media, and high-speed Internet connections, no problem is isolated and limited to a single store once it is broadcast worldwide through blogs linked to other blogs. A spokesperson for Nielsen BuzzMetrics (now Nielsen Social), which monitors situations such as this, put it in these terms: “In the world of fast food, hygiene is the No. 1 talk driver, and rats take it to food-hygiene-on-steroids level. Rats are Defcon 5.”<sup>1</sup> In fact, shortly after the story appeared on WNBC-TV more than 1,000 blogs had cited or spread the story along with the footage of rats scurrying around the restaurant.

Prior to the advent of the Internet, stories such as this would have died rather quickly in the absence of

an efficient medium for their initial distribution and continuation. Nowadays, negative news about products and stores is quickly and widely disseminated—especially when it is as profoundly vivid and disgusting as a scene of rats in a restaurant. And, although company officials can claim that this is an isolated event, consumer psychology is such that people may generalize the negative scene to all KFC/Taco Bell restaurants, and all suffer some diminution in brand equity, which requires aggressive public relations efforts to restore KFC/Taco Bell’s equity.

Recently, KFC faced another public relations challenge. But this time, it was a false rumor spread by three Chinese media tech firms that their chicken products sold in Chinese restaurants had eight legs. The companies eventually were ordered to make an official apology and fined a combined 600,000 yuan (\$91,191), an amount that fell far short of the 1.5 million yuan (\$227,977) that Yum Brands had asked each company to pay in damages. The moral of these stories is that it is best to be prepared for possible negative publicity and rumors that are likely in the course of running a business—issues that are examined in this chapter.

Sources: Adapted from Kate MacArthur, “Taco Hell: Rodent Video Signals New Era in PR Crises,” *Advertising Age*, February 26, 2007, 1, 46; Laurie Burkitt, “KFC Eight-Legged Chickens a Lie,” *Wall Street Journal*, June 2, 2015, B3; “KFC Wins China Payout over Mutant Chicken Rumors,” *Reuters News Service*, February 2, 2016, <http://www.reuters.com/article/us-yum-brands-china-lawsuit-idUSKCN0VC0BL>.

## 21-1 Introduction

This chapter explores the multiple roles that public relations performs in integrated marketing communications programs, including proactive marketing public relations (e.g., content marketing) and reactive marketing public relations. Also examined are word-of-mouth influence and the role of viral marketing and building brand buzz in creating favorable word-of-mouth. Finally, we discuss sponsorship marketing and its two elements: event sponsorships and cause-related marketing programs.

**Public relations (PR)** is an organizational activity involved with fostering goodwill between a company and its various publics. PR efforts are aimed at various corporate constituencies, including employees, suppliers, stockholders, governments, the public, labor groups, citizen action groups, and consumers. As just described, PR involves relations with *all* of an organization’s relevant publics. In other words, most PR activities do *not* involve marketing per se but rather deal with general management concerns. This more

encompassing aspect of public relations can be called *general PR*.

Table 21.1 lists the many general PR activities and functions. *Advice and counsel* can be especially important as corporations and celebrities have faced PR challenges on many occasions. Recently, for example, VW has been sued for fitting its cars with emission “defeat devices”; Subway’s longtime celebrity Jared Fogle pleaded guilty to child pornography charges and is serving time in prison; Chipotle experienced several major *E. coli* incidents; Samsung Galaxy Note 7 phone batteries caught fire leading to a major recall; and Wells Fargo is being sued over opening up almost 2 million bank and credit card accounts without customer

authorization.<sup>2</sup> All of these incidents require astute advice, legal counsel, and gauging of the impact on the company and its brands. Also, companies often rely on industry lobbyists in a more proactive sense involving legislation affecting their company and/or industry. Helping write and disseminate *publications* is part of general PR, with ethical codes of conduct and pricing guidelines (to avoid antitrust issues) as

**Public relations (PR)** An organizational activity involved with fostering goodwill between a company and its various publics (e.g., employees, suppliers, consumers, government agencies, stockholders).

**Table 21.1** ▶ Public Relations Activities and Functions

- Advice and Counsel
- Publications
- Publicity
- Relationships with Other Publics
- Corporate Image Advertising
- Public Opinion Research
- Miscellaneous Activities

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examples. *Publicity* involves establishing positive contacts with the media. This might include press releases and press conferences in the form of product-release statements, executive statement releases, and featured articles as part of content marketing. Establishing *relationships with other publics* includes fostering goodwill with the many constituencies listed above, such as shareholders. For example, a Walmart shareholders' meeting proved to be contentious due to allegations of bribery from a Mexican subsidiary to obtain contracts.<sup>3</sup> *Corporate image advertising*, covered in Chapter 10, attempts to increase a firm's name recognition, establishes goodwill for the company and its products, or identifies itself with some meaningful and socially acceptable activity. The PR department and/or staff will be involved in such activities. Monitoring *public opinion* is very important given the nature of general PR and is sometimes contracted through opinion research suppliers such as Harris Interactive or the Gallup organization, among others. This also may involve measuring blogs and social media for sentiments (i.e., the net of positive versus negative postings) as captured by firms such as Google Analytics, Nielsen Social, and Radian 6. Finally, there is a *miscellaneous* category of general PR duties, including educational efforts, speakers, scholarships, corporate donations, and other philanthropic activities.

Our primary concern in this chapter is with the more narrow aspect of PR involving an organization's interactions with actual or prospective customers. This marketing-oriented aspect of PR is called **marketing public relations**, or **MPR** for short.<sup>4</sup> MPR is performing an increasingly important marcom function for both B2C and B2B companies. Whereas advertising messages are regarded by consumers as direct attempts to influence their attitudes and behaviors, MPR messages come across not as advertisements, but as unbiased reports

from journalists. An MPR message in comparison with an advertisement assumes a mantle of *credibility*. MPR messages also are considerably less expensive than advertisements because the airtime or newspaper space is provided free of charge by the newspaper, magazine, radio, television station, Internet, or social media site that transmits the message. Thus, for the dual reasons of credibility and low expense, MPR messages (and thus the PR departments and PR agencies that produce them) have achieved a more prominent position in firms' IMC efforts.

### 21-1a MARKETING PUBLIC RELATIONS (MPR) VERSUS ADVERTISING

The role that PR, or MPR, should play in a firm's marcom program has been a matter of no small debate over the years. Most marcom practitioners and brand managers have historically believed that MPR's role is specialized and limited. Some critics contend that MPR is too difficult to control and measure. However, a provocative book titled *The Fall of Advertising & the Rise of PR* has challenged prevailing beliefs and argued for an expanded role for PR.<sup>5</sup> The book's authors contend that PR and its major tool, publicity, represent the most important instrument in the marketer's tool bag. The book's thesis is that new products can be introduced with little if any advertising and, instead, that a brand's marketing communicators can get the job done with creative and powerful PR. The authors use as anecdotal evidence the success of well-known brands such as eBay, PlayStation, Starbucks, The Body Shop, and BlackBerry—all of which were introduced without large advertising budgets and focused instead on publicity and word-of-mouth buzz.

The authors of *The Fall of Advertising & the Rise of PR* have a point when stating that PR (or what we are calling *MPR*) is invaluable for introducing new products. However, two very important qualifications must be acknowledged: first, all new products cannot, contrary to the authors' claim, rely on publicity for successful introductions. Considering that most new products are *not* high in uniqueness or visibility, the news media are not interested in presenting free publicity for these mundane or ordinary products. Second, even for those truly unique new products that can benefit from MPR, when newsworthiness wears off, free publicity may not be available. At that point, the brand-equity-maintenance responsibility falls squarely on advertising's shoulders.

### 21-2 Proactive versus Reactive MPR

As noted, MPR is an increasingly important component in companies' marcom programs. A survey of senior marketing managers determined that MPR registers

**Marketing public relations (MPR)** A narrower aspect of PR involving an organization's interactions with actual or prospective customers.



very high for purposes of increasing brand awareness, providing credibility, reaching purchase influencers, and educating consumers.<sup>6</sup>

MPR can be further delineated as involving both proactive and reactive initiatives. **Proactive MPR** is a tool for communicating a brand's merits and typically is used in conjunction with other marcom tools such as advertising and sales promotions. Dictated by a company's marketing objectives, proactive MPR is offensively rather than defensively-oriented and opportunity-seeking rather than problem solving. **Reactive MPR**, by comparison, describes the conduct of PR in response to outside influences. It is undertaken as a result of external pressures and challenges brought by competitive actions, shifts in consumer attitudes, or other external influences. Reactive MPR deals most often with influences having *negative consequences* for an organization. Reactive MPR attempts to repair a company's reputation, prevent market erosion, and regain lost sales.

### 21-2a PROACTIVE MPR

The major role of proactive MPR is in the area of product introductions or product revisions. Proactive MPR is integrated with other IMC tools to give a product additional exposure, newsworthiness, and credibility. This last factor, *credibility*, largely accounts for the effectiveness of proactive MPR. Whereas advertising is often suspect—because we question advertisers' motives, knowing they have a personal stake in influencing us—product announcements by a newspaper editor, a television broadcaster, or blogger are notably more believable.

As previously noted, *publicity* is the major tool of proactive MPR. Like advertising, the fundamental purposes of marketing-oriented publicity are to enhance a brand's equity in two ways: (1) facilitating brand awareness by increasing recognition and recall of publicity releases and (2) augmenting brand image by forging in customers' minds strong and favorable associations with the brand. Three widely used forms of publicity are product releases, executive-statement releases, and feature articles.

**Product releases** announce new products, provide relevant information about product features and benefits, and inform interested listeners and readers about how to obtain additional information. Product releases are often published in the product section of trade magazines (i.e., publications that cater to specific industries) and in general-interest business publications (such as *Bloomberg BusinessWeek*, *Forbes*, *Fortune*, and *The Wall Street Journal*), in electronic as well as hard-copy form. Product

releases also are reprinted in local and national (e.g., *USA Today*) newspapers. Increasingly, product releases are made available online via social media, such as YouTube, Facebook, and LinkedIn, and by means of blogs and podcasts.

**Executive-statement releases** are news releases quoting CEOs and other corporate executives. Unlike a product release, which is restricted to describing a new or modified product, an executive-statement release may address a wide variety of issues relevant to a corporation's publics, such as the following:

- Statements about industry developments and trends
- Forecasts of future sales
- Views on the economy
- Comments on research and development or market research findings
- Announcements of new marketing programs the company launches
- Views on foreign competition or global developments
- Comments on environmental issues or community outreach efforts

Whereas product releases are typically published in the business and product sections of newspapers and magazines along with their online versions, executive-statement releases are published in the news section. This location carries with it a significant degree of credibility. Note that any product release can be converted into an executive-statement release by changing the way it is written.

**Feature articles** (as part of "Content Marketing"—see below) are detailed descriptions of products or other newsworthy programs that a PR firm writes for immediate publication or airing by print or broadcast media or distribution via appropriate social media or other online sites. Materials such as these are inexpensive to prepare, yet they can provide companies with tremendous access to many potential customers.

Many newspapers often publish feature articles about new products that are of likely interest to the paper's readers. For example, the "do it yourself" section of a local newspaper published a product release for the Skil cordless screwdriver. Although this release appeared to be written by a local columnist, to the trained eye it obviously was a product release prepared by Skil's PR agency and likely was published in dozens, if not hundreds, of local newspapers. The opening paragraph and an accompanying photo

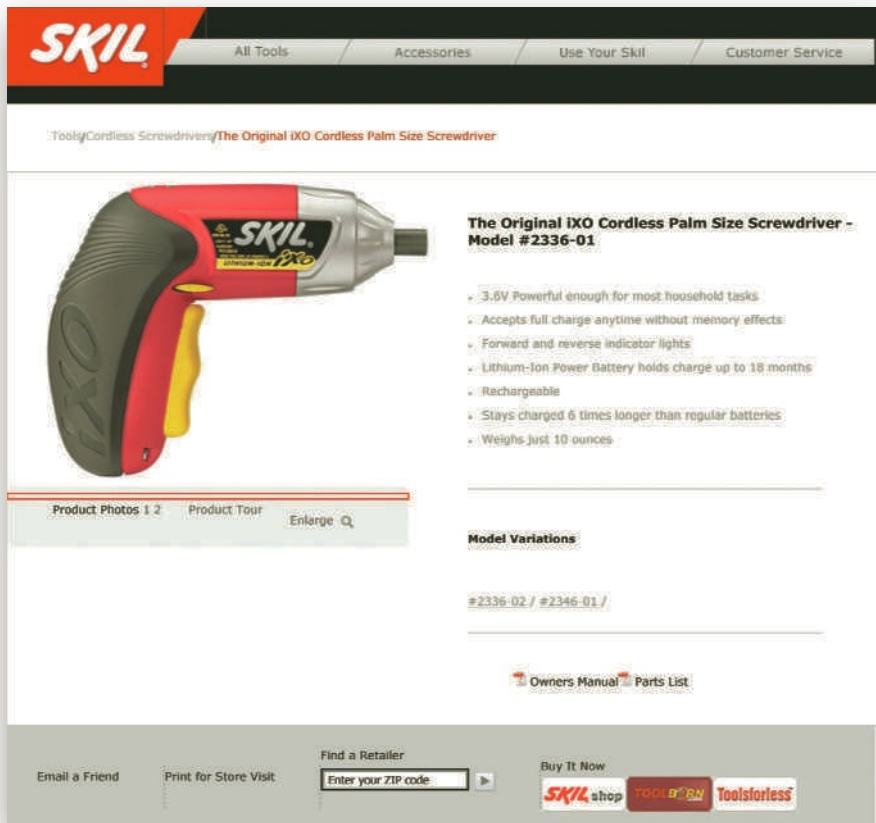
**Proactive MPR** A tool for communicating a brand's merits and typically is used in conjunction with other marcom tools such as advertising and sales promotions. See also **Reactive MPR**.

**Reactive MPR** Marketing undertaken as a result of external pressures and challenges brought by competitive actions, changes in consumer attitudes, or other external influences. It typically deals with changes that have *negative consequences* for the organization. See also **Proactive MPR**.

**Product releases** A publicity tool that announces new products, provides relevant information about product features and benefits, and informs interested listeners and readers how to obtain additional information.

**Executive-statement releases** News releases quoting CEOs, CMOs, and other corporate executives.

**Feature article** A detailed description of a product or other newsworthy programs that a PR firm writes for immediate publication or airing by print or broadcast media or distribution via appropriate social media or other online sites.



© Courtesy of Bosch

**content marketing** (also known as sponsored content) is “producing, curating, and sharing (marketer) content that is based on customers’ needs and delivers visible value.”<sup>8</sup> As an example, if you go to Yahoo.com and examine their newsfeed, you will see several stories listed with the words “Sponsored” at the top. A recent example of a content campaign includes Coca-Cola’s Journey website (<http://www.coca-colacompany.com>), that shares recent company and brand news, as well as buzz about new campaigns.<sup>9</sup> Other content campaigns include Sysco’s contest for the Food Networks’ “Chopped: Impossible” series, with an aim to introduce their restaurant products to both restaurant chefs and consumers. A contest for chefs included a chance for them to win \$10,000 by submitting a recipe that the winner also would have

of the product immediately captured the reader’s attention when stating, “Don’t be deceived by the size of Skil’s palm-sized cordless screwdriver. The tool has a bigger punch than you’d expect.” Later in the release, the do-it-yourselfer’s interest was really piqued with the claim “But here’s the real beauty of the tool: charge the battery, stick the screwdriver in a drawer, and it will hold the charge for two years. So it’s ready to work whenever you are.” It is easy to imagine that thousands of readers of this product release searched for a Skil cordless screwdriver on their next trip to their favorite store carrying products such as this.

#### Content marketing

Producing, curating, and sharing (marketer) content that is based on customers’ needs and delivers visible value. It is also known as sponsored content.

featured on the Food Network.<sup>10</sup> Finally, many banks and financial firms, such as Chase, have been showcasing branded content on their home pages to bring aspects of their bank branches (e.g., community and personal advice) into the digital experience for consumers.<sup>11</sup>

## 21-2b CONTENT MARKETING

Content marketing (also known in general as “sponsored content” or just “content”) is one of the fastest-growing areas of proactive MPR and represents over \$26.5 billion in global spending based on outside vendors’ work for brands, and up to \$144 billion if one includes marketers’ own internally-generated content.<sup>7</sup> So, just what is “content marketing”? As adapted from Forrester Research,



Source: The Coca-Cola Company



Source: Sysco/Food Network

As subset of content marketing, **native advertising** is “content that is created or sponsored by a brand that blends in with surrounding editorial content.”<sup>12</sup> Unfortunately for the industry, this form of content has received considerable criticism. Defenders argue that it disseminates useful information to consumers in an entertaining way that people willingly will read. Others argue that mimicking editorial content is not clever and is actually deceptive.<sup>13</sup> So, in 2013, the Federal Trade Commission held a workshop on native advertising to help guide advertisers in making this form of content more transparent to consumers.<sup>14</sup> Some in the industry also have been concerned with the *quality* (as opposed to quantity) of content marketing and native ads, as reflected by the following quote by a creative director:

*We’ve spent so much time focused on finding and using the newest pipe available that our industry has forgotten the most important thing—the quality of the water we’re delivering.*<sup>15</sup>

Interestingly, and in line with this quote, some researchers have developed a scale to measure the transparency of native ads to consumers.<sup>16</sup>

## 21-2c REACTIVE MPR

Unanticipated marketplace developments—such as the rats-in-a-restaurant incident described in

the chapter-opening *Marcom Insight*—can place an organization in a vulnerable position that demands reactive MPR. In simple terms, bad things happen and unanticipated events sometimes occur that require a PR response. In general, the most dramatic factors underlying the need for reactive MPR are product defects and failures.

### A Sampling of Recent Celebrated Cases

The following is a sampling of negative events that have occurred over the last few years and received widespread media attention.

**VW and the Emissions Scandal.** VW knowingly inserted software into their cars so that diesel engines would pass emission tests, even though they spew 40 times the allowable limit of nitrogen oxide when on the highway. In the United States, this affected nearly 500,000 vehicles and led to a \$15 billion settlement with customers and government authorities. VW is pledging to compensate U.S. VW dealers as well.<sup>17</sup>

**Subway and Jared Fogle.** Subway’s longtime endorser since 1988, Jared Fogle, was arrested on child pornography charges in May 2015 and eventually sentenced to 15 years, 8 months in prison. Subway terminated their relationship with him in June 2015 when federal authorities raided his home. Jared was famous for losing 200 pounds when eating Subway sandwiches and sales initially surged after he shared his stories in ads. Yet, Subway sales had declined recently due to competition (e.g., Taco Bell) and Jared’s arrest and prison sentence certainly didn’t help.<sup>18</sup>

**Chipotle and *E. coli*.** After a series of outbreaks related to *E. coli*, norovirus, and salmonella in 2015, Chipotle’s stock price fell 33 percent and their earnings were down sharply from before the outbreaks. Critics point out that one challenge for Chipotle is that they use so many fresh ingredients, posing a potential risk for such outbreaks if one is not careful.<sup>19</sup>

**Samsung Galaxy Note 7 Battery Fires.** After multiple reports that the batteries in their Galaxy Note 7 smartphones and replacements were catching fire, Samsung announced a major recall of all 2.5 million Note 7 phones. This recall came from the U.S. Consumer Product Safety Commission, as well as from the Federal Aviation Administration banning them from flights. Analysts estimated the total cost of the crisis to be about \$4 billion, including the recall and lost sales. Some suggest third-party testing and strong oversight to win back trust.<sup>20</sup>

**Wells Fargo and Unauthorized Customer Accounts.** In 2016, it was discovered that Wells Fargo had opened up almost 2 million bank and credit card accounts without customer authorization. The bank faces lawsuits and fines well beyond the \$185 million it agreed to pay regulators when the scandal broke. An investigation revealed that hourly

#### Native advertising

Content that is created or sponsored by a brand that blends in with the surrounding editorial content.



George Frey/Getty Images

targets and fear of firings drove sales employees to break the rules. Under pressure, their CEO resigned.<sup>21</sup>

### Other Famous Cases in History

We now describe some of the most famous cases of negative PR over the last several decades.

**British Petroleum (BP) and the Gulf Oil Spill.** In 2010, BP's Macondo oil well blew out, sinking the Deepwater Horizon platform, killing 11 drill workers, and spewing almost 5 million barrels of oil into the Gulf of Mexico. It took over 100 days for engineers to cap the well. As a result, the Gulf states' waters, inlets, and beaches were polluted, and BP fell from Interbrand's list of the top 100 global brands. Eventually in 2015, BP agreed to pay more than \$18.7 billion in fines.<sup>22</sup>

**Tiger Woods.** Arguably, Tiger Woods was one of the greatest golfers of all time, and certainly the leading endorser in all of sports for many years. Yet, in November 2009, he had a very public accident and disagreement



© AP Images/Al Goldis

with his wife, a disclosure of multiple affairs, all of which ended in a messy divorce. Although Nike, EA Sports, and FedEx continued their sponsorship of him, Accenture, AT&T, Gatorade, and Tag Heuer did not. Tiger went from over \$100 million in annual endorsements to \$60 million in 2011. (Interestingly, he still placed first on the sports endorsement list!)<sup>23</sup>

**Firestone Tires and Vehicle Rollovers.** Firestone tires—made by Firestone, a U.S. subsidiary of Japan's Bridgestone Corporation—was the focus of negative publicity, especially in 2000, when Ford Explorer sport-utility vehicles fitted with Firestone tires experienced numerous rollover accidents. The particular tire in question was eventually recalled, but both Firestone and the Explorer were subjected to intense public scrutiny and even scorn. More will be said about this event in a following section on crisis management.

**Syringes in Pepsi: A Hoax.** In 1993, a New Orleans man contacted the Cable News Network (CNN) and alleged that he had found a syringe in a can of Diet Pepsi. This was only the first of several reported contaminations from different geographical areas. PepsiCo officials, knowing the reports were false, and that the Diet Pepsi bottling process was completely



Maurice Savage/Alamy Stock Photo

safe, reacted to the negative publicity by using the media. A video showing the bottling process of PepsiCo products was released shortly after the initial news broke and was seen by an estimated 187 million viewers. It demonstrated the extremely remote possibility that a foreign object, especially something as large as a syringe, could be inserted in cans in the less than one second they are open for filling and capping. That same day, PepsiCo's president and chief executive officer appeared on ABC's *Nightline* along with the Commissioner of the Food and Drug Administration (FDA). PepsiCo's chief executive officer assured viewers that the Diet Pepsi can was 99.9 percent safe, and the FDA commissioner warned consumers of the penalties for making false claims.

Two days later, FDA Commissioner Dr. David Kessler noted at a news conference that "it is simply not logical to conclude that a nationwide tampering has occurred" and that the FDA was "unable to confirm even one case of tampering." He also warned of fines and possible prison terms for making false complaints. These statements were later broadcast over national TV along with a video news release showing a consumer inserting a syringe into a Diet Pepsi can. She had been caught by the store's surveillance camera. With this exposure, the crisis was essentially over. Although volume case sales dropped slightly during the period immediately following the hoax, sales returned to normal in a matter of weeks.

**Perrier Contaminated with Benzene.** Perrier was the leading brand of bottled water in the United States until 1990 when Source Perrier, the manufacturer, announced that traces of a toxic chemical, benzene, had been found in some of its products. Following multiple explanations, Perrier reluctantly recalled 72 million bottles from U.S. supermarkets and restaurants and subsequently withdrew the product from distribution elsewhere in the world. The total cost of the global recall was estimated to have exceeded \$150 million. Perrier's sales in the United States declined by 40 percent, and Evian replaced it as the leading imported bottled water. Perrier's business has never fully recovered.

**Tylenol and Cyanide Poisoning.** In 1982, seven people in the Chicago area died from cyanide poisoning after ingesting Tylenol capsules. Many analysts predicted that Tylenol would never regain its previously sizable market share. Some observers even questioned whether Johnson & Johnson (J&J) ever would be able to market anything under the Tylenol name. Many pundits consider J&J's handling of the Tylenol tragedy as nearly brilliant. Rather than denying a problem existed, J&J acted swiftly by removing Tylenol from retail shelves. Spokespeople appeared on television and cautioned consumers not to ingest Tylenol capsules. A tamperproof package was designed, setting a standard for other companies. As a final good-faith gesture, J&J offered consumers free

replacements for products they had disposed of in the aftermath of the Chicago tragedy. Tylenol regained its market share shortly after this campaign began.

In a tragic replay of the Tylenol case, two people in the state of Washington died in 1991 after ingesting cyanide-laced Sudafed capsules. Following Tylenol's lead, Burroughs Wellcome & Company, Sudafed's maker, immediately withdrew the product from store shelves, suspended advertising, established a toll-free number for consumer inquiries, and offered a \$100,000 reward for information leading to the arrest of the product tamperer. Burroughs Wellcome's quick and effective response reportedly resulted in only a brief sales slump for Sudafed.

## 21-2d CRISIS MANAGEMENT

As the previous examples illustrate, product crises and negative publicity can hit a company at any time and lead to strong negative reactions from consumers. It is important to note, however, that not all consumers are equally swayed by negative publicity. Unsurprisingly, consumers who hold more positive evaluations of a company are more likely to challenge negative publicity about that company and thus are less likely to experience diminished evaluations following negative publicity. In contrast, those who are less loyal are especially susceptible to the adverse effects of negative publicity.<sup>24</sup>

Companies often are slow to react to crises. The reason, according to one crisis-management expert, can be explained as follows:

*When disaster strikes, the first instinct of leadership is often to worry about the company, or the stock price, or the management team, the production line, their own jobs or bonuses. The last thing they think about is, "What is that mom with two kids in the shopping cart thinking about my product right now?"*<sup>25</sup>

The lesson to be learned is that quick and positive responses to negative publicity are important. Negative publicity is something to be dealt with head-on, not denied. When done effectively, reactive MPR can virtually save a brand or a company. A corporate response immediately following negative publicity can lessen the damage that will result, damage such as a diminution in the public's confidence in a company and its brands or a major loss in sales and profits.

And in the era of online communication (e.g., social media, blogs), a company's brand image can be tarnished virtually immediately as the result of a product failure, defect, contamination problem, or any other form of negative marketing-related news.<sup>26</sup> As strongly suggested by experts following the Samsung Galaxy Note 7 smartphone recall, there are several steps companies are encouraged to take when faced with a similar crisis:<sup>27</sup>

1. Be open with consumers, media, regulators, and shareholders,
2. Follow through on promises and explain your progress,
3. Halt all marketing campaigns until it is resolved,
4. If you advertise, do so carefully (e.g., care with related products),
5. Put a face on your company, and
6. Be the first with the news.

### 21-3 The Special Case of Rumors and Urban Legends

You have heard them and probably helped spread them since you were a child in elementary school. They are often vicious and malicious. Sometimes they are just comical. Almost always they are false. We are talking about rumors and urban legends. As a technical aside, urban legends and rumors capture slightly different phenomena. Whereas urban legends are a form of rumor, they go beyond rumor by transmitting a story involving the use of *irony*; that is, urban legends convey subtle messages that are in contradiction of what is literally expressed in the story context.<sup>28</sup> As a case in point, consider a recent and recurring “Facebook Privacy Notice” rumor:

*The rumor: Posting a legal notice on your Facebook wall will protect you from having all your Facebook posts made public. Here’s the notice you probably have seen posted on Facebook sites: “I do not give Facebook or any entities associated with Facebook permission to use my pictures, information, messages or posts, both past and future. By this statement, I give notice to Facebook it is strictly forbidden to disclose, copy, distribute, or take any other action against me based on this profile and/or its contents. The content of this profile is private and confidential information. The violation of privacy can be punished by law (UCC 1-308- 1 308-103 and the Rome Statute).*

**NOTE:** Facebook is now a public entity. All members must post a note like this. If you prefer, you can copy and paste this version. If you do not publish a statement at least once it will be tacitly allowing the use of your photos, as well as the information contained in the profile status updates. **DO NOT SHARE. You MUST copy and paste.”**

*As noted by Snopes, this rumor is FALSE, as Facebook members own the intellectual property (IP) that is uploaded to the social network, but depending on their privacy and applications settings, users grant Facebook “a non-exclusive, transferable, sub-licensable, royalty-free, worldwide license to use any*

*IP content that you post on or in connection with Facebook (IP License).”*

*Facebook adds, “[t]his IP License ends when you delete your IP content or your account unless your content has been shared with others, and they have not deleted it.” Although Facebook does not technically own its members’ content, it has the right to use anything that is not protected with Facebook’s privacy and applications settings. For instance, photos, videos and status updates set to “public” are fair game.<sup>29</sup>*

Hereafter, we will refer simply to rumors in a sense that encompasses urban legends. Also, our interest involves only those rumors that involve products, brands, stores, or other objects of marketing practice.<sup>30</sup> A variety of websites focus on rumors and urban legends, and many of these refer to products, technological developments, and even specific brands. For a review of many types of urban legends, go to Urban Legends Reference Pages ([www.snopes.com](http://www.snopes.com)) and see legends related to business and specific products such as automobiles and computers.

**Commercial rumors** are widely circulated but unverified propositions about a product, brand, company, store, or other commercial target.<sup>31</sup> Rumors are probably the most difficult problem PR personnel face. What makes rumors so troublesome is that they spread like wildfire—especially via YouTube, Facebook, texting, and blogs—and almost always state or imply something very undesirable, and possibly repulsive, about the target of the rumor.<sup>32</sup> For example, the rumor spread quickly around the United States that because Mountain Dew is colored with a dye (Yellow 5), drinking the product lowers a man’s sperm count. Although untrue, this urban legend influenced teenager’s soft-drink consumption behavior, with some actually consuming more Mountain Dew than normal as a means of birth control and others consuming less for fear that later in life they would not be able to have children.<sup>33</sup>

Consider also the case of the persistent urban legend that surrounded Procter & Gamble (P&G) for years. The rumor involved P&G’s famous man-in-the-moon logo, which was claimed to be a symbol of the devil. According to the rumormongers, when the stars in the old logo were connected, the number 666 (a symbol of the Antichrist) was formed. Also, the curls in the man-in-the-moon’s beard also supposedly formed 666 when held up to a mirror. Although nonsensical, this rumor spread throughout the Midwest and South. P&G eventually decided to drop the old logo and change to a new one. The new logo retains the 13 stars, which represent the original U.S. colonies, but eliminates the curly hairs in the beard that appeared to form the number 666.

Following are some other false rumors and urban legends you may have heard at one time or another.<sup>34</sup>

#### Commercial rumor

A widely circulated but unverified statement about a product, brand, company, store, or other commercial target.

Some of these are recent, and many are from the past, yet *none are true!* All have been widely circulated though:

- Red Bull and Monster energy drinks contain bull semen.
- Phillip Morris (Altria) is introducing the “Marlboro M” brand of marijuana cigarettes.
- McDonald’s Corporation makes sizable donations to the Church of Satan.
- Wendy’s hamburgers contain something other than beef, namely red worms. (Other versions of this rumor have substituted McDonald’s or Burger King as the target.)
- Pop Rocks (a carbonated candy) explode in your stomach when mixed with soda.
- Bubble Yum chewing gum contains spider eggs.
- A woman, while shopping in a Kmart store, was bitten by a poisonous snake when trying on a coat imported from Taiwan.
- A boy and his date stopped at a Kentucky Fried Chicken (KFC) restaurant on their way to a movie. Later the girl became violently ill and the boy rushed her to the hospital. The examining physician said the girl appeared to have been poisoned. The boy went to the car and retrieved an oddly shaped half-eaten piece from the KFC bucket. The physician recognized it to be the remains of a rat. It was determined that the girl died from consuming a fatal amount of strychnine from the rat’s body.
- In what is referred to as the “Gerber Myth,” thousands of consumers sent letters to a post office box in Minneapolis following a rumor circulating on the Internet (as well as in church bulletins and day care centers) that Gerber, a baby food company, was giving away \$500 savings bonds as part of a lawsuit settlement. Complying with the rumor’s advice, parents mailed copies of their child’s birth certificate and Social Security card to the Minneapolis address. For a period of time, the post office box received daily between 10,000 and 12,000 pieces of Gerber Myth mail.

The preceding examples illustrate two basic types of commercial rumors: conspiracy and contamination.<sup>35</sup>

**Conspiracy rumors** involve supposed company policies or practices that are threatening or ideologically undesirable to consumers. For example, a conspiracy rumor circulated in New Orleans claiming that the founder of the Popeyes restaurant chain, Al Copeland, supported a reprehensible politician known to have Ku Klux Klan and Nazi connections. Copeland immediately called a press

#### Conspiracy rumor

A widely circulated but unverified statement that involves supposed company policies or practices that are threatening or ideologically undesirable to consumers.

#### Contamination rumor

A widely circulated but unverified statement dealing with undesirable or harmful product or store features.

conference, vehemently denied any connections with the politician, and offered a \$25,000 reward for information leading to the source of the rumor. This swift response squashed the rumor before it gained momentum.<sup>36</sup>

**Contamination rumors** deal with undesirable or harmful product or store features. For example, a rumor started in Reno, Nevada, that the Mexican imported beer Corona was contaminated with urine. A beer distributor in Reno who handled Heineken, a competitive brand, actually had initiated the rumor. Corona sales fell by 80 percent in some markets. The rumor was hushed when an out-of-court settlement against the

Reno distributor required a public statement declaring that Corona was not contaminated. See the *Insights Online* in MindTap for additional examples of contamination rumors involving the artificial sweetener ingredient aspartame and plastic water bottles.



To learn more about contamination rumors, go to Insights Online in MindTap.

## 21-3a WHAT IS THE BEST WAY TO HANDLE A RUMOR?

When confronted with a rumor, some companies believe that doing nothing is the best way to handle it. This cautious approach is apparently based on the fear that an antirumor campaign will call attention to the rumor itself. An expert on rumors claims that rumors are like fires, and, like fires, time is the worst enemy. His advice is not merely to hope that a rumor will simmer down, but also to combat it swiftly and decisively put it out.<sup>37</sup> The suggestions for handling a false rumor are to (1) *stay alert* (e.g., noting the location, target, message, and who is making the allegation), (2) *evaluate its effects* (e.g., on sales, morale, unfair damage to image), and (3) *launch a media campaign* to combat it.<sup>38</sup> These elements also are suggested for social media rumors.<sup>39</sup>

An antirumor campaign would minimally involve the following activities: (1) deciding on the specific points in the rumor that need to be refuted, (2) emphasizing that the conspiracy or contamination rumor is untrue and unfair, (3) picking appropriate media and vehicles for delivering the antirumor message, and (4) selecting a credible spokesperson (such as a scientist, a government official as in the case of the Pepsi hoax described previously, or a respected civic leader) to deliver the message on the company’s behalf.<sup>40</sup>

Unfortunately, there are times in which refuting a false rumor may not always work (e.g., worm meat and McDonald’s hamburgers). In this case, research has shown that positive storage (e.g., eating a great sauce made out of worms) or positive retrieval (e.g., recalling a McDonald’s

restaurant frequented most often) strategies may be more effective than simple refutation in the evaluation of the targeted brand.<sup>41</sup>

## 21-4 Word-of-Mouth Influence

There are times in which marketing communicators may desire to influence what people say about products and specific brands. The purpose of this section, then, is to better understand word-of-mouth influence in the marketplace and how marcom specialists can influence the dialogue in the best interests of the brands they manage. As such, **word-of-mouth influence (WOM)** is defined as informal communication among consumers about products and services.<sup>42</sup> (This area is sometimes referred to as “influence marketing.”) According to PQ Media, companies spent an estimated \$3 billion on WOM marketing in the United States in 2013, up 36 percent from 2011.<sup>43</sup>

Research has established that WOM influence is both complex and difficult to control.<sup>44</sup> Nonetheless, brand managers should attempt to coordinate WOM in the best interests of their brands. It has been estimated that the average American consumer participates in an excess of 120 WOM conversations over the course of a typical week, with conversations focusing most often on products and services such as food and dining, media and entertainment, sports and hobbies, beverages, and shopping and retail.<sup>45</sup> Sometimes the influence is negative, such as was described in the previous sections on crisis management and urban legends and rumors. On other occasions WOM is beneficial to a brand, and in such an event the objective is to facilitate as much positive information as possible and to build favorable “buzz” about a brand.<sup>46</sup> The following sections first present some conceptual ideas about WOM influence and then discuss the practice of viral marketing and buzz building.

### 21-4a STRONG AND WEAK TIES

In everyday life, people are connected in *social networks* of interpersonal relationships. Family members and friends interact on a regular basis, and people intermingle with work associates daily. This certainly has been accelerated with the use of social media (e.g., Facebook, Twitter, Snapchat). There also are interaction patterns that are less frequent and less strong. We thus can think of social relations in terms of *tie strength*. Consumers’ interpersonal relations range along a continuum from very strong ties (such as frequent and often intimate communications between friends) to weak ties (such as rare interactions between casual acquaintances).<sup>47</sup> It is through these ties, both weak and strong, that information flows about new products, new restaurants,

recently released movies and albums, and myriad other products and services.<sup>48</sup>

The important point is that marketing communications—especially via advertising media—is critical for getting the information-dissemination ball rolling. Thereafter, it is social interactions between B2C consumers or B2B customers that drive the flow of information about products, services, and brands. Although there have been exceptions, advertising usually represents the first step, followed by WOM as the second step in a two-step flow of communications that ultimately leads to people talking about and advocating particular brands.<sup>49</sup> Thus, marketing communicators need to orchestrate the flow of information about products using advertising and viral or “buzz” efforts (as discussed in a later section). Then, the information ball will be propelled at an accelerating rate by social networks of people interacting with one another—through face-to-face interactions, via social media such as YouTube, Facebook, Snapchat, and Twitter, or by means of blogs. (See the *Insights Online: Global*

*Focus* in MindTap for description of how “false” blogging about products and brands is a crime in the United Kingdom.)

**Word-of-mouth (WOM)** Informal communication among consumers about products and services.

**Opinion leader** is a person within a social network of family, friends, and acquaintances who has particular influence on other individuals’ attitudes and behavior



To learn more about “false” blogging, go to Insights Online in MindTap.

### 21-4b THE ROLE OF OPINION LEADERS IN WOM DISSEMINATION

An **opinion leader** is a person within a social network of family, friends, and acquaintances who has particular influence on other individuals’ attitudes and behavior.<sup>50</sup> (Viewed differently, they are people from whom others seek advice.) Opinion leaders perform several important functions: They inform other people about products, they provide advice and reduce the follower’s perceived risk in purchasing a product, and they offer positive feedback to support or confirm decisions that followers have already made. Thus, an opinion leader is an informer, persuader, and confirmer.

Opinion leadership influence is typically restricted to one or several consumption topics rather than applying universally across many consumption domains. That is, a person who is an opinion leader with respect to issues and products in one consumption area—such as movies, smartphones, snowboarding, or cooking—might not be generally influential in other unrelated areas. It would be very unlikely, for example, for one person to be respected for his or her knowledge and opinions concerning all four of the listed consumption topics.

Opinion leaders are motivated to engage in communications exchanges with others because they *derive*



*satisfaction* from sharing their opinions and explaining what they know about products and services. Opinion leaders thus continually strive (and often feel obligated) to keep themselves informed. In general, *prestige* is at the heart of WOM influence, whether that influence is from opinion leaders or from those who follow in the information dissemination process. “We like being the bearers of news. Being able to recommend gives us a feeling of prestige. It makes us instant experts.”<sup>51</sup> Researchers have used the term *maven* (or *market maven*) to characterize people who are experts in marketplace matters.<sup>52</sup> In the world of eWOM (electronic word-of-mouth), celebrities and their number of followers on Twitter have been found to have an important impact on product involvement, buying intentions, and desire to pass along eWOM.<sup>53</sup>

#### 21-4c PREVENT NEGATIVE WOM

Positive WOM communication is an important element in the success of new and established brands. In fact, research indicates that consumers are much more likely to have positive than negative things to say about brands.<sup>54</sup> Nonetheless, unfavorable WOM can have devastating effects on a brand’s image, because consumers seem to place more weight on negative than positive information in forming evaluations.<sup>55</sup>

Marketing communicators can do several things to minimize negative WOM.<sup>56</sup> At a minimum, companies need to show customers that they are responsive to legitimate complaints. Manufacturers can do this by providing detailed warranty and complaint-procedure information on labels or in package inserts. Retailers can demonstrate their responsiveness to customer complaints through employees with positive attitudes, store signs, and inserts in monthly billings to customers. Companies also can offer toll-free numbers and e-mail addresses to provide customers with an easy way to voice their complaints and provide suggestions. By being responsive to customer complaints, companies can avert negative—and perhaps even create positive—WOM. Moreover, researchers suggest that the use of short sentences, evidence for claims, information on important features, and avoiding hyperbole (e.g., exclamation marks) can increase the persuasiveness of WOM materials.<sup>57</sup>

In today’s world, businesses deal with many online reviews, such as Yelp or Trip Advisor. In fact, 67 percent of users are influenced by online reviews when making a purchase.<sup>58</sup> There are wise suggestions as to how and how not to respond to criticism that appears online—even examples separating responses into “the good, the bad and the ugly.”<sup>59</sup> Some of these suggestions include making sure to read the review and including specific references to the issues noted (not an automated reply). Also, apologize

for the incident if it is true (in any fashion), as well as to not become defensive in your reply. Being timely in your response, inviting suggestions for improvement, and leaving a name and contact information (sometimes offline) are final suggestions to respond in a professional manner.<sup>60</sup>

Occasionally, certain WOM techniques that are covert or stealth in nature (e.g., identity of seller is masked) may be deceptive.<sup>61</sup> Interestingly, research shows that when a WOM agent’s affinity is disclosed, it did not affect their credibility, nor consumer inquiries, product use, or purchases. In fact, it actually increased the pass along or relay rate of the communication.<sup>62</sup>

## 21-5 Viral Marketing

The preceding section applied traditional concepts such as opinion leadership to describe the process of WOM communication. That section may have given the impression that WOM is something that just happens and that marketing communicators are like spectators in a sporting event who passively enjoy the action, but are not involved in its creation. The present section clarifies that marketing communicators are—or should be—active participants in the WOM process rather than merely idle bystanders.

Brand marketers have found it important to help influence what is said about their brands proactively rather than merely hoping that positive WOM is occurring. **Viral marketing** is often used to accomplish this and refers to techniques that use social networks to increase brand awareness or other marketing objectives, through a self-replicating, viral process, similar to the spread of a virus.<sup>63</sup> Marketing practitioners refer to this proactive effort as “creating the buzz.” More specifically, we can think of **buzz creation** as the systematic and organized effort to encourage people to talk favorably about a particular brand—either directly or online—and to recommend its usage to others who are part of their social network. (Terms other than *viral marketing* or *buzz creation* are used to refer to proactive efforts to spread positive WOM information; these include *guerrilla marketing*, *diffusion marketing*, and *street marketing*.)

We now examine the special topic of viral marketing, using social networks to create brand awareness via self-replicating viral means, similar to the spread of a virus.

### 21-5a VIRAL MARKETING IS AKIN TO CREATING AN EPIDEMIC

Viral marketing can be compared to an epidemic. By analogy, consider how the common influenza (flu) virus spreads. A flu epidemic starts with a few people, who interact in close contact with other people, who in turn

#### Viral marketing

Techniques that use social networks to increase brand awareness or other marketing objectives, through a self-replicating, viral process, similar to the spread of a virus.

#### Buzz creation

The systematic and organized effort to encourage people to talk favorably about a particular item—either over the fence or online—and to recommend its usage to others who are part of their social network.

spread it to others until eventually, and generally quickly, thousands or even millions of people have the malady. For an epidemic to occur there must be a *tipping point*, which is the moment of critical mass at which enough people are infected so that the epidemic diffuses rapidly throughout the social system.<sup>64</sup>

Table 21.2 lists the most current ranking of the top 10 viral ad campaigns of “all time.” (If one is interested in the top video ads in a current week, visit: <http://www.visiblemeasures.com/insights/charts/adage/>) At the time of the ranking, Blendtec’s “Will it Blend?” had generated well over 173 million views (on YouTube) to the question “Will it Blend?” The campaign shows humorous views of iPhones, Justin Bieber action figures, BiC lighters, World Cup vuvuzelas, and glow sticks being pulverized in their blender. Another popular video ad, Evian’s “Live Young” campaign, included cute babies on roller blades and had been viewed over 158 million times.

It has been conjectured that epidemics in a social context, including the spread of information about brands, can be accounted for by three straightforward rules—the law of the few, the stickiness factor, and the power of context.<sup>65</sup>

### Law of the Few

The first rule, the law of the few, suggests that it only takes a few well-connected people to start an epidemic. These people—variously referred to as connectors, influentials, evangelists, messengers, or opinion leaders—are capable of starting “commercial epidemics” because (1) they know a lot of people, (2) they receive satisfaction from sharing

information, and (3) they are innately persuasive in advocating products and brands.<sup>66</sup>

Paid advertising initiates the two-step process, but it alone could never accomplish the results that informal social networks achieve. Advertising might inform, but it is common people who legitimize product and brand usage. Indeed, whereas advertisements lack complete credibility—because people realize that ads are designed to influence their behavior—personal messages from friends and acquaintances are readily accepted because no vested interest typically is involved. Even strangers providing online reviews of books, music, clothes, and other items can be highly influential on product sales.<sup>67</sup>

### Stickiness Factor

The second rule, the stickiness factor, deals with *the nature of the message*, whereas the first rule involves the messenger. Messages that are attention catching and memorable (i.e., “sticky” messages) facilitate talk about brands. This explains why urban legends fly through the social system. Such messages are inherently interesting and thus are passed along with lightning speed.

Emotion certainly plays an important role in making online content viral. Research has found that content that evokes either high-arousal positive (e.g., awe) or negative (e.g., anger or anxiety) emotions is more viral. Content that evokes low-arousing or deactivating emotions (e.g., sadness) is less viral.<sup>68</sup> Thus, testing may be in order of such viral content before its release.

The point is that not all messages stick and are worth repeating, just those that are innately interesting and

**Table 21.2** ▶ Top 10 Viral Video Ad Campaigns of All Time

RANK	BRAND	CAMPAIGN	AGENCY	VIEWS
1	Blendtec	Will it Blend?	In-house	173,200,818
2	Evian	Live Young	BETC Euro RSCG	158,185,452
3	Old Spice	Responses	Wieden+Kennedy	80,592,555
4	Volkswagen	The Force	Deutsch	58,537,201
5	DC Shoes	DC × Ken Block’s Gymkhana Project	In-house with Mad Media (production)	57,868,629
6	Microsoft	Xbox Project Natal	World Famous	53,871,614
7	Pepsi	Gladiator	AMV BBDO	52,931,154
8	Old Spice	Odor Blocker	Wieden+Kennedy	52,465,193
9	Old Spice	The Man Your Man Could Smell Like	Wieden+Kennedy	51,048,338
10	Doritos	Crash The Super Bowl	Goodby, Silverstein & Partners	47,267,865

Source: visiblemeasures.com, as reported in “Online Video Market 2011,” *Advertising Age*, digital issue (Fall), September 19, 2011.

memorable. Millions of people talked about the giveaway of hundreds of Pontiacs on *The Oprah Winfrey Show* mentioned earlier, because that was a newsworthy and exciting event. Similarly, tens of millions of people discussed Janet Jackson's (unintentional?) breast-baring that occurred during the halftime program of a Super Bowl due to its shock value and newsworthiness.

### Power of Context

The third rule of epidemics, the power of context, simply indicates that the circumstances and conditions have to be right for a persuasive message a connector conveys to have its impact and initiate an epidemic. Janet Jackson's wardrobe malfunction probably would not have spread virally among millions of viewers had it not been on the Super Bowl.

Let's now explore the practice of buzz creation and understand why this activity is used extensively, even now to the point that major advertising agencies have created buzz-generating units.

### 21-5b SOME ANECDOTAL EVIDENCE

Before formally examining the topic of buzz creation, it will be useful first to examine some illustrations of this practice:

- From its first release, and through sequels 2–5, Microsoft's *Halo* game has sold more than 65 million copies worldwide, with sales revenue reaching \$3.4 billion. The game's story centers on interstellar war between twenty-sixth-century humans and alien races. Prior to the release of *Halo 3*, Microsoft spent \$40 million in marketing, including tie-ins with Mountain Dew's "Game Fuel" that was branded with the *Halo 3* logo and main character. Copies of the *Halo 3* release were leaked accidentally online adding to pent-up demand. The first-day sales of *Halo 3* were \$170 million in the United States, setting a first-day record for the highest gross of an entertainment product within 24 hours after its launch. Strong sales of the games have led to an expansion to other media (e.g., novels) and other licensed products. *Halo 6*, a planned sequel, is estimated to be released in 2018.<sup>69</sup>
- In an effort to get a younger demographic to become brand evangelists,

Toyota used guerilla tactics in launching its Scion model. So-called street teams were formed to distribute promotional items to large gatherings of young consumers in cities across the United States. People had the opportunity to test-drive Scion models fitted with video cameras and then e-mail copies of the drives to friends.<sup>70</sup>

- The marketing firm House Party (<https://www.houseparty.com>) arranges for people who really love a brand to host an event that is sponsored by the brand's company. House Party has a database of over 1 million potential hosts, has a mobile phone app, and pays an average of \$125 per party. Parties include the "Potty Dance Day," where hosts receive dance mats, DVDs, coupons, and coloring sheets from Kimberly Clark and get to groove to a streamed concert of the Potty Dance by children's rock band, Ralph's World.



Chris Jackson/Getty Images



Leonard Zhukovsky/Shutterstock.com

House Party has added more companies, such as Anheuser Busch InBev, McDonald's, Kraft Foods, Procter & Gamble, Ford Motor, Sony, and Reckitt Benckiser's Durex, among others.<sup>71</sup>

- In an effort to establish Long Beach, California, as a hub for West Coast flights, marketing personnel at JetBlue undertook a buzz-building campaign. The campaign was designed to reach influential customers such as bartenders and hotel concierges in hopes they would spread the word about JetBlue Airways and its flights from the Long Beach airport. College interns were employed to visit bars, hotels, and other locales and to talk up JetBlue and provide “influentials” with bumper stickers, buttons, and tote bags that served as visible reminders of JetBlue's daily flights from the Long Beach airport. To generate further interest in JetBlue and initiate buzz, interns drove Volkswagen Beetles painted in JetBlue's signature blue color around the streets of Long Beach.<sup>72</sup>
- During the opening show of one season of Oprah Winfrey's popular daytime television program, every audience member—276 in total—received a new Pontiac G6 automobile worth over \$28,000. Oprah did not provide these gifts from the goodness of her heart; rather, the cars were donated by the Pontiac division of General Motors in an effort to generate gobs of free publicity about the new G6. Winfrey devoted a half hour of airtime to the Pontiac G6 and described the car as being “so cool!” Of course, Pontiac's marketing people arranged this stunt in coordination with producers of *The Oprah Winfrey Show*. As part of the arrangement, the G6 became sole

sponsor of Winfrey's website for 90 days. Pontiac's marketing director claimed that the car giveaway generated \$20 million in unpaid media coverage and PR—quite a bargain considering that the actual cost to Pontiac of the donated automobiles likely was less than \$5 million.<sup>73</sup>

### 21-5c FORMAL PERSPECTIVES ON BUZZ CREATION

To now more fully appreciate the concept of buzz, we introduce the concepts of networks, nodes, and links. These concepts apply not just to buzz creation but also to any type of network—including brains (nerve cells connected by axons), the Web (online sites linked with other sites), transportation systems (cities linked with other cities via roads, highways, and interstate systems), societies (people linked with other people), and so on.<sup>74</sup> For example, the *nodes* in an airline system are the various airports that are located in cities served by airlines; these cities, in turn, are linked by the airline routes that emanate in one city and culminate in another. Most nodes (airports) in an airline system are linked to relatively few other nodes. However, some large airports (e.g., Chicago O'Hare, Atlanta Hartsfield, and New York JFK) are *hubs* (another name for large nodes) that are linked with numerous other airports.

The notion of an airline network is applicable to social systems. Each person within his or her own social system can be considered a node. Each person (node) is potentially linked with every other person (additional nodes). Although most of us are linked with relatively few individuals, some people are linked with numerous others. Due to the large number of contacts these highly connected people have, they sometimes

are referred to as *influentials*. In comparison to major hubs in airline networks, influentials represent the hubs in social networks. It obviously follows that if you, as a marketing communicator, want people to disseminate positive WOM about your brand, then getting your message to influentials is critical to your success. This is what JetBlue did when reaching out to bartenders and hotel concierges in hopes they would spread the word about JetBlue Airways and its flights from the Long Beach airport.

Also, recent research has found that the type of buzz (e.g., positive or negative) can be more or less



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effective depending on price level expectations for high-tech products, such as cameras. For example, positive buzz has the most impact at low- and medium-price expectation levels, whereas negative buzz tends to dampen sales for higher priced/high expectations levels.<sup>75</sup>

### 21-5d **IGNITING EXPLOSIVE SELF-GENERATING DEMAND**

The foregoing account has simply described the conditions that are congenial to the spread of commercial epidemics. The present account will examine how buzz generation and viral marketing can be managed to get the message about a brand rapidly diffused throughout a social network.

The well-known management consulting firm, McKinsey & Company, has formulated a set of principles for igniting positive WOM momentum for new brands. McKinsey's associates refer to word-of-mouth momentum as *explosive self-generating demand*, or ESGD for short. The following principles underlie the ignition of ESGD.<sup>76</sup>

#### **Design the Product to Be Unique or Visible**

Products and brands that are most likely to experience ESGD have two distinguishing characteristics. First, they are *unique* in some respect—in terms of appearance (e.g., vehicles such as the Mini Cooper, Smart Car, or Tesla self-driving car), functionality (e.g., Apple's iPhone, virtual reality headsets), or in any other attention-gaining manner. Second, they are highly *visible* or *confer status* on opinion leaders and connectors, who are among the first to know about new products and services. People are interested in talking only about those products and brands that have some uniqueness, excitement, or some inherent “wow” factor.<sup>77</sup>

#### **Select and Seed the Vanguard**

Every new product and service has a group that is out in front of the crowd in terms of the speed at which the group adopts the product. McKinsey & Company calls this group the *vanguard*. The challenge for the marketer of a new brand is identifying *which* consumer group will have the greatest influence over other consumers and then doing whatever it takes to get that group, the vanguard, to accept your brand. Athletic shoe companies often launch new brands by supplying advance pairs to local basketball heroes. In this case, that might include local NBA basketball stars, area celebrities, top local AAU and high school basketball teams, and so on. The hope is that they will become “cheerleaders” for the brand.

#### **Ration Supply**

Scarcity is a powerful force underlying influencers' efforts to persuade. This is because people often want what they cannot have. Automobile

companies frequently exploit this reality by producing insufficient supplies to meet immediate demand when a new model is launched, especially one that is unique in design. The supply of Apple's new iPhones in most launches has been insufficient to meet initial demand. The thinking is that people will talk more about those things they cannot immediately have.

#### **Use Celebrity Icons**

Perhaps there is no better means to generate excitement about a new product than to first get it into the hands of a celebrity. Hairstyles, clothing fashions, and product choices that celebrities adopt are often accepted by large numbers of people who emulate their behavior. In the world of golf, for example, celebrities often appear in advertisements or infomercials and tout the benefits of new golf balls, clubs, and self-help products.

#### **Tap the Power of Lists**

The media disseminate many kinds of lists online that are designed to influence consumer behavior and direct action. For example, aspiring college students and their parents read magazines such as *U.S. News & World Report's* annual lists of top colleges and universities. Media outlets regularly provide lists of the best mutual funds. Radio stations and websites regularly announce the top-drawing movies over the weekend. It has been claimed that “lists are potent tools for creating buzz because they're effective road signs for information-besieged consumers who don't know where to focus their attention.”<sup>78</sup>

#### **Nurture the Grass Roots**

Similar to the concept of cheerleading described earlier, this tactic is based on the idea of getting adopters of a product to convert other people into users. Naturally, people who are satisfied with a product often will encourage others to use the same product. But rather than “letting it happen” (or fail to happen), the notion of nurturing the grass roots involves—as do all buzz-building



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tactics—some form of *proactive effort* to motivate present product adopters to recruit new members or customers. Exercise clubs sometimes provide discounts to current members when they attract additional members to the club. Brand communities can be formed (e.g., see BzzAgent, <https://www.bzzagent.com>, or House Party, <https://www.houseparty.com>) so that present adopters of a product can share their enthusiasm and hopefully spread the word to others.

### 21-5e SUMMING UP

This section hopefully has provided you with an appreciation that WOM momentum can be managed in a proactive fashion rather than accepted as a *fait accompli*. Also, it should be clear that not all products and brands are appropriate for buzz-creation and viral marketing efforts. The principles identified here offer insight into when and why buzz creation and viral marketing are particularly likely and most effective. Certainly, there are cautions that buzz and “virality” may generate awareness, yet not translate into revenue and profits.<sup>79</sup> A number of books on the topic have been written over the years. Please refer to the following endnote for a list of several informative and well-written books on the topic.<sup>80</sup>

## 21-6 Sponsorship Marketing

This section explores the topic of sponsorship marketing and its two elements: event and cause sponsorships. **Sponsorships** represent a growing aspect of marketing communications and are regarded as an important marketing tool by most marketing executives. More than two-thirds of chief marketing officers indicated that event sponsorship is a vital marketing function.<sup>81</sup> Sponsorships involve investments in events or causes for the purpose of achieving corporate (e.g., enhancing corporate image) or marketing (e.g., improving brand equity and augmenting sales) objectives. The following definition captures the practice of sponsorship marketing:

**Sponsorships** involve investments in events or causes for the purpose of achieving corporate (e.g., enhancing corporate image) or marketing (e.g., improving brand equity and augmenting sales) objectives.

*[S]ponsorship involves two main activities: (1) an exchange between a sponsor [such as a brand] and a sponsee [such as a sporting event] whereby the latter receives a fee and the former obtains the right to associate itself with the activity sponsored and (2) the marketing of the association by the sponsor. Both activities are necessary if the sponsorship fee is to be a meaningful investment.*<sup>82</sup>

At least five factors account for the growth in sponsorships:<sup>83</sup>

1. By attaching their names to special events and causes, companies may be able to avoid the clutter

inherent in advertising media. It is noteworthy that some extensively sponsored events, such as the Olympic Games (e.g., 2016 Rio) and the National Association for Stock Car Auto Racing (NASCAR), have become somewhat cluttered. Sponsors desiring to associate their brands with relatively uncluttered events (i.e., events with few other sponsors) must either pay huge fees to obtain exclusive sponsorship rights or select smaller, lesser-known events to sponsor.

2. Sponsorships help companies respond to consumers' changing media habits. For example, with the decline in network-television viewing, sponsorships offer a potentially effective and cost-efficient way to reach customers.
3. Sponsorships help companies gain the approval of various constituencies, including stockholders, employees, and society at large. That is, these constituencies respond favorably when a brand associates itself with a desirable event or cause.
4. Relationships forged between a brand and a sponsored event can serve to enhance a brand's equity, both by increasing consumers' awareness of the brand and by enhancing its image.<sup>84</sup>
5. The sponsorship of special events and causes enables marketers to target their communications and promotional efforts to specific geographic regions or to specific demographic and lifestyle groups. For example, many well-known brands sponsor riders in professional bull-riding (PBR) events—brands such as Ford Truck, the U.S. Army, Cabela's (a sporting goods retailer), Carhartt work clothing, DeWalt tools, Wrangler jeans, Dickies work and casual clothing, and Jack Daniel's (a bourbon distiller). These and many other sponsors are attracted to PBR due to the demographic composition of PBR fans, who are predominantly male (60 percent), between the ages of 21 and 49, and mostly live west of the Mississippi River (71 percent). Marketers of these rugged products find PBR sponsorship to fit well



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with their target markets' geographic and demographic characteristics.<sup>85</sup>

Now that we have provided an overview of the general features of sponsorship marketing, the following sections detail the practice of event and cause-oriented sponsorships, respectively.

## 21-7 Event Sponsorships

Event sponsorships include supporting athletic events (such as golf and tennis tournaments, college football bowl games, the Olympics, extreme sports such as snowboarding and professional bull riding); entertainment tours and attractions; arts and cultural institutions; and festivals, fairs, and annual events of many different forms.

Although relatively small compared to the two major components of the marcom mix—that is, advertising and sales promotions—expenditures on event sponsorship are increasing. Worldwide, brand marketers are projected to spend \$60.2 billion on event sponsorships in 2016.<sup>86</sup> In North America, marketers are estimated to spend \$22.4 billion of that amount sponsoring events in 2016.<sup>87</sup> Almost 75 percent of that amount goes toward sponsoring different sporting events such as motor sports (e.g., NASCAR), golf and tennis, professional sports leagues and teams, and the Olympics.

Thousands of companies invest in some form of **event sponsorship**, which is defined as a form of brand promotion that ties a brand to a meaningful athletic, entertainment, cultural, social, or other type of high-interest public activity. Event marketing is distinct from advertising, promotion, point-of-purchase merchandising, or public relations, but it generally incorporates elements from all these communications tools.

### 21-7a SELECTING SPONSORSHIP EVENTS

Marketers sponsor events to develop relationships with consumers, enhance brand equity, and strengthen ties with the trade. Successful event sponsorships require

#### Event sponsorship

A form of brand promotion that ties a brand to a meaningful athletic, entertainment, cultural, social, or other type of high-interest public activity.

a meaningful *fit* among the brand, the event, and the target market. For example, in 2016, nine league sponsorships that are new or part of renewals for Major League Baseball (MLB) total \$360–\$400 million over the life of their sponsorship. For example, Bank of America, MasterCard, Chevrolet, T-Mobile, and Scotts, all longtime partners, renewed deals with the league since last year and new deals included Evan Williams, New Relic, Papa John's, and TuneIn. As to fit, Master Card hit a “home run” with their “Who Do You Stand 4” Campaign recently for MLB that had friends, family members, and players holding signs on behalf of their loved ones who have struggled with the cancer. Since its beginnings in 2008, the Stand Up to Cancer organization has raised over \$370 million.<sup>88</sup>

#### Factors to Consider

What specific factors should a company consider when selecting an event? The following points identify the key issues when evaluating whether an event represents a suitable association for a brand:<sup>89</sup>

1. *Image matchup*—Is the event consistent with the brand image and will it benefit the image? The Coleman Company, a maker of grills and other outdoor equipment, sponsors NASCAR races, fishing tournaments, and country-music festivals. All of these



Source: Major League Baseball



© AP Images/Alden Pellett

events appropriately match Coleman's image and also represent appropriate venues for its target customers. Unionbay, a jeans and sportswear brand, along with soft-drink brand Mountain Dew and snowboard maker Burton, sponsored the U.S. Open Snowboarding Championships. It would seem that this event matches perfectly the images of all three brands.

2. *Target audience fit*—Does the event offer a strong likelihood of reaching the desired target audience? With blue-collar customers, retailers Target and Walmart have relied on auto racing sponsorships, whereas Kohl's has aligned with U.S. Youth Soccer and Kmart with World Wrestling Entertainment.<sup>90</sup> For the Boston Marathon, with over 26,000 runners and 500,000 spectators, major sponsors include Adidas (running shoes and apparel), John Hancock (Boston-based insurer), and the Dana-Farber Cancer Institute (based in Boston). (Thousands of other local runs are sponsored through the world as well, such as the "Storm the Bastille" 5K in Milwaukee sponsored

by the local BMO Harris Bank with 5,000 running at night.) Also, the United Parcel Service (UPS) sponsored the Triple Crown-winning racehorse Big Brown. Many of UPS's users undoubtedly had great interest in watching the last leg of the Triple Crown, the Belmont Stakes, after Big Brown previously had won the Kentucky Derby and Preakness Stakes. See the *Insights Online* in MindTap for further discussion.

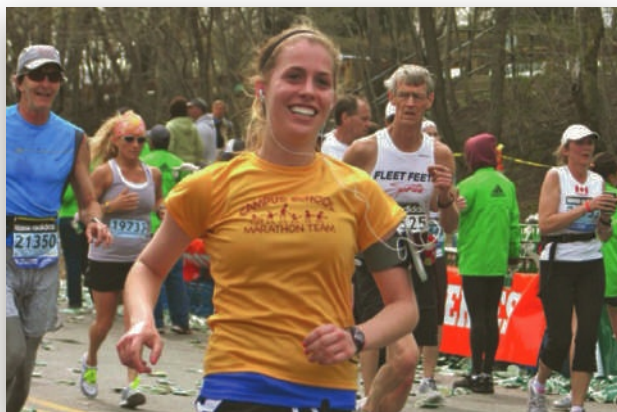


To learn more about Big Brown and UPS, go to Insights Online in MindTap.

3. *Sponsor misidentification*—Is this event one that the competition has previously sponsored, and therefore is there a risk of being perceived as "me-too-istic" and confusing the target audience as to the sponsor's identity? Sponsor misidentification is not a trivial issue and can be a problem with recent changes or corporate confusion.<sup>91</sup> For example, Coca-Cola paid \$250 million to be the official soft drink of the National Football League (NFL) for a five-year period. After sponsoring the NFL for several years, a general survey (not about Coca-Cola per se) asked football fans to name brands that sponsor the NFL.



Source: Craig Andrews



Source: Craig Andrews



Source: Craig Andrews



Thirty-five percent of the respondents named Coke as an NFL sponsor. Unfortunately (for Coca-Cola), another 34 percent falsely identified Pepsi-Cola as a sponsor!<sup>92</sup>

4. **Clutter**—As with most every marcom communications medium, an event sponsor typically competes for signage and attention from every other company that sponsors the event. It obviously makes little sense to sponsor an event unless live participants and television viewers are likely to notice your brand and associate it with the event that it is paying to sponsor. NASCAR, for example, attracts a large number of sponsors due to the extraordinary growth rate in fan interest. (The movie *Talladega Nights* provided a spoof of the cluttered nature of sponsorships for this sport.) However, recognizing the problem with sponsorship clutter, one observer noted that unless a brand is a prime NASCAR sponsor, it easily “can get lost on the bumper.”<sup>93</sup>

By comparison to NASCAR’s sponsorship clutter, consider a clever sponsorship undertaken by Procter & Gamble’s Prilosec brand of heartburn medication. Prilosec became a sponsor of the Bunco World Championship after research revealed that millions of women are regular bunco players and that about one-third of women who play bunco suffer frequent heartburn.<sup>94</sup> Prilosec experienced an uncluttered sponsorship arena when it signed on to cohost the Bunco World Championship.<sup>95</sup>

5. **Complement other marcom elements**—Does the event complement existing sponsorships and fit with other marcom programs for the brand? Many brands sponsor multiple events. In the spirit of integrated marketing communications, it is important that these events “speak with a single voice.” (Refer back to Chapter 1 for more on speaking with a single voice.)
6. **Economic viability**—This last point raises the all-important issue of budget constraints. Companies that sponsor events must support the sponsorships with adequate advertising, point-of-purchase materials, sales promotions, and publicity in order to activate retail sales.<sup>96</sup> One professional in the sponsorship arena uses the rule of thumb that two to three times the cost of a sponsorship must be spent in properly supporting it and offers the following advice:

*A sponsorship is an opportunity to spend money. But like a car without gasoline, sponsorship without sufficient funds to maximize it goes nowhere. Therein lies the biggest secret to successfully leveraging sponsorship: It’s not worth spending money for rights fees unless you are prepared to properly support it.*<sup>97</sup>

## 21-7b SPONSORSHIP AGREEMENTS

There are several other legal and business factors to consider with sponsorship agreements.<sup>98</sup> First, the sponsor should try to obtain some *exclusivity*, such that a competitor does not share in the same benefits of the event. A *granting of rights* should be clear as to what can and cannot be done with the sponsor’s brand (e.g., to avoid disparagement). Also, the *benefits* to the sponsor (e.g., signage, copromotion, guaranteed attendance) should be identified. In addition, the sponsor needs to *control the licensing* of their trademarks associated with the event. Finally, *options to renew*, *escape clauses* (e.g., for sponsorships with teams forced to leave town, like the 1995 Cleveland Browns), *insurance* (e.g., with event risk), accommodations for *changes in events* (e.g., marathons/half-marathons stopped due to the heat index), *payment terms*, and *publicity* all should be considered with the sponsorship agreement.

## 21-7c CREATING CUSTOMIZED EVENTS

Some firms develop their own events rather than sponsoring existing events. For example, a British “cultural entrepreneur,” Damian Barr, partnered with Volvo to invent the Starlite Urban Drive-In in London with cars donated from Volvo. See the *Insights Online: Global Focus* in MindTap for more details.



To learn more about Volvo’s Starlite Urban Drive-In, go to Insights Online in MindTap.

In general, there are two major reasons that brand managers choose to customize their own events rather than sponsor events another organization conducts. First, a customized event provides a brand total control over the event. This eliminates externally imposed timing demands or other constraints and also removes the problem of clutter from too many other sponsors. Also, the customized event is developed to match perfectly the brand’s target audience and to maximize the opportunity to enhance the brand’s image and sales. A second reason for the customization trend is that there is a good chance that a specially designed event is more effective but less costly than a preexisting event.

It would be simplistic to conclude that brand managers or higher level marketing executives should eschew sponsoring well-known and prestigious events. Sponsoring the Olympics or another major sporting or entertainment event can greatly enhance a brand’s image and boost sales volume. Indeed, successfully achieving a strong link with an event that is highly valued means

that the event's stature may transfer at least in some small part to the sponsoring brand. However, achieving such an outcome requires that a strong, durable, and positive link be established between the sponsoring brand and the event. All too often individual brands are swamped by larger and better-known sponsoring brands and no solid or durable link is formed. This being the case, it is doubtful that the sponsorship represents a good return on investment.<sup>99</sup>

### 21-7d AMBUSHING EVENTS

In addition to increased customization, a number of companies around the world engage in what is called *ambush marketing*, or simply *ambushing*.<sup>100</sup> **Ambushing** takes place when companies that are *not* official sponsors of an event undertake marketing efforts to convey the impression that they are.<sup>101</sup> For example, research following a past summer Olympics determined that 72 percent of respondents to a survey identified Visa as an official sponsor of the Olympic Games and that 54 percent named American Express as a sponsor. As a matter of fact, Visa paid \$40 million to sponsor the Olympics, whereas American Express simply advertised heavily during the telecast of the Olympics.<sup>102</sup>

Recently, Brooks Running Co., launched an ambush campaign to protest a rule barring non-Olympic sponsors from advertising around the 2016 Rio Olympics. During the U.S. Olympic track-and-field trials at the University of Oregon, a Brooks billboard truck traveled around the campus with slogans challenging a rule that barred any Olympic participant from capitalizing on their own image in advertising from nine days prior to three days after the Olympics.<sup>103</sup> The company argued in favor of free speech, and in general, there is little doubt that ambushing efforts can be highly effective when done well.

One may question whether it is ethical to ambush a competitor's sponsorship of an event. But, a counterargument can easily be made that ambushing is simply a financially prudent way of offsetting a competitor's effort to obtain an advantage over your company or brand. (The ethical aspects of ambushing would make for an interesting class discussion.)

### 21-7e MEASURING SUCCESS

Whether participating as an official sponsor of an event, customizing your own event, or ambushing a competitor's sponsorship, the results from all these efforts must be measured to determine effectiveness. As always, *accountability* is the key in achieving enhanced brand equity and financial objectives. Moreover, two practitioners have stated the case for sponsorship measurement:

*Sponsorships can be an enormous waste of money and a drain on the marketing budget without a well-structured business case and a measurement plan. When it comes to sponsorship, the key question marketers need to ask is: How do you do sponsorships that build brand equity and maintain fiscal responsibility?<sup>104</sup>*

As always, measuring whether an event has been successful requires, first, specifying the objective(s) that the sponsorship is intended to accomplish. Second, to measure results, there has to be a baseline against which to compare an outcome measure. This baseline is typically a premeasure of brand awareness, brand associations, or attitudes prior to sponsoring an event or a matched control group not exposed to the sponsorship. Third, it is important to measure the same variable (awareness, associations, etc.) after the event to determine whether there has been a positive change from the baseline level. Again, comparisons to control groups (e.g., for differences versus matched regions without the event) are always helpful.

The metrics used to measure sponsorship effectiveness usually are straightforward. One measure companies most frequently use is a simple head count of how many people attended an event.<sup>105</sup> The total cost of the event is then divided by the number of attendees to obtain a measure of efficiency; this measure is useful for comparison against the per-capita costs of other sponsorships. Other frequently used measures include tracking sales volume following an event, determining how many hits to the brand's Web or social media site occurred post-event, counting the number of samples or coupons that were distributed, or measuring changes in brand awareness and brand image.

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### 21-8 Cause Sponsorships

A more minor but important aspect of overall sponsorships, is cause-related marketing that involves an amalgam of public relations, sales promotion, and corporate philanthropy. Cause-oriented sponsorships typically involve supporting causes deemed to be of interest to some facet of society, such as environmental protection and wildlife preservation. As of 2016, American marketers are spending \$2 billion on cause-related marketing.<sup>106</sup> Specifically, **cause-related marketing (CRM)** involves alliances that companies form with *nonprofit organizations* to promote their mutual interests. (The use of "CRM" in this chapter should not be confused with customer relationship management as used in Chapter 15.) Companies wish to enhance

**Ambushing** An activity that takes place when companies that are not official sponsors of an event undertake marketing efforts to convey the impression that they are.

#### Cause-related marketing (CRM)

A company's contribution to a cause is linked to a customer's "revenue-enhancing exchanges or behaviors" (e.g., a purchase).

their brands' images and sales, and nonprofit partners obtain additional funding by aligning their causes with corporate sponsors. Although CRM was initiated in the United States in the early 1980s, companies throughout the world have become active participants in supporting causes. For example, the unique Product RED licensing program that was cofounded by Irish rocker Bono and Bobby Shriver (John F. Kennedy's nephew) uses a portion of its revenue from sales of particular brands to support the Global Fund to Fight AIDS, tuberculosis and malaria.<sup>107</sup>

There are several varieties of cause-related practices, but the most common form of CRM arrangement involves a company *contributing to a designated cause every time*

*the customer undertakes some action that supports the company and its brands.* That is, with CRM, a company's contribution to a cause is linked to a customer's "revenue-enhancing exchanges or behaviors" (e.g., a purchase, scanning a QR code, redeeming a coupon, texting a number, visiting a website). The company's contribution is, in other words, contingent on the customer performing a behavior (such as buying a product or redeeming a coupon) that benefits the firm. Obviously, firms aligning themselves with particular causes do so partially with philanthropic intentions, but also with interest in enhancing their brands' images and, frankly, selling more products. As always, whether cause-related alignments accomplish these goals depends very much on the specifics of the situation—in this case, the nature of the product involved and the magnitude of the contribution offered.<sup>108</sup> The following examples illustrate how CRM operates:

**Figure 21.1** ▶ Illustration of Welch's CRM Program

- Papa John's ran a unique code promotion during NCAA March Madness to raise funds for the V Foundation for Cancer Research and Kay Yow/WBCA Cancer Fund. Each basketball fan that entered a coach's unique code (their last name), while placing an order online for an extra-large, two-topping pizza for \$12 at <https://www.papajohns.com>, had \$1 donated to the cancer funds.<sup>109</sup>

- Welch's Foods Inc.'s CRM program, entitled "Fill the Lunchbox" (<http://www.fillthelunchbox.com>), donated a \$1 (for 11 meals) to Feeding America for every photo texted of Welch's fruit snacks packaging in providing up to 1.6 million meals for needy children at schools (see Figure 21.1). Welch's promised a minimum donation of \$100,000 (1.1 million meals) up to almost \$146,000 (1.6 million meals) in fighting childhood hunger.

- General Mills' Yoplait brand yogurt has long supported the Susan G. Komen Breast Cancer Foundation. In its Save Lids to Save Lives promotion, Yoplait made a 10-cent contribution to the Komen Foundation up to a total of \$1.5 million for every lid that consumers mailed back to the company (see Figure 21.2).

- In support of the Share Our Strength Program that is dedicated to reducing hunger and poverty, Tyson Foods donated more than 12 million pounds of chicken and other food products. For every package purchased, Tyson donated a pound of chicken, beef, or pork to the Share Our Strength Program—up to three million pounds.

- The Campbell Soup Company has for more than 30 years sponsored the Labels for Education Program, which helps schools obtain classroom supplies by asking families to collect labels from

Source: Welch's

various Campbell's brands. Since the program began, Campbell has contributed items worth over \$100 million to schools and organizations in exchange for the millions of labels submitted.

- Nabisco Brands donated \$1 to the Juvenile Diabetes Research Foundation for each certificate that was redeemed with a Ritz-brand proof of purchase.
- Retailer Tommy Bahama has raised significant funds for The Garden of Hope & Courage project by donating a percentage of the sale of designated items from its apparel and accessory collections.
- For each test-drive taken in any BMW vehicle in the "Drive for a Cause" Program, BMW of North America donated up to \$1 million to help support Team USA or a charity designated by a local dealership.
- Brand managers of Pedigree (a brand of pet food) supported the cause of sheltering and feeding abandoned dogs. Pedigree matched each purchase of a 22-pound bag of its brand of dog food by donating another 22-pound bag of food to dog shelters.



G.L. Booker/Kansas City Star/MCT/Getty Images

**Figure 21.2** ▶ Illustration of Yoplait's "Save Lids to Save Lives" CRM Program

## 21-8a THE BENEFITS OF CAUSE-RELATED MARKETING

Cause-related marketing is corporate philanthropy based on profit-motivated giving. In addition to helping worthy causes, corporations satisfy their own tactical and strategic objectives when undertaking cause-related efforts. By supporting a deserving cause, a company can (1) enhance its corporate or brand image, (2) thwart negative publicity, (3) generate incremental sales, (4) increase brand awareness, (5) broaden its customer base, (6) reach new market segments, and (7) increase a brand's retail merchandising activity.<sup>110</sup>

Research reveals that consumers have favorable attitudes toward cause-related marketing efforts. One study found that the vast majority of Americans (72 percent) think it is acceptable for companies to involve a cause in their marketing. Moreover, an even larger proportion of respondents to this survey (86 percent) indicated that they would be likely to switch from one brand to another of equal quality and price if the other brand associates itself with a cause. This latter percentage takes on added significance when noting that a decade earlier the percentage of consumers indicating they would switch brands to a brand supporting a cause was only 66 percent.<sup>111</sup>

On the downside, about one-half of the sample in another study expressed negative attitudes toward CRM; this negativity was due in large part to consumers' cynicism about the sponsoring firm's self-serving motive.<sup>112</sup> Research has revealed that brands may not benefit from CRM efforts if their support is perceived as having an ulterior motive rather than authentic concern about the sponsored cause.<sup>113</sup> This negative effect may be diminished when multiple organizations support a cause rather than a single sponsor.<sup>114</sup> Also, consumers are distrustful of CRM programs that are vague in terms of exactly how much will be donated to the cause, and, in fact, the majority of CRM offers are abstract and unclear about the amount of contribution (e.g., "a portion of the proceeds will be donated").<sup>115</sup> It helps when there is some consistency between corporate missions and the cause donations,<sup>116</sup> as well as incorporating one's social mission throughout the sponsoring company (e.g., Patagonia, Whole Foods), rather than treating it just as PR.<sup>117</sup>

## 21-8b THE IMPORTANCE OF FIT AND COMMUNITY-DRIVEN CRM EFFORTS

How should a company decide which cause to support? Although there are many worthy causes, only a subset is relevant to the interests of any brand and its target audience. Selecting an appropriate cause is a matter of fitting the brand to a cause that is naturally related to the brand's attributes, benefits, or image and also relates closely to

the interests of the brand's target market. When there is a natural congruence between the sponsor and the cause, the sponsoring brand is looked upon more favorably and benefits from being perceived as more socially responsible.<sup>118</sup> Absence of a close fit can suggest to consumers that the brand is sponsoring a cause merely for self-serving reasons. Campbell Soup Company's Labels for Education Program nicely matches the target audience of children and their parents who consume Campbell's branded products. In fact, the same can be said of all of the illustrative examples of CRM programs provided previously.

Another important element in today's world of social media is to be community-driven in CRM efforts, rather than "pushed" by a given company. The Pepsi Refresh CRM initiative often is given as an example of this by awarding \$20 million in grants to individuals, businesses, and nonprofits that promote a new idea that has a positive impact on their community, state, or the nation. So, the company (e.g., PepsiCo) is viewed as simply a facilitator of the CRM program, not as an active promoter of it to consumers.<sup>119</sup>

#### **21-8c ACCOUNTABILITY IS CRITICAL**

In the final analysis, brand marketers are obligated to show that their CRM efforts yield sufficient return on investment or achieve other important, nonfinancial

objectives. Corporate philanthropy is wonderful, but cause-related marketing is not needed for this purpose—companies can contribute to worthy causes without tying the contribution to consumers' buying a particular brand.<sup>120</sup> However, when employing a cause-related marketing effort, a company intends to accomplish marketing goals (such as improved sales or enhanced image) rather than merely exercising its philanthropic aspirations. Hence, a CRM effort should be founded on specific objectives—just the same as any marcom campaign. Research—such as a pre- and posttest data collection, as described for event sponsorships—is absolutely essential to determine whether a CRM effort has achieved its objective and is thereby strategically and financially accountable.

Colgate-Palmolive applied a straightforward formula in measuring the effectiveness of one of its sponsorships in which the CRM program was based on consumers redeeming FSI coupons. Using scanner data, Colgate compared product sales in the three weeks following a coupon drop with the average sales for the preceding six months. The difference between these two sales figures was multiplied by the brand's net profit margin, and the event's cost on a per-unit basis was subtracted to determine the incremental profit.<sup>121</sup> This procedure has the virtue of being logically sound and easy to implement.

# Summary

This chapter covered four major topics: marketing public relations, content marketing, word-of-mouth influence (including viral marketing and buzz creation), and sponsorship marketing. An important distinction was made between general public relations (general PR), which deals with overall managerial issues and problems (such as relations with stockholders and employees), and marketing public relations (MPR).

MPR consists of proactive MPR and reactive MPR. Proactive MPR is dictated by a company's marketing objectives and seeks opportunities rather than solves problems. As an example, content marketing (also known as sponsored content or simply "content") is aimed at producing, curating, and sharing (marketer) content that is based on customers' needs and delivers visible value. Reactive MPR, conversely, responds to external pressures and typically deals with changes that have negative consequences for an organization. Handling negative publicity and rumors are two areas in which reactive PR is most needed.

Opinion leadership and word-of-mouth influence are important elements in facilitating more rapid product adoption and diffusion. Opinion leaders, respected for their product knowledge and opinions, inform other people (followers) about new products and services, provide advice, reduce followers' perceived risk in purchasing, and confirm decisions that followers have already made. Positive word-of-mouth influence is often critical to new-product success. People tend to talk about

new products and services because they gain a feeling of prestige from being the bearer of news. Marketing communicators can take advantage of this prestige factor by stimulating "cheerleaders," or "brand evangelists," who will talk favorably about a new product or service.

Viral marketing and buzz creation are phenomena that serve as proactive marketing practices. Viral marketing can be compared to a social epidemic. Online viral activity is occurring at an increasingly rapid pace with social media and blogs. Firms employ the services of buzz-creation units to generate new product adoption by recruiting the efforts of connected people (influentials, opinion leaders) who will both adopt and talk about new products.

Sponsorships involve investments in events and causes to achieve various corporate objectives. Event marketing is a form of brand promotion that ties a brand to a meaningful athletic, cultural, social, or other high-interest public activity. Event marketing is growing because it provides companies with alternatives to the cluttered mass media, an ability to target consumers on a local or regional basis, and opportunities for reaching narrow lifestyle groups whose consumption behavior can be tied to the event.

The distinctive feature of cause-related marketing (CRM) is that a company's contribution to a designated cause is linked to customers engaging in revenue-producing exchanges or behaviors with the firm. Cause-related marketing serves corporate interests while helping worthy causes.

## Discussion Questions

1. Assume you are the owner of a restaurant in your college or university community. A false rumor about your business has circulated claiming that your head chef has a very contagious disease. Your business is falling off. Explain precisely how you would combat this rumor.
2. What are the advantages of publicity compared with advertising?
3. Some marketing practitioners consider publicity to be too difficult to control and measure. Evaluate these criticisms.
4. Some marketing people claim that *any* news about a brand, negative or positive, is good as long as it enables the brand to get noticed and encourages people to talk about the brand. Do you agree that negative publicity is always good? Under what conditions might it *not* be good?
5. Faced with the false rumor about Corona beer being contaminated with urine (see the discussion earlier in the chapter), what course of action would you have taken if the Heineken distributor in Reno had not been identified as starting the rumor? In other words, if the source of the rumor were unknown, and it continued to persist, what steps would you have taken?
6. Describe two or three commercial rumors, or urban legends, other than those mentioned in the chapter. Identify each as either a conspiracy or a contamination rumor. Describe how you think these rumors started and why people apparently consider them newsworthy enough to pass along. (You might want

to locate an online urban legend site for ideas. See, for example, Snopes, [www.snopes.com](http://www.snopes.com).)

7. Suppose you are the owner of a new board shop (e.g., long boards, skateboards, kite boards, snowboards, surf boards, hoverboards) located in your college or university community that caters primarily to the campus population. Your fledgling store cannot yet afford media advertising, so the promotional burden rests on stimulating positive word-of-mouth communications through content marketing or other means. Present a specific strategy for how you might do this.
8. Do you agree with the idea of “native advertising,” that is, blending brand content in with surrounding editorial content so that it is not apparent to consumers that this is advertising?
9. With thoughts of Tesla and other brands of driverless cars in mind, if you were the brand manager for such a product, what would you do to generate explosive self-generating demand?
10. The researchers who conceived the concept of the market maven devised a scale to measure consumers’ responses to the following six items:
  - 1) I like introducing new brands and products to my friends.
  - 2) I like helping people in providing them with information about many kinds of products.
  - 3) People ask me for information about products, places to shop, or sales.
  - 4) If someone asked where to get the best buy on several types of products, I could tell him or her where to shop.
  - 5) My friends think of me as a good source of information when it comes to new products or sales.
  - 6) Think about a person who has information about a variety of products and likes to share this information with others. This person knows about new products, sales, stores, and so on, but does not necessarily feel he or she is an expert on one particular product. This description fits me well.

Respondents are asked to rate each item on a seven-point scale, from strongly disagree (1) to strongly agree (7); thus, total scores range from a low of 6 (strongly disagrees to all six items) to 42 (strongly agrees to all items). Administer the scale to two

friends whom you regard as market mavens and to two friends who are not market mavens. See if the mavens receive predictably higher scores than the nonmavens.

11. With reference to the discussion of explosive self-generating demand, describe a current movie that *would* lend itself to viral marketing and buzz creation efforts and another that would *not*. What is the difference between these movies that makes only one amenable to such efforts?
12. Select a brand of your choice, preferably one that you really like and purchase regularly. Assuming that this brand is not presently involved in a cause sponsorship, propose a nonprofit organization with which your chosen brand might align itself. Also, recommend a specific cause-related marketing (CRM) program for this brand that would enhance the brand’s sales volume and contribute to the cause.
13. Is ambushing unethical or just smart, hard-nosed marketing?
14. As mentioned in the chapter, event sponsorship expenditures in North America far exceed investments in cause-oriented sponsorships—basically more than eleven times the amount (\$22.4 billion versus \$2 billion). Why, in your opinion, is the difference so large? In other words, why do you think that North American brand marketers much prefer to allocate their marcom budgets to sponsoring events rather than causes?
15. Unlike the National Basketball Association (NBA) plans for teams for the 2017–2018 season, the National Football League (NFL) at this point will not permit teams to wear logos of sponsoring brands. For discussion sake, let us assume that the NFL suspends its prohibition of teams displaying brand logos on their uniforms. Now suppose that you are the event manager for a brand of your choice and you want to sponsor a specific NFL football team to represent your brand. Which team would you sponsor and why? What if you were allowed to choose individual players—who would be a good fit for your brand? To justify your choice fully, you must describe your brand’s target audience and indicate the image you desire to associate with your brand.

# Packaging, Point-of-Purchase Communications, and Signage

## CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Describe the elements underlying the creation of effective packages.
- 2 Appreciate the role and importance of point-of-purchase (POP) advertising.
- 3 Review evidence of POP's role in influencing consumers' in-store decision making.
- 4 Examine empirical evidence revealing the effectiveness of POP displays.
- 5 Appreciate the importance of measuring audience size and demographic characteristics for in-store advertising messages.
- 6 Appreciate the role and importance of on-premise business signage.
- 7 Review the various forms and functions of on-premise signage.
- 8 Appreciate the role and importance of out-of-home (OOH), or off-premise, advertising.
- 9 Understand billboard advertising's strengths and limitations, including recent developments with digital billboards.

## Marcom Insight

### The “Appification” of Grocery Shopping

If you have a smartphone, you can use it for a wide range of applications—but does that include grocery shopping? As noted by Nielsen in their recent “Future of Grocery,” “. . . imagine a grocery store where you can receive personal recommendations and offers the moment you step in the store, where checkout takes seconds, and you can pay for groceries without ever taking out your wallet.” Actually, since 2004, Ahold USA's Stop & Shop supermarket chain in New England has been testing in-store technology with the introduction of the “Shopping Buddy.” The Shopping Buddy was an “intelligent” cart equipped with a wireless touchscreen and a scanner that allowed shoppers to check prices, alert shoppers to sale items and coupons, check any item's location in the store (with radio frequency identification [RFID] technology), and scan and check out purchased items. The Shopping Buddy later evolved into a handheld device provided by Stop & Shop called “Easy Shop.”



Robert Kneschke/Shutterstock.com



Beginning in April 2011, Modiv Mobile (now Catalina Mobile) introduced a mobile shopping app (“Scan It!”) for smartphones now available in Shop & Stop stores in New England and Giant Food stores in the District of Columbia, Maryland, Virginia, and Delaware. The app works with the store loyalty program in that when shoppers enter the store and open the app, they receive offers and coupons based on their shopping history. Using their smartphones, shoppers scan barcodes of items they put into the cart, and then buy the items by simply scanning the “end of order” barcode at a self-checkout lane to finish. The Catalina acquisition means that the app can be used well beyond Stop & Shop and Giant Food, as Catalina reaches 75 percent of U.S. households across 30,000 stores.

Another system, “Mobile Checkout” from NY-based FutureProof Retail is being tested in California (e.g., El Rancho Marketplace). It has consumers download the grocer’s app from Apple Pay or Google Play sites and enter an e-mail address to create an account. The app then prompts the user to take a selfie for visual identification for the grocer. Shoppers then add a payment mechanism (a debit or credit card) near the end of the checkout with the grocer. To solve problems with scanning produce, the shopper inputs a product code from a nearby sign and weighs it on a special scale. To combat shoplifting, a clerk will randomly select certain items

to be scanned, especially high-ticket ones. For “Mobile Checkout,” smaller and independent stores will be the focus of this latest technology.

Also, with the new grocery shopping apps, the question of reduced employment for checkout clerks (at 12 to 15 percent of grocer expenses) has been viewed as an issue. Yet, some argue that grocers already operate on very small profit margins in a very competitive industry. Having consumers use their own smartphones for the apps does save grocers money in addition to saved labor costs at checkout. So, it is likely that savvy grocers will continue to use this state-of-the-art, in-store technology to aid shopper loyalty and efficiency in what is already an extremely competitive marketplace.

Sources: Kunur Patel, “Are Consumers Ready for Mobile Grocery Shopping?” *Advertising Age*, May 21, 2012, 8; Dana Mattioli, “Grocers Testing Smartphones,” *Wall Street Journal*, October 11, 2011, B6; “Stop & Shop to Roll Out New Intelligent Shopping Carts from IBM and Cuesol,” *Yahoo! Finance*, October 13, 2004; Jack Neff, “A Shopping-Cart-Ad Plan That Might Actually Work,” *Advertising Age*, February 5, 2007; “The Future of Grocery,” *Nielsen*, April 2015, [https://www.nielsen.com/content/dam/niensglobal/vn/docs/Reports/2015/Nielsen%20Global%20E-Commerce%20and%20The%20New%20Retail%20Report%20APRIL%202015%20\(Digital\).pdf](https://www.nielsen.com/content/dam/niensglobal/vn/docs/Reports/2015/Nielsen%20Global%20E-Commerce%20and%20The%20New%20Retail%20Report%20APRIL%202015%20(Digital).pdf); Will Hernandez, “New York Company Debuts Pure Mobile-Only Grocery Checkout,” *Mobile Payments Today*, January 18, 2016, <http://www.mobilepaymentstoday.com/articles/new-york-company-debuts-pure-mobile-only-grocery-checkout/>.

## 22-1 Introduction

This chapter examines topics that represent a form of advertising, but not in the same sense typically thought of when considering media such as television, radio, magazines, newspapers, and online. Rather, the material covered in this chapter examines communicating with consumers at the point-of-purchase or close to it. In particular, we explore four general forms of marketing communications: packaging, in-store point-of-purchase (POP) messages, on-premise signage, and out-of-home (OOH) advertisements (e.g., billboards). These communication modes attempt to influence consumers’ store- or brand-selection decisions. On-premise store signage, out-of-home ads, and POP messages represent important forms of communications that serve in very important ways to influence consumers’ awareness and images of retail outlets and the brands they carry.

We first examine “inside” forms of marcom presentation, including packaging and POP advertising. We then distinguish two general forms of “outside” marcom messages and refer to these as on-premise business signage and out-of-home (OOH) advertisements, or off-premise ads. The difference between on-premise business signage and out-of-home advertising (off-premise signage) is that the former communicates information about products

and services in close proximity to the store, whereas the latter provides information about goods and services that are available somewhere else.<sup>1</sup>

## 22-2 Packaging

A brand’s package is, of course, the container that both protects and helps sell the product. Products available on store shelves are most always bottled, boxed, or packaged in some other manner. As the term *package* is used in the present context, beverage bottles and cereal boxes are packages; so are the jewel boxes for DVDs, the boxes in which new shoes are contained, and so on. Marcom specialists appreciate the crucial communications role performed by brand packaging, which has given rise to expressions such as, “Packaging is the least expensive form of advertising,” “Every package is a five-second commercial,” “The package is a silent salesperson,” and “The package is the product.”<sup>2</sup> Packaging performs key communication and sales roles at the POP inasmuch as shoppers spend an incredibly short amount of time—roughly 10 to 12 seconds—viewing brands before moving on or selecting an item and placing it in the shopping cart.<sup>3</sup>

There have been many recent innovations in packaging, including those that enhance the workability factor (e.g., “dip and squeeze” ketchup packs), as well as those that are creative design innovations (e.g., decorative



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conveying functional, symbolic, and experiential benefits (recall the brand equity model presented in Chapter 2).

## 22-2a PACKAGING STRUCTURE

A package communicates meaning about a brand via its symbolic components: color, design, shape, size, physical materials, and information labeling.<sup>6</sup> These components taken together represent what is referred to as the *packaging structure*. These structural elements must interact harmoniously to evoke within buyers the set of meanings intended by the brand marketer. The notion underlying good packaging is *gestalt*. That is, people react to the unified whole—the gestalt—not to the individual parts. We now describe the different package structure components from prior research, as well as use examples to illustrate each of the components.

### The Use of Color in Packaging

Packaging colors have the ability to communicate various cognitive and emotional meanings to prospective buyers.<sup>7</sup> Research has demonstrated convincingly the important role that color plays in affecting our senses. For example, in one study researchers altered the shade of pudding by adding food colors to create dark brown, medium brown, and light brown “flavors.” In actuality, the pudding was identical in all three versions, namely vanilla flavor. However, the research revealed that all three brown versions were perceived as tasting like chocolate. Moreover, the dark brown pudding was considered to have the best chocolate flavor and to be the thickest. The light brown pudding was perceived to be the creamiest, possibly because cream is white in color.<sup>8</sup> This study, although not conducted in a packaging context per se, certainly holds implications for the use of color in package design.

The role of color in IMC as a peripheral cue under low involvement fits in with prior research discussed in Chapter 7 on the elaboration likelihood model. As an example, research shows that under low involvement, distinctive (i.e., color) ad stimuli have a significantly greater impact on ad execution thoughts, attitudes toward the brand and ad, and purchase intentions than found with the exact ad stimuli, but in a nondistinctive (i.e., black-and-white) format.<sup>9</sup>



ZUMA Press, Inc./Alamy Stock Photo

aluminum soda and beer bottles) and those that offer secondary uses (e.g., McDonald’s Happy Meal packaging converted into virtual reality headsets for kids<sup>4</sup>). For a review of the latest in packaging innovations, see the industry website WEBpackaging, <http://www.webpackaging.com>.

The growth of supermarkets, mass merchandisers (such as Walmart and Target) and other self-service retail outlets has necessitated that the package perform marketing functions beyond the traditional role of containing and protecting the product. The package also serves to (1) draw attention to a brand, (2) break through competitive clutter at the point of purchase, (3) justify price and value to the consumer, (4) signify brand features and benefits, (5) convey emotionality, and (6) ultimately motivate consumers’ brand choices. Packaging is particularly important for differentiating homogenous or unexciting brands from available substitutes by working uninterruptedly to say what the brand is, how it is used, and what it can do to benefit the user.<sup>5</sup> In short, packages perform a major role in enhancing brand equity by creating or fortifying brand awareness and building brand images via

In general, the strategic use of colors in packaging is effective because colors affect people psychologically and emotionally. For example, the so-called high-wavelength colors of red, orange, and yellow possess strong excitation value and induce elated mood states.<sup>10</sup> Such colors (with purple) were prominent in a brighter package makeover by McDonald's recently.<sup>11</sup> *Red* is often described in terms such as active, stimulating, energetic, and vital. Brands using this as their primary color include Close-Up (toothpaste), Tylenol (medicine), Coca-Cola (soft drink), Ritz (crackers), and Pringles (potato chips). Recently, Coca-Cola decided to place their brand's distinctive red disc on the front of cans of all Coke varieties (e.g., Coke Classic, Coke Zero, Diet Coke, and Coke Life).<sup>12</sup> *Orange* is an appetizing color that is often associated with food. Popular food brands using orange packaging include Wheaties (cereal), Uncle Ben's (rice), Sanka (coffee), Stouffer's (frozen dinners), and Kellogg's Mini-Wheats (cereal). *Yellow*, a good attention getter, is a warm color that has a cheerful effect on consumers. Cheerios (cereal), Kodak (film), Mazola (corn oil), Burt's Bees (personal care), Mello Yello (soda), and Pennzoil (motor oil) are just a few of the many brands that use yellow packages.

*Green* connotes abundance, health, calmness, and serenity. Green packaging is sometimes used for beverages (e.g., Heineken beer, 7-Up, Sprite, and Mountain Dew), often for vegetables (e.g., Green Giant), and for many other products (Irish Spring deodorant soap, Fuji film). Green also stands for environmentally-friendly products and as a cue to consumers of reduced-fat, low-fat, and fat-free products (e.g., Healthy Choice products). *Blue* suggests coolness and refreshment. Blue is often associated with laundry and cleaning products (e.g., Downy fabric softener and Snuggle dryer sheets) and skin products (e.g., Nivea skin lotion, Noxzema skin cream). Finally, *white* signifies purity, cleanliness, and mildness. Gold Medal (flour), Special K (cereal), Dove (body lotion, soap), and Pantene (shampoo) are a few brands that feature white packages.

In addition to the emotional impact that color brings to a package, using polished reflective surfaces and color schemes employing white and black or silver and gold can add elegance and prestige to products. Cosmetic packages often use gold (e.g., Revlon's MoistureStay Lipcolor) or metallic silver packages (e.g., Almay Sheer makeup).

It is important to note that the meaning of color varies from culture to culture. The comments made here are based on North American culture and are not necessarily applicable elsewhere. Readers from other cultures should identify exceptions to these comments and illustrate packages that do not adhere to North American color usage. Interestingly, a website presents results from a global survey that has been conducted for more than a decade on the meanings particular colors convey. Over 30,000 people have taken the survey and identified the colors they associate with particular meanings. For

example, what colors suggest the following meanings or emotions to you: dignity, happiness, dependability, high quality, and power? To see what others think and to take the survey yourself, go to <http://www.colorcom.com/global-color-survey>. For additional information about color symbolism, review the website presented in the following footnote.<sup>13</sup>

### Design and Shape Cues in Packaging

Design refers to the organization of the elements on a package. An effective package design is one that permits good eye flow, provides the consumer with a point of focus, and conveys meaning about the brand's attributes and benefits. Package designers bring various elements together to help define a brand's image. These elements include—in addition to color—shape, size, and label design.

One way of evoking different feelings is through the choice of the slope, length, and thickness of lines on a package. *Horizontal lines* suggest restfulness and quiet, evoking feelings of tranquility. There appears to be a physiological reason for this reaction—it is easier for people to move their eyes horizontally than vertically; vertical movement is less natural and produces greater strain on eye muscles than horizontal movement. *Vertical lines* induce feelings of strength, confidence, and even pride. Energizer (batteries), Aquafresh (toothpaste), and Jif (peanut butter) all feature vertical lines in their package designs. One can even think of an athletic uniform as a package of sorts, and vertical lines sometimes appear on uniforms (e.g., think of the New York Yankees' uniform with its famous pinstripes). *Slanted lines* suggest upward movement to most people in the Western world, who read from left to right and thus view slanted lines as ascending rather than descending. Armor All (automobile polish), Gatorade (power drink), and Dr. Pepper (soft drink) use slanted lines in their package designs.

Shapes, too, arouse certain emotions and have specific connotations. Generally, round, curving lines connote femininity, whereas sharp, angular lines suggest masculinity. A package's shape also affects the apparent volume of the container. In general, if two packages have the same volume but a different shape, the taller of the two will appear to hold a greater volume inasmuch as height is usually associated with volume.

For rectangular-shaped packages, research has established that different ratios among the height, width, and depth dimensions of these packages (e.g., the ratio of the box's height to its width) play a role in affecting consumers' brand choices.<sup>14</sup> This may seem strange, but mathematicians, architects, artists, and others have observed that the rectangular ratio of approximately 1.62 is "golden" and has appeared in the building blocks of the Great Pyramids, the Parthenon's facade, and in some master paintings.<sup>15</sup> Certain ratios in rectangular-shaped objects appear to

promote perceptions of harmony, balance, and even beauty. In a consumer context, researchers studied actual brand packages in four grocery product categories—cereals, cookies, soaps, and detergents—and determined that the ratios of the sides of the boxes predicted the brands' market shares. This evidence suggests that the shape of a package is a strategic decision that requires careful consideration and marketplace testing. In short, a box is more than a mere container. It also is a receptacle loaded with subtle information and cues of product attractiveness and perhaps even quality.

### Packaging Size

Many product categories are available in several product sizes. Soft drinks, for example, come in 8-, 12-, and 24-ounce bottles; 1-, 1.5-, and 2-liter containers; and in 6-, 12-, and 24-unit packs. Manufacturers offer different-sized containers to satisfy the unique needs of various market segments, to represent different usage situations, and to gain more shelf space in retail outlets. An interesting issue arises from the consumer's perspective with regard to the size of the container. In particular, does the amount of product consumption vary depending on the size of the container? For example, do consumers consume more content from a large package than a smaller version? Research on this matter reveals a tendency for consumers to indeed consume more content from larger packages, especially for food and drink products with contents appealing to certain sensory receptors (i.e., sugar, fat, salt).<sup>16</sup> One other reason for this behavior is that consumers perceive they gain lower unit prices from larger than smaller packages.<sup>17</sup> This finding is not universal across all products, however, because consumption for some products (such as laundry bleach or vitamins) is relatively invariant. Research also has revealed that packages with unusual shapes (e.g., elongated) are perceived subconsciously as containing larger quantities compared to more conventional packages, even when these latter packages are taller—primarily because they draw more attention from consumers.<sup>18</sup>

### Physical Materials in Packaging

Another important consideration is the materials that make up a package. Increased sales and profits often result when upgraded packaging materials are used to design more attractive and effective packages. Packaging materials can arouse consumer emotions, albeit more subconsciously. Packages constructed of metal evoke feelings of strength, durability, and, perhaps undesirably, coldness. Plastic packages connote lightness, cleanliness, and perhaps cheapness. Materials that are soft such as velvet, suede, and satin are associated with femininity. Foil can be used to convey a high-quality image and provoke feelings of prestige. Beverage products such as beers and sparkling wines often use foil with the apparent intent of appearing high end. Finally, wood sometimes is used in packages to arouse feelings of masculinity.

## 22-2b EVALUATING THE PACKAGE: THE VIEW MODEL

A number of individual features have been discussed with regard to what a package communicates to buyers, but what exactly constitutes a good package? Although, as always, no single response is equally suitable across all packaging situations, four general features can be used to evaluate a particular package: visibility, information, emotional appeal, and workability, or VIEW.<sup>19</sup>

### V = Visibility

Visibility signifies the ability of a package to *attract attention* at the point of purchase. The objective is to have a package stand out on the shelf, yet not be so garish that it detracts from a brand's image. Brightly colored packages are especially effective at gaining the consumer's attention. Novel packaging graphics, sizes, and shapes also enhance a package's visibility and thus serve to draw the consumer's attention. Based on principles of adaptation, though, it is important that the package be distinctive (i.e., standing out in its competitive environment).<sup>20</sup> For example, if all other pizza boxes are bright orange in a frozen food chest, your similarly colored pizza box may not stand out.

Many brands in product categories such as soft drinks, beer, cereal, and candy alternate packages throughout the year with special seasonal and holiday packaging as a way of attracting attention in addition to fitting in with the season. By aligning the brand with the shopping mood fitting the season or holiday, companies provide consumers with an added reason for selecting the specially packaged brand over more humdrum brands that never vary their package design. For instance, Anheuser-Busch InBev changed its distinctive Budweiser label to "America" to coincide with the 2016 U.S. Presidential election.<sup>21</sup>

### I = Information

This second element of the VIEW model deals with various forms of product information that are presented on packages (e.g., product ingredients, usage instructions, claimed benefits, nutritional information, and product warnings). The objective is to provide the right type and quantity of information without cluttering the package with excessive information that could interfere with the primary message or cheapen the look of the package.

Package labels play an influential role in affecting consumer purchase behavior. For example, research has demonstrated that presenting graphic visuals on cigarette packages for purposes of conveying the negative health consequences of smoking results in more people intending to quit smoking and willing to encourage other smokers to quit.<sup>22</sup> Yet, research also has determined that low-fat labels on food products have the perverse effect of increasing food intake by up to 50 percent compared to foods not labeled as low fat.<sup>23</sup> This increased food

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consumption occurs for normal-weight consumers mostly with foods perceived as being relatively healthy, but for overweight people it increases their consumption of all foods. The reasons underlying this low-fat labeling and increased-food-intake relationship are twofold: (1) low-fat labels lead people to believe that products are lower in calories than they actually are and (2) consumers' guilt as a result of overeating is reduced when consuming foods labeled as low fat. Some people, when eating foods labeled as low fat, infer that ingesting greater quantities is okay without considering that such foods may have lower levels of fat content, but not meaningfully fewer calories. These people consequently overeat, but without experiencing the guilt of doing so.

The conveyance of clear, concrete, accurate, and standardized nutrition information from food labels (e.g., Nutrition Facts Panels, front-of-package symbols) also is important. For example, front-of-package nutrition research shows that although simple check symbols (e.g., "Smart Choices") are well-liked (and can help with decision making), more complex traffic light symbols (used in some U.K. stores) tend to be more accurate for consumers evaluating the nutrition levels of products.<sup>24</sup>

In general, and in some instances, putting a short, memorable slogan on a package is a wise marketing tactic. Slogans on packages are best used when a strong association has been built between the brand and the slogan through extensive and effective advertising. The slogan on the package, a concrete reminder of the brand's advertising, can facilitate the consumer's retrieval of advertising content and thereby enhance the chances of a trial purchase. This practice of putting an advertising slogan on a package to tie in with media advertising takes advantage of a psychological principle known as *encoding specificity*. We will describe this principle in detail later in this chapter when discussing the role of POP communications.

### E = Emotional Appeal

The third component of the VIEW model, emotional appeal, concerns a package's ability to evoke a desired feeling or mood. Package designers attempt to arouse feelings such as elegance, prestige, cheerfulness, and fun through the use of color, shape, packaging materials, and other devices. Packages for some brands contain virtually no emotional elements and emphasize instead informational content, whereas packages of other brands emphasize emotional content and contain very little information. Kraft Heinz ketchup's packaging well illustrates the emotional value of packaging. Heinz, like other brands in this category, had always been packaged in glass bottles. Then the company began packaging ketchup in plastic containers. Both the bottles and the plastic containers were relatively bland, however. In an appeal to children, who consume the majority of all ketchup in the United States,

Heinz eventually designed an emotionally appealing, fun-oriented package with bright coloring and a multi-hued, striped design. Children love the different ketchup colors (red, green, and purple) and the similarly colored packages. As another example, Gorton's fish dinners changed their packaging from a harsh yellow background to a more aesthetically pleasing background in displaying their fish products.

What determines whether information or emotion is emphasized to a greater extent in a brand's package? The major determinant is the nature of the product category and the underlying consumer behavior involved. If consumers make brand-selection decisions based on objectives such as obtaining the best buy or making a prudent choice, then packaging should provide sufficient concrete information. When, however, brand selections are made in the pursuit of amusement, fantasies, or sensory stimulation, packaging should contain the appropriate emotional content to activate purchase behavior.

### W = Workability

The final component of the VIEW model, workability, refers to how a package functions rather than how it communicates. Several workability issues are prominent: (1) does the package protect the product contents, (2) does it facilitate easy storage on the part of both retailers and consumers, (3) does it simplify the consumer's task in accessing and using the product, (4) does it protect retailers against unintentional breakage from consumer handling and from pilferage, and (5) is the package environmentally friendly?

Numerous packaging innovations in recent years have enhanced workability. These include pourable-spout containers for motor oil, oatmeal, and sugar; easy-to-open and use containers (such as for Heinz ketchup); microwaveable containers for many food items; zip-lock packaging for cheese and other food items; single-serving bags and boxes; food in tubes (e.g., yogurt, applesauce, and pudding); slimmer 12-packs of beer and soft drinks that take up less room in refrigerators; and easy-to-hold, open, and pour paint containers (see Figure 22.1). Creative, environmentally focused packages include Dial's Eco-Smart Liquid Hand Soap Refill with an easy-pour spout in a collapsible package. This innovative package allows for quick filling without spills and uses 67 percent less plastic than other refills, resulting in reduced transportation and fuel costs.

The introduction of General Mills' Go-Gurt yogurt in a tube for children illustrates how a "workable" package can alter consumer behavior and increase sales. Because eating yogurt from a standard container minimally requires the availability of a spoon, children and teens were not consuming yogurt at school. The name, Go-Gurt, also suggested that the brand was to be consumed on the go. In its first year after introduction, Go-Gurt garnered national sales in excess of \$100 million and nearly doubled the

**Figure 22.1** ▶ Illustration of Workability



A host of packaging innovations have served to increase what might be called environmental workability. Many of the changes have involved moves from plastic to recyclable paper packages. For example, many fast-food chains eliminated the use of foam packaging, and other firms have transformed their packages from plastic to cardboard containers. Another significant environmental initiative has been the increase in spray containers as substitutes for ozone-harming aerosol cans. It is undeniable, however, that too many packages are environmentally wasteful by using excessive amounts of cardboard, plastic, and other packaging materials—all of which end up in landfills and many generate excessive amounts of climate-warming carbon dioxide in their manufacture. Companies need to do more work to reduce the amount of packaging materials that are used to enclose and protect their brands.

Courtesy Dutch Boy Paints

### 22-2c QUANTIFYING THE VIEW COMPONENTS

In conclusion, most packages do not perform well on all the VIEW criteria, but packages need not always be exemplary on

all four VIEW components, because the relative importance of each criterion varies from one product category to another. Emotional appeal dominates for some products (e.g., perfume), information is most important for others (e.g., staple food items), while visibility and workability are generally important for all products in varying degrees. In the final analysis, the relative importance of packaging requirements depends, as always, on the particular market and the competitive situation.

proportion of yogurt users under the age of 19 to about one in six.<sup>25</sup> Companies also have developed “smart packages” that include magnetic strips, bar codes, QR codes, and electronic chips (via RFID technology) that can communicate with appliances, computers, and consumers. For example, packages of microwaveable foods eventually will be programmed to “tell” microwaves how long the food item should be cooked. Procter & Gamble (P&G) has tested a smart-package program that is designed to send information about a product sale to a computer database as soon as a customer removes a P&G brand from the shelf. Small computer chips attached to the package send a signal to the store shelf, which contains printed circuit boards. The objective is, of course, to provide the company with immediate sales data that will facilitate its supply chain management.<sup>26</sup>

At this point, it would be useful to go beyond mere description of the VIEW model and have a procedure whereby the components could be quantified on a case-by-case basis to determine whether a new package proposal stands a good chance of being successful. Figure 22.2 illustrates a procedure for accomplishing this goal and applies it to the new type of paint container that was presented in Figure 22.1. Each VIEW component could be rated first

**Figure 22.2** ▶ Hypothetical Illustration of Quantifying the VIEW Model Components

VIEW COMPONENT	IMPORTANCE (I)*	EVALUATION (E) **	I × E
Visibility	3	4	12
Information	2	5	10
Emotional Appeal	2	1	2
Workability	5	5	25
Total Score	NA	NA	49

\*Importance is rated on a scale with values ranging from 0 to 5. A rating of 0 would indicate that a specific packaging component has no importance in this particular case. Higher positive values indicate progressively increasing levels of importance.

\*\*Evaluation is rated on a scale with values ranging from -5 to 5. A rating of 0, the midpoint of the scale, would indicate that the proposed new package performs neither favorably nor unfavorably on the characteristic at hand; negative values indicate poor performance, with -5 representing the worst possible performance; positive values indicate favorable performance, with 5 representing the best possible performance.

in terms of its *importance* in determining the suitability of a proposed new package and then with respect to how well the new package performs on each component, its *evaluation score*. Applying this model to the Dutch Boy paint container generates a hypothetical set of importance and evaluation scores. Because workability is considered the most important VIEW component for this particular packaging application and because the new container for Dutch Boy paint is evaluated as performing “at the max” on this component, this new packaging design receives a highly adequate total score of 49. It should be apparent that the importance scores for each packaging component will change from packaging situation to situation, and that the evaluation scores will differ for different prototype package designs that are under consideration. A simple model of this sort is not intended to make what ultimately is a subjective decision but rather to structure one’s thinking in arriving at such a decision.

## 22-2d DESIGNING A PACKAGE

Because package design is so important to a brand’s success, a systematic approach is recommended. Figure 22.3 provides a five-step package design process. The subsequent discussion describes each step.<sup>27</sup>

### Step 1: Specify Brand-Positioning Objectives

This initial stage requires that the brand management team specify how the brand is to be positioned in the consumer’s mind and against competitive brands. What identity or image is desired for the brand? For example, when Pfizer Inc. developed Listerine PocketPaks, a dissolvable breath-strip product containing Listerine mouthwash, the objective was to design a package that was both functional and aesthetically appealing. Specifically, the package was designed such that oral care could be provided outside the home, be easily transportable, and be accessible by men and women in a variety of situations.<sup>28</sup> The brand name, PocketPaks, describes perfectly how the package was designed literally to fit in a person’s pants or jacket pocket.

### Step 2: Conduct a Product Category Analysis

Having established what the brand represents (step 1), and thus what the packaging must convey, the next step is to study the product category and related categories to determine relevant trends or anticipated events that would influence the packaging decision.

**Figure 22.3** ▶ The Package Design Process





Consumer and competitor research is important at this stage to determine if the package is truly unique and different.

### Step 3: Perform a Competitive Analysis

Armed with knowledge about competitors' use of packaging colors, shapes, graphical features, and materials, the package designer is thus prepared to create a package that conveys the desired image (step 1), yet is sufficiently unique and differentiating (step 2) to capture consumer attention.

### Step 4: Identify Salient Brand Attributes or Benefits

As noted earlier, research reveals that shoppers spend an incredibly short amount of time—roughly 10 to 12 seconds—viewing brands before moving on or selecting an item. It is a good idea, therefore, that the package not be too cluttered with information and that it feature benefits that are most important to consumers. A general rule for displaying brand benefits on a package is, “The fewer, the better.”<sup>29</sup>

### Step 5: Determine Communication Priorities

Having identified the most salient brand benefits (step 4), the package designer at this phase of the process must establish verbal and visual priorities for the package. Although perhaps three benefits may have been identified in step 4 as essentially equal in importance, the designer must prioritize which of the three is to capture the greatest visual or verbal attention on the package. This is a very tough decision because it is tempting to devote equal attention to all important brand benefits. It helps if the package designer acknowledges that the package “advertisement” at the point of purchase occurs in an incredibly cluttered environment for a very short duration.

## 22-3 Point-of-Purchase (POP) Communications

Brand names and packages confront head-on at the point of purchase the ultimate arbiter of their effectiveness, the consumer. The point of purchase, or store environment, provides brand marketers with a final opportunity to affect consumer behavior. Brand managers recognize the value of POP advertising; as marketers in the United States are now spending in excess of \$21 billion on various forms of POP communications.<sup>30</sup>

The point of purchase is an ideal time to communicate with consumers because this is the time at which many product and brand-choice decisions are made. It is the time and place at which all elements of the sale (consumer, money, and product) come together.<sup>31</sup> The consumer's in-store behavior has been described in the following terms that highlight the importance of POP advertising:

*Shoppers are explorers. They're on safari, hunting for bargains, new products and different items to add excitement to their everyday lives. Three of every four*

*are open to new experiences as they browse the aisles of supermarkets and search for bargains at drugstores and mass merchandisers.*<sup>32</sup>

This translates into an opportunity to make a measurable impact just when shoppers are most receptive to new product ideas and alternative brands. Yet, as with packaging, marketers may only have a few precious seconds to engage consumers in POP communication—what some brand managers call the “first moment of truth” (FMOT).<sup>33</sup> Also, consumers are reminded of previously processed mass media advertisements and now have the opportunity to benefit from a sales promotion offer.

### 22-3a THE SPECTRUM OF POP MATERIALS

POP materials include various types of signs, mobiles, plaques, banners, shelf ads, mechanical mannequins, lights, mirrors, plastic reproductions of products, check-out units, full-line merchandisers, various types of product displays, wall posters, floor advertisements, in-store radio and TV advertisements, electronic billboard advertising, and other items.<sup>34</sup> (In fact, a digital extension might even be in-store apps displaying POP materials on a consumer's phone.) Industry representatives classify traditional POP materials into four categories:

- *Permanent displays:* These are displays intended for use for six months or more. (Note that the six-month dividing line is an arbitrary convention established by Point-of-Purchase Advertising International, which is known by its abbreviation, POPAI.) An illustration of a permanent display for New Balance Canada's “Stride I.D.” display lab is presented in Figure 22.4. This display allows shoppers to get a 3-D scan of their feet for proper athletic shoe fit.
- *Semipermanent displays:* Semipermanent POP displays have an intended life span of less than six but more than two months. Figure 22.5 presents a semipermanent display for Listerine products.
- *Temporary displays:* Temporary POP displays are designed for fewer than two months' usage. A temporary display for Pokémon products in GameStop stores is presented in Figure 22.6.
- *In-store media:* In-store media include advertising and promotion materials such as in-store radio advertising, retail digital signage (TV-like screens at key locations and checkout lanes), shopping cart advertising (such as discussed in the chapter-opening *Marcom Insight*), shelf advertisements (called shelf talkers), and floor graphics (advertisements placed on store floors; see illustration in Figure 22.7). A third-party company (i.e., a company other than the brand manufacturer or retailer) typically executes these in-store media. Brand marketers pay advertising rates to secure in-store radio time or shopping-cart and

shelf-talker space on a nationwide basis or in specific markets. Hopefully, the in-store media is appropriately matched with the store (e.g., music not so loud as to force patrons away).

### 22-3b WHAT DOES POP ACCOMPLISH?

Companies are increasingly investing in POP advertising materials. As mentioned earlier, POP advertising expenditures in the United States exceed \$21 billion annually. This investment is justified because in-store materials provide useful services for all participants in the marketing process: manufacturers, retailers, and consumers.

#### Accomplishments for Manufacturers

For manufacturers, POP materials keep the company's name and the brand name before the consumer and reinforce a brand image that has been previously established through mass-media advertising or other outlets. POP signage and displays also call attention to sales promotions and stimulate impulse purchasing.

#### Service to Retailers

Point of purchase serves retailers by attracting the consumer's attention, increasing his or her interest in shopping, and extending the amount of time spent in the store—all of which lead to increased retail revenue and profits. Furthermore, POP materials perform a critical merchandising function by aiding retailers in maximizing available space when, for example, various products are displayed in the same unit. POP displays also enable retailers to better organize shelf and floor space and to improve inventory control and stock turnover.

#### Value to Consumers

Consumers are served by POP units that deliver useful information and simplify the shopping process. Permanent, semipermanent, and temporary POP units provide this value to consumers by setting particular brands apart from similar items and simplifying the selection process. Also, in-store media inform consumers of new products and brands. (See the *Insights Online* in MindTap for further discussion of in-store TV advertising and apps.)

insights  
online

To learn more about in-store TV advertising and apps, go to Insights Online in MindTap.



Source: New Balance

Figure 22.4 ► Illustration of a Permanent Display



POPAL, Point-Of-Purpose Advertising International

Figure 22.5 ► Illustration of a Semipermanent Display



Source: THQ

Figure 22.6 ▶ Illustration of a Temporary Display

However, there is a downside to the growing use of in-store displays and advertising materials: consumers sometimes are overwhelmed with excessive POP stimuli. A marketing commentator has even compared the widespread usage of in-store advertising materials with online spam.<sup>35</sup> Like all advertising media, the in-store environment suffers from ad clutter, which can irritate consumers and reduce the effectiveness of brand marketers' advertising efforts. This explains why a number of retailers are implementing "clean floor" policies by reducing the number, size, and appearance of displays in an effort to enhance consumers' shopping experience.<sup>36</sup> (Yet, recent research has shown that *some* clutter helps stop consumers from moving through aisles and encourages sales.<sup>37</sup>) In addition to benefiting all participants in the marketing process, point-of-purchase communication plays another important role: It serves as the capstone for an IMC program. POP by itself may have limited impact, but when used in conjunction with mass-media advertisements and promotions, POP can create a synergistic effect. Research has shown that when POP communication reinforces a brand's advertising message, the increase in sales volume can be substantial. Illustrations of this synergism appear in a later section that presents empirical evidence of POP's effectiveness.



Susan Van Etten

Figure 22.7 ▶ Illustration of Floor Advertisements

### 22-3c POP'S INFLUENCE ON CONSUMER BEHAVIOR

POP materials influence consumers in four general ways: (1) by *informing* them about specific items; (2) by *reminding* them of information acquired from other advertising media; (3) by *encouraging* them to select particular brands, sometimes on impulse; and (4) aiding *merchandising* with the effective and efficient use of retail floor space.

#### Informing

Informing consumers is POP's most basic communications function. Signs, posters, displays, in-store advertisements, and other POP materials alert consumers to specific items and provide potentially useful information.

*Motion displays* are especially effective for this purpose. Motion displays, although typically more expensive than static displays, represent a potentially sound business investment if they attract significantly higher levels of shopper attention. Evidence from three studies shows that motion displays often are worth the extra expense.<sup>38</sup>

Researchers tested the relative effectiveness of motion and static displays for Olympia beer, a once successful brand, by placing the two types of displays in a test sample of California liquor stores and supermarkets. Each of the sampled stores was stocked with either static or motion displays. Another sample of stores, serving as the control group, received no displays. More than 62,000 purchases of Olympia beer were recorded during the four-week test period. Static displays in liquor stores increased Olympia sales by 56 percent over stores with no displays (the control group). In supermarkets, static displays improved Olympia sales by a considerably smaller, although nonetheless substantial, amount (18 percent). More dramatic, however, was the finding that motion displays increased Olympia sales by 107 percent in liquor stores and by 49 percent in supermarkets.

A second test of the effectiveness of motion displays used S. B. Thomas' English muffins as the focal product. Two groups of 40 stores each were matched by store volume and customer demographics. One group was equipped with an S. B. Thomas' English muffin post sign that moved from side to side. The other 40 stores used regular floor displays with no motion. Sales

of Thomas' muffins in the stores stocked with motion displays were more than 100 percent greater than in stores with static displays.

A third test of motion versus static displays involved Eveready batteries in tests conducted in Atlanta and San Diego. Six drugstores, six supermarkets, and six mass-merchandise stores were divided into two groups, as with the Thomas' muffin study. For mass merchandisers, the static displays increased sales during the test period by 2.7 percent over the base period, but surprisingly, sales in the drug and food outlets using the static displays were slightly less (each 1.6% lower) than those not using the static displays. By comparison, the motion displays uniformly increased sales by 3.7 percent, 9.1 percent, and 15.7 percent in the drugstore outlets, supermarkets, and mass merchandisers, respectively.

All three sets of results demonstrate the relative effectiveness of motion displays compared to static displays. The consumer information-processing rationale (see Chapter 6) is straightforward: (1) Motion displays attract attention. (2) Attention, once attracted, is directed toward salient product features, including recognition of the displayed brand's name. (3) Brand name information activates consumers' memories pertaining to brand attributes previously processed from media advertising. (4) Information on brand attributes, when recalled, supplies a reason for the consumer to purchase the displayed brand. It also is possible that merely seeing a display intimates that the displayed brand is on sale, whether it is or not.<sup>39</sup>

Thus, a moving display performs the critical in-store function of bringing a brand's name to active memory. The probability of purchasing the brand increases, perhaps substantially (as in the case of S. B. Thomas' English muffins), if the consumer is favorably disposed toward the brand. The Eveready display was less effective apparently because the selling burden was placed almost exclusively on the display. Without prior stimulation of demand through advertising, the static display was ineffective, and the motion display was not as effective as it might have been.

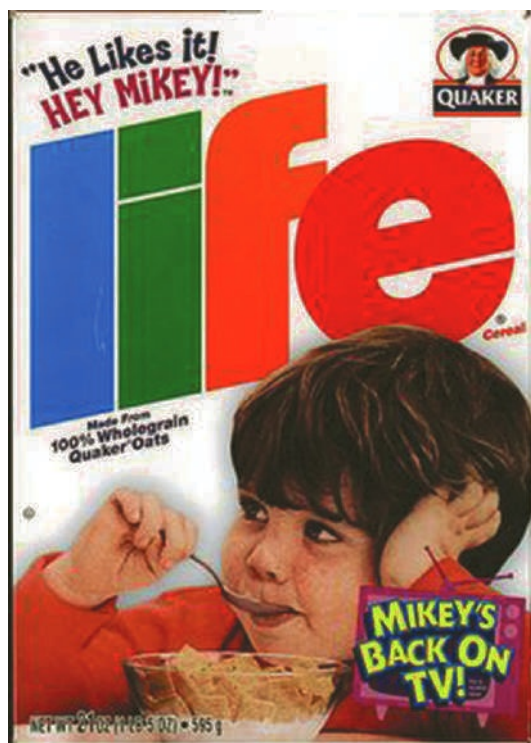
### Reminding

A second POP function is reminding consumers of brands they have previously learned about via broadcast, print, online, or other advertising media. This reminder role serves to complement the job already performed by advertising before the consumer enters a store.

To appreciate the reminder role served by POP materials fully, it is important to address a key principle from cognitive psychology: the **encoding specificity principle**. This principle states that information recall is enhanced when the context in which people attempt to retrieve information is the same as or similar to the

#### Encoding specificity principle

A principle of cognitive psychology which states that information recall is enhanced when the context in which people attempt to retrieve information is the same as or similar to the context in which they originally encoded the information.



Source: Quaker Oats Company

context in which they originally encoded the information. (Encoding is the placing of informational items into memory.) As an example, Life cereal facilitated in-store recall and retrieval of brand information when they placed “Mikey” on the package. Mikey was a hard-to-please but cute boy who had been featured and (hopefully) originally encoded by consumers in a long-running Life cereal commercial. By providing consumers with encoding-specific retrieval cues on the package, chances are that consumers will recall from earlier advertisements that Life is the cereal brand with the cute, but hard-to-please boy named “Mikey” who likes Life cereal.

### Encouraging

Encouraging consumers to buy a specific item or brand is POP’s third function. Effective POP materials influence product and brand choices at the point of purchase and encourage unplanned purchasing and even impulse buying. For example, over the years, celebrities have been featured on POP displays (e.g., John Madden for True Value Hardware, Elvira the “Mistress of Darkness” for Coors).

### Merchandising

Merchandising refers to the effective and efficient use of retail space. Certainly, when matched with the retailer needs and specifications, POP displays can help with the merchandising function. This is even true when arguments are made to remove POP displays for “clean store” appearances, because some clutter (with POP displays) has been shown to increase sales.<sup>40</sup> Clairol’s hair-coloring display for women that features color-coded labeling serves as an example.

Also, recently, many food retailers (e.g., Whole Foods) are rethinking the design of their stores, especially for cost-conscious millennials, who also demand better food quality.<sup>41</sup> So, Whole Foods is planning a chain of smaller stores aimed at younger shoppers, as is Amazon, who is just entering this category and plans to offer a convenience-type store option.<sup>42</sup>

## 22-3d EVIDENCE OF IN-STORE DECISION MAKING

Studies of consumer shopping behavior have shown that a high proportion of all purchases are unplanned, especially in supermarkets, drugstores, and mass-merchandise outlets (such as Walmart and Target). *Unplanned purchasing* means that many product and brand choice decisions are made while the consumer is in the store rather than beforehand. POP materials play a role—perhaps the major role—in influencing unplanned purchasing. The following section discusses research on unplanned purchasing, and a subsequent section then presents impressive evidence on the role of POP displays in increasing sales volume.

### The POPAI Consumer Buying Habits Study

A trade association named POPAI (i.e., Point of Purchase Advertising International, and now merged with A.R.E.—the Association for Retail Environments) has conducted this important study over the years, which confirms that in-store media, signage, and displays heavily influence consumers’ purchase decisions.<sup>43</sup> The most recent study collected data in 2012 from 2,400 consumers who were on a routine shopping trip in supermarket stores located in one of four major geographic regions in the United States. (A survey of 2,991 *mass merchant* store shoppers also is available. See endnote 43.) For the supermarket study, the number of interviews conducted per region reflected a census-balanced sample. The study was conducted in the following manner:

- Researchers screened shoppers age 18 or older to determine that they were on a “routine shopping trip.”
- Researchers then interviewed qualified shoppers both before they began their shopping (10-minute entry interviews) and after they had completed their shopping trips (15- to 20-minute exit interviews). Interviews were conducted during all times of the day and every day of the week.
- During the preshopping entry interviews, researchers used an unaided questioning format to ask shoppers about their planned purchases on that particular occasion and probed for brand buying intentions. Then, during postshopping exit interviews, researchers had access to supermarket shoppers’ electronic capture of their store register tapes.
- By comparing shoppers’ planned purchases obtained during entry interviews with actual purchases during exit interviews, it was possible to classify every brand purchase into one of four types of purchase behaviors: specifically planned, generally planned, substitute purchases, and unplanned purchases. Each group is defined as follows:
  1. *Specifically planned*: This category represents purchases of a brand that the consumer had indicated an intention to buy. For example, the purchase of Diet Mountain Dew would be considered a specifically planned purchase if during the entry interview a consumer mentioned her or his intention to purchase that brand and in fact bought Diet Mountain Dew. According to the 2012 Consumer Buying Habits Study (see Table 22.1), 24 percent of supermarket purchases were specifically planned. (In comparison, 18% of mass merchant store purchases were specifically planned in 2014.)
  2. *Generally planned*: This classification applies to purchases for which the shopper indicated an intention to buy a particular product (say, a

**Table 22.1** ▶ Results from the POPAI Consumer Buying Habits Studies: Supermarkets 1965 to 2012

TYPE OF PURCHASE	1965	1977	1986	1995	2012
1. Specifically planned	31%	35%	34%	30%	24%
2. Generally planned	17	15	11	6	15
3. Substitute	2	3	3	4	6
4. Unplanned	50	47	52	60	55
In-store decision rate (2 + 3 + 4)	69%	65%	66%	70%	76%

Source: *The 2012 POPAI Shopper Engagement Study: Topline Report*, p. 4 (Chicago, IL: Point-of-Purchase Advertising International). Reprinted by permission.

soft drink), but had no specific brand in mind. The purchase of Diet Mountain Dew in this case would be classified as a generally planned purchase rather than a specifically planned purchase. In 2012, generally planned purchases constituted 15 percent of those in supermarkets (see Table 22.1). (17% of mass merchant store purchases were generally planned in 2014.)

3. *Substitute purchases*: Purchases where the shopper does not buy the product or brand indicated in the entry interview represent substitute purchases. For example, if a consumer said she or he intended to buy Diet Mountain Dew, but actually purchased Vault Zero, that behavior would be classified as a substitute purchase. These represented just 6 percent of supermarket purchases in 2012. (In 2014, substitute purchases were just 3% of the mass merchant store total.)
4. *Unplanned purchases*: Under this heading are purchases for which the consumer had no prior purchase intent. If, for example, a shopper buys Diet Mountain Dew without having informed the interviewer of this intent, the behavior would be recorded as an unplanned purchase. 76% of the purchases in supermarkets were classified as unplanned in 2012. (For comparison, 62% of mass merchant store purchases in 2014 were unplanned.)

Notice in Table 22.1 that the summation of generally planned, substitute, and unplanned purchases constitutes the *in-store decision rate*. In other words, the three categories representing purchases that are *not* specifically planned together represent decisions influenced by in-store factors. The current in-store decision rate is 76 percent for supermarkets. This percentage indicates that in-store factors influence approximately 7.6 out of 10

purchase decisions. (The in-store decision rate is higher for mass merchant stores at 82%.) It is apparent that POP materials represent a very important determinant of consumers' product and brand choice behaviors!

Table 22.1 also shows how the in-store decision rate for supermarkets has changed over time from 1965 to 2012. The dip in the in-store rate in 1977 might be attributed to the energy crisis that led to double-digit inflation at that time. Thus, there was an increase in the number of decisions made before consumers entered the store. In the economically-challenging year of 2012, the jump in the generally-planned decisions may be attributed to a shift from pre-store brand decisions to in-store private label (store) products and price comparisons among brands. Still, the bulk of the purchases across these years have come from unplanned decisions made in the store.

It is important to recognize that not all purchases interviewers recorded as unplanned are truly unplanned. Rather, some purchases are recorded as unplanned simply because shoppers are *unable or unwilling* during the entry interview to inform interviewers of their exact purchase plans. This is not to imply that the POPAI research is flawed, but rather that the measurement of unplanned purchases probably is somewhat overstated due to the unavoidable bias just described. Other categories may be biased also. For example, by the same logic, the percentage of specifically planned purchases is probably somewhat understated. In any event, POPAI's findings are important even if they are not precisely correct.

The summary statistics in Table 22.1 represent types of purchases aggregated over literally hundreds of product categories. It should be apparent that in-store decision rates vary greatly across product categories. To emphasize this point, Table 22.2 presents categories with the highest and lowest in-store decision rates for supermarkets in 2012.

The data presented in Table 22.2 makes it clear that in-store decision rates vary substantially. Supermarket products that

are virtual staples (e.g., milk) and products that are essential and regularly purchased items (e.g., baby food/formula, laundry detergent) have the lowest in-store purchase rates because most consumers know they are going to purchase these items when they go to the store. Conversely, non-necessities and items that generally do not occupy top-of-the-mind thoughts (e.g., magazines, gum) are especially susceptible to the influence of in-store stimuli. It is clear that for these types of products, brand marketers must have a distinct presence at the point of purchase if they hope to sway purchase decisions toward their brands.

#### Factors Influencing In-Store Decision Making

Academic researchers were provided access to data from a previous *POPAI Consumer Buying Habits Study*.<sup>44</sup> The researchers' objective was to determine what effect a variety of shopping-trip factors (e.g., size of shopping party, use of a shopping list, number of aisles shopped) and consumer characteristics (e.g., deal proneness, compulsiveness, age, gender, and income) have on unplanned purchasing.

The researchers determined that the rate of unplanned purchasing is elevated when consumers are on a major (versus fill-in) shopping trip, when they shop more of a store's aisles, when the household size is large, and when they are deal prone. Perhaps the major practical implication from this research is that retailers benefit from having consumers shop longer and traverse more of the store while shopping, thus increasing the odds of purchasing unintended items. One way of accomplishing this is by placing frequently purchased items (e.g., items such as bread and milk) in locations that require consumers to pass as many other items as possible.<sup>45</sup> Interestingly, the *2014 POPAI Mass Merchant Store Study* shows that for those shoppers who are "time stressed," approximately 56 percent of their purchases are unplanned.<sup>46</sup>

**Brand Lift** POPAI and a collaborating research company developed a measure—called the *brand lift index*—to gauge the average increase of in-store purchase decisions when POP materials are present versus when they are not.<sup>47</sup> (The term *lift* is used in reference to increasing, or lifting, sales in the presence of POP materials.) The brand lift index simply indicates how in-store POP materials affect the likelihood that customers will buy a product that they had not specifically planned to buy.

**Table 22.2** ▶ Product Categories with the Five Highest and Five Lowest In-Store Decision Rates: Supermarket Purchases

CATEGORY	IN-STORE DECISION RATE
<i>Highest In-Store Decision Rate [without first aid]</i>	
Croutons	100%
Magazines	96
Gum and mints	95
Feminine hygiene	94
Air care	94
<i>Lowest In-Store Decision Rate [without first aid]</i>	
Milk refrigerated (including soymilk)	55
Beer	56
Baby food/formula	64
Laundry detergent	64
Isotonics sports drinks	66

Source: "Product Categories with the Five Highest and Five Lowest In-Store Decision Rates: Supermarket Purchases," *The 2012 POPAI Shopper Engagement Study* (Chicago, IL: Point-of-Purchase Advertising International). Reprinted by permission.

From a previous *POPAI Consumer Buying Habits Study*, Table 22.3 shows the products that enjoy the highest brand lift from displays. For example, the index of 47.67 for film and photo-finishing products in mass-merchandise stores indicates that shoppers are nearly 48 times more likely to make in-store purchase decisions for these products when advertised with displays than if there were no displays. (Note that the index of 47.67 does *not* mean that sales of film and other photofinishing items are over 47 times greater when a display is used. Rather, this index merely reveals that consumers are nearly 48 times more likely to make in-store decisions in the presence versus absence of displays.) And, supermarket shoppers are 6.47 times more likely to make in-store decisions to purchase butter or margarine when these items are displayed compared to when they are not displayed. Needless to say, displays can have incredible influence on consumer behavior.

#### 22-3e EVIDENCE OF DISPLAY EFFECTIVENESS

Practitioners are vitally interested in knowing whether the cost of special POP displays is justified. Two important studies have examined the impact of displays and provided evidence that enlightens this issue.

**Table 22.3** ▶ Supermarket and Mass Merchandise Product Categories with Highest Average Brand Lifts from Displays

CATEGORY	BRAND LIFT INDEX
<i>Supermarket</i>	
Butter/margarine	6.47
Cookies	6.21
Soft drinks	5.37
Beer/ale	4.67
Mixers	4.03
Sour cream/cream cheese	3.79
Cereal	3.73
Hand and body soaps	3.62
Packaged cheese	3.57
Canned fish	3.55
Salty snacks	3.50
<i>Mass-Merchandise</i>	
Film/photo finishing	47.67
Socks/underwear/panty hose	29.43
Cookies/crackers	18.14
Small appliances	8.87
Foils, food wraps, and bags	7.53
Adult apparel	7.45
Pet supplies	5.55
Packaged bread	5.01

Source: “Supermarket and the Mass Merchandise Product Categories with Highest Average Brand Lifts from Displays,” p. 24. *The 1995 POPAI Consumer Buying Habits Study* (Washington, D.C.: Point-of-Purchase Advertising International). Reprinted by permission.

### The POPAI/Kmart/P&G Study

A few years ago, a notable study was conducted by a consortium of a trade association (POPAI), a mass merchandiser (Kmart), and a consumer-goods manufacturer (Procter & Gamble [P&G]).<sup>48</sup> The study investigated the impact that displays have on sales of P&G brands in six product categories: paper towels, shampoo, toothpaste, deodorant, coffee, and fabric softener. The test lasted for

a period of four weeks, and P&G’s brands were advertised in mass-media outlets and sold at their regular prices throughout the test period. Seventy-five Kmart stores in the United States were matched in terms of brand sales, store volume, and shopper demographics and then assigned to three panels, or groups, of 25 stores each:

*Control panel.* The 25 stores in this group merchandised P&G brands in their normal shelf position without any special displays.

*Test panel 1.* These 25 stores carried the advertised brands on display.

*Test panel 2.* The 25 stores in this group carried the advertised brands on display; however, different displays were used than those in test panel 1, or the same displays were used as in test panel 1 but at different locations in the store.

Specific differences in displays/locations between test panels 1 and 2 are shown in Table 22.4. For example, paper towels were displayed in a mass waterfall display at two different (but undisclosed) store locations; shampoo was displayed in either a special shelf unit display or a floor-stand display; and coffee was displayed either on a quarter pallet outside the coffee aisle or on a full pallet at the end of the coffee aisle—called an endcap display.

Most importantly, the last column in Table 22.4 compares the percentage sales increase in each set of test stores (with displays) against the control stores where P&G brands were sold in their regular (nondisplay) shelf locations. It is apparent that positive sales increases materialized for all products and under both set of display conditions versus the nondisplay control stores. In some instances, the increases were quite large. P&G’s brands of shampoo and deodorant experienced modest increases during the four-week test of only about 18 percent (test panel 1), whereas paper towels and coffee experienced triple-digit increases in both display conditions—sales increases of 773.5 percent for paper towels (test panel 2) and 567.4 percent for coffee (test panel 2)!

In general, and based on the *2014 POPAI Mass Merchant Study*, most display units are end-of-aisle (66%), followed by in-aisle (18%), and then by “racetrack” (16%).<sup>49</sup> But, the above results show that creative placement of POP displays can affect eventual sales.

### The POPAI/Warner-Lambert Studies

Two additional studies extend the POPAI/Kmart/P&G findings obtained from mass-merchandise stores in the United States to drugstores in Canada.<sup>50</sup> POPAI and Warner-Lambert Canada jointly investigated the effectiveness of POP displays on sales of health items in drugstores. Eighty stores from four major drugstore chains participated (Shoppers Drug Mart, Jean Coutu, Cumberland,



**Table 22.4** ▶ Display Information for POPAI/Kmart/P&G Study

PRODUCT CATEGORY	TEST PANELS AND DISPLAYS	TEST PANEL SALES VERSUS CONTROL PANEL SALES (PERCENTAGE INCREASE)
Paper towels	Test 1: Mass waterfall (MW) display	447.1%
	Test 2: MW display in a different location	773.5
Shampoo	Test 1: Shelf unit	18.2
	Test 2: Floorstand	56.8
Toothpaste	Test 1: Floorstand in toothpaste aisle	73.1
	Test 2: Quarter pallet outside toothpaste aisle	119.2
Deodorant	Test 1: Powerwing	17.9
	Test 2: Powerwing in a different store location	38.5
Coffee	Test 1: Quarter pallet outside coffee aisle	500.0
	Test 2: Full pallet on endcap of coffee aisle	567.4
Fabric softener	Test 1: Full pallet on endcap of laundry aisle	66.2
	Test 2: Quarter pallet outside laundry aisle	73.8

Source: "Display Information for POPAI/Kmart/P&G Study," from "POPAI/Kmart/Procter & Gamble Study" of P-O-P Effectiveness in Mass Merchandising Stores, p. 20. *The 1995 POPAI Consumer Buying Habits Study* (Washington, D.C.: Point-of-Purchase Advertising International). Reprinted by permission.

and Pharmaprix), and testing was conducted in three major cities: Toronto, Montreal, and Vancouver. Two brands were involved in the testing: Benylin cough syrup and Listerine mouthwash.

**The Benylin Study** Stores were divided into four groups for the Benylin test: Stores in group 1 offered regularly priced Benylin in its normal (nondisplay) shelf position; stores in group 2 merchandised Benylin in the normal shelf position, but at a feature (i.e., discounted) price; stores in group 3 displayed Benylin at a feature price on endcap displays; and group 4 stores used in-aisle floorstand displays of Benylin at a feature price. Sales data were captured during a two-week period in each store to gauge display effectiveness.

The effectiveness of both feature pricing and displays is determined simply by comparing sales volume during the test period in store groups 2 through 4 with sales in group 1—the baseline group. These comparisons reveal the following:

- Stores in group 2 (Benylin located at its regular shelf position but feature priced) enjoyed 29 percent greater sales volume of Benylin than the stores in group 1 (Benylin at its regular price and normal shelf location). This 29 percent increment reflects simply

the effect of feature pricing as both store groups sold Benylin from its regular shelf location.

- Stores in group 3 (Benylin on an endcap display and feature priced) enjoyed 98 percent greater sales of Benylin than did stores in group 1. This increment reflects the substantial impact that the endcap display and feature price combination had on the number of units sold. The large percentage increase in comparison to group 2 (i.e., 98% versus 29%) reflects the incremental impact of the endcap display location over the effect of feature pricing per se.
- Stores in group 4 (Benylin displayed in-aisle and feature priced) realized 139 percent greater sales volume than the baseline stores, which indicates that this location, at least for this product category, is more valuable than is the endcap location.

**The POPAI/Warner-Lambert Listerine Study** Stores were divided into four groups for this test: group 1 stores offered regularly priced Listerine in its normal shelf position; group 2 stores offered Listerine in the normal shelf position but at a feature price; group 3 stores displayed Listerine at a feature price on endcap displays at the *rear* of the store; and group 4 stores displayed Listerine at a feature price on endcap displays at the *front* of the store. Sales

data were captured during a two-week period in each store to gauge display effectiveness.

Again, the effectiveness of displays can be determined by comparing sales volume of groups 2 through 4 with sales in baseline group 1:

- Stores in group 2 (Listerine located at its regular shelf position but feature priced) enjoyed 11 percent greater sales volume of Listerine than the stores in group 1 (where Listerine was regular priced and located in its regular shelf position).
- Stores in group 3 (Listerine at a rear endcap display and feature priced) experienced 141 percent greater sales of Listerine than the stores in group 1.
- Stores in group 4 (Listerine at a front endcap display and feature priced) enjoyed 162 percent greater sales volume than the baseline stores.

Both sets of results reveal that these two drugstore brands, Benylin and Listerine, benefited greatly when feature priced and merchandised from prized locations. The Listerine study results came as a bit of surprise to industry observers, however, who expected the advantage of the front endcap location to be substantially greater in comparison to the rear endcap location. The premium price that manufacturers pay for front endcap placement (versus rear endcap positioning) may not be fully justified in light of these results. Additional research with other product categories is needed before any definitive answer is possible.

### 22-3f LATEST POPAI RESEARCH

In 2014, 219 of the 2,991 mass merchant store shoppers were recruited to participate in eye-tracking data collection to determine which displays make it into shoppers' line of sight and best engage shoppers' interest.<sup>51</sup> Such research (although not yet available) can be invaluable in examining diagnostic, visceral, and emotional reactions to displays and shopper store paths that are not always reflected in recall and purchase data.

### 22-3g THE USE AND NONUSE OF POP MATERIALS

Although POP materials can be very effective for manufacturers and perform several desirable functions for retailers, the fact remains that perhaps as much as 40 to 50 percent of POP materials supplied by manufacturers are never used by retailers or are used incorrectly.<sup>52</sup>

With the advent of RFID chips attached to displays, manufacturers have acquired keen insight into retailers' use or nonuse of displays. The RFID technology enables manufacturers to track the exact location of displays and to know when display units are erected and taken down. Procter & Gamble learned in a study of display usage for its Braun's Cruzer electric razors that

one-third of retailers did not comply with their agreement to erect a display for this product. P&G also found that retailers erected displays correctly only 45 percent of the time.<sup>53</sup> Research by Kimberly-Clark determined that its retailers used the correct POP displays only 55 percent of the time.<sup>54</sup> It is apparent that retailers do not always comply with manufacturers' display-usage instructions.

### Reasons Why POP- Materials Go Unused

Five major reasons explain why retailers choose not to use POP materials. First, at times, there is no incentive for the retailer to use certain POP materials, because these materials may be inappropriately designed to their specifications and do not satisfy the retailer's needs. Second, some displays take up too much space for the amount of sales generated. Third, some materials are too unwieldy, too difficult to set up, too flimsy, or have other construction defects. A fourth reason that many signs and displays go unused is because they lack eye appeal. Finally, retailers are concerned that displays and other POP materials simply serve to increase sales of a particular manufacturer's brand during the display period, but that the retailer's sales and profits for the entire product category are not improved. In other words, a retailer has little incentive to erect displays or use signage that merely serves to transfer sales from one brand to another but that does not increase the retailer's overall sales and profits for the product category.

### Encouraging Retailers to Use POP Materials

Encouraging retailers to use POP materials is a matter of basic marketing. Persuading the retailer to enthusiastically use a display or other POP device means that the manufacturer must view the material from the retailer's perspective. First and foremost, POP materials must satisfy the retailer's needs and the consumers' needs rather than just those of the manufacturer. This is the essence of marketing, and it applies to encouraging the use of POP materials just as much as promoting the acceptance of the manufacturer's own brands. Therefore, manufacturers must design POP materials to satisfy the following requirements:

- They are the right size and format to meet retailer specifications.
- They fit the store decor.
- They are user friendly—that is, easy for the retailer to attach, erect, or otherwise use.
- They are sent to stores when they are needed (e.g., at the right selling season).
- They are properly coordinated with other aspects of the marcom program (i.e., they should tie into a current advertising or sales promotion program).
- They are attractive, convenient, and useful for consumers.<sup>55</sup>

### 22-3h MEASURING IN-STORE ADVERTISING'S AUDIENCE

Historically, the specific measurement of in-store (audience) exposure to POP advertising had not been available. However, a few years ago, Nielsen and the In-Store Marketing Institute had undertaken a major initiative in conjunction with a consortium of major brand marketers and retailers (e.g., Coca-Cola, Kellogg, Kroger, Miller Brewing, P&G, and Walmart), to measure the effectiveness of in-store advertising media.<sup>56</sup> This initiative, termed *PRISM* (Pioneering Research for an In-Store Metric) had devised a procedure for acquiring standard diagnostics (reach, frequency, gross impressions, etc.) for measuring the performance of in-store media. For example, gross impressions (i.e., total exposures) = traffic (i.e., frequency) × compliance (i.e., percentage of stores using the displays) × unduplicated audience (i.e., absolute number reached or net coverage). Although *PRISM* was discontinued in 2009 with the pull-out of Walmart, it serves as an important basis for how brand marketers can plan and evaluate in-store advertising in planning for and evaluating advertising placed in print and broadcast media.

**Conspicuity** The ability of a sign to capture attention; those signage characteristics that enable walkers or drivers and their passengers to distinguish a sign from its surrounding environment.

### 22-4 On-Premise Business Signage

This section deals with a topic—on-premise signage—that is commonplace and may be overlooked as we are surrounded by store signs in everyday life. However, on-premise signs (i.e., those located on or near retail stores) are considered the most cost-effective and efficient form of communication available to retail businesses. Such signs are very important to small- and medium-sized business owners, with their valuation based on costs to replace customer exposures to these signs, as often used in legal cases.<sup>57</sup>

#### 22-4a TYPES OF ON-PREMISE SIGNS

Although on-premise signs include an incredible diversity of signage that is limited only by designers' creativity and governmental regulations, we can identify two general categories, freestanding and building-mounted.<sup>58</sup> *Freestanding signs* include monument signs, pole signs, A-frame (a.k.a. sandwich-board) signs, portable signs, inflatable signs, and other forms of signs that are *unattached* to a retail building (see Figure 22.8 for illustration). *Building-mounted signs* are *attached* to buildings and include projecting signs, wall signs, roof signs, banners, murals, and canopy or awning signs (see Figure 22.9 for illustration).

#### 22-4b THE ABCs OF ON-PREMISE SIGNS

On-premise signs enable consumers to identify and locate businesses and can influence their store-choice decisions

and prompt impulse purchasing. These functions are conveniently referred to as the ABCs of *store signage*. That is, an effective sign should minimally perform the following functions:<sup>59</sup>

- Attract new customers.
- Brand the retail site in consumers' minds.
- Create impulse buying decisions.

Of course, the specific functions performed and the importance of having eye-catching and attractive signs depend on the nature of the business, whether it is a small retailer with a relatively fixed clientele—in which case, signage is relatively less critical—or a business that must constantly attract new customers. In this latter situation, signage performs a critical function because for retailers to stay in business and potentially thrive they must capture travelers,

who are onetime or occasional customers.

Attracting new customers requires first and foremost that a store sign *capture the consumer's attention*. This is no small feat when considering that the retail landscape often is dense with competing signs that are attempting to achieve the same outcome: to capture attention and make a positive impression. Experts in the design of store signage use a concept termed *conspicuity* that refers to the ability of a sign to capture attention. By definition, **conspicuity** involves those signage characteristics that enable walkers or drivers and their passengers to



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**Figure 22.8** ▶ Illustration of Freestanding Sign



**Figure 22.9** ▶ Illustration of Building-Mounted Sign

distinguish a sign from its surrounding environment.<sup>60</sup> This requires that a sign be of sufficient size and the information on it be clear, concise, legible, and distinguishable from competing signage.

#### 22-4c SEEK EXPERT ASSISTANCE

Although the material presented on signage is basic and descriptive, it is really important to retail success. Signs perform an extremely important communication function, and one is well advised to seek the assistance of professionals when making such determinations as where best to locate a sign, how large it should be, what colors and graphics are best employed, and so on.

The old saying “He who represents himself has a fool for a lawyer” is likely as applicable to making an on-premise sign-selection decision as it is in all matters legal. Large retail chains include professionals on their staffs who specialize in signage, but small retailers do not have this luxury and should seek the assistance of professionals. A wealth of accumulated information is available for ready access (see endnotes 48 and 49).

### 22-5 Out-of-Home (OOH, Off-Premise) Advertising

The previous section dealt with on-premise advertising retailers undertake to attract attention and direct traffic to their stores. The present topic, off-premise advertising, is carried out by product and service retailers and by manufacturers of consumer-oriented brands.

Though out-of-home (OOH) advertising pales in significance compared to media such as television and is regarded as a supplementary advertising medium, OOH is nonetheless a very important form of marketing communications. PQ Media that provides custom media research for the industry estimates that OOH advertising expenditures in the United States amounted to \$7.3 billion in 2015 and \$31 billion worldwide. Globally, digital out-of-home (DOOH) advertising is expected to grow to over \$18 billion by 2019, representing 40 percent of total OOH advertising.<sup>61</sup>

Out-of-home, or outdoor, advertising is the oldest form of advertising, with origins dating back literally thousands of years. Although billboard advertising is the major aspect of out-of-home advertising, outdoor media encompasses a variety of other delivery modes: advertising on bus shelters and other street furniture; various forms of transit advertising (including ads on buses, taxis, and trucks); skywriting advertisements and advertisements on blimps; digital interactive billboards, and advertising at special venues such as shopping-mall displays, at campus kiosks, and at airports. This last form of outdoor advertising is rapidly growing. For example, Terminal Five at London’s Heathrow Airport—the world’s busiest international airport—is inundated with 333 billboards and posters and over 200 flat-screen monitors that air short, soundless ads. This number of outdoor ad vehicles may seem excessive in just a single airport terminal, but in its first year of operation Heathrow’s Terminal Five had upwards of 27 million passengers passing through it.<sup>62</sup> An academic study offers an in-depth look at the functioning and effectiveness of airport advertising.<sup>63</sup>

The one commonality among the various OOH media is that consumers see them outside of their homes (hence the name) in contrast to television, social media, magazines, newspapers, and radio, which typically are received in the home (or in other indoor locations). Reaching consumers with ad messages outside their homes is especially important when considering that most people spend much of their daily time at work or otherwise away from

their homes. Americans report traveling an average of slightly over 135 miles in a vehicle during a typical week and spending over 18 hours in their vehicles weekly.<sup>64</sup> Thus, outdoor media reach millions of people in the United States as well as around the globe. As noted above, global spending on outdoor advertising recently exceeded \$31 billion and is expected to reach \$45 billion by 2019, with \$18 billion to be spent on DOOH advertising.<sup>65</sup> (See the *Insights Online: Global Focus* in MindTap for a discussion of billboard advertising trends in several countries outside the United States.)



To learn more about billboard advertising trends outside the United States, go to Insights Online in MindTap.

*Billboard advertising* is the major outdoor medium and accounts for nearly two-thirds of total OOH advertising expenditures in the United States. Interestingly, the term *billboard* originates from the custom in colonial America of attaching a paper poster containing a message (known as a “bill”) on a board for conveyance around town.<sup>66</sup> Advertising on billboards is designed with *name recognition* as the primary objective.

## 22-5a FORMS OF BILLBOARD ADS

The major forms of billboard advertising are poster panels, painted bulletins, digital (electronic) billboards, and “specialty” billboards.

### Poster Panels

These billboards are what we regularly see alongside highways and in other heavily traveled locales. Posters are silk-screened or lithographed and then pasted in sheets to the billboard. A few media conglomerates (Clear Channel Outdoor, Outfront Media, and Lamar Advertising) essentially control the U.S. billboard industry.

Posters can be either 8-sheet or 30-sheet, literally designating the number of sheets of paper required to fill the allotted billboard space. An 8-sheet poster is approximately 6 feet high by 12 feet wide, although the actual viewing area is slightly smaller—5 feet by 11 feet (in other words, 55 square feet of viewing space). The much larger 30-sheet poster is 12.25 feet high by 24.5 feet wide, with a viewing area of 9.6 feet by 21.6 feet (roughly 207 square feet).

### Bulletins

Bulletins are either hand painted directly on billboards by artists that billboard owners hire or computer-generated vinyl images applied to the billboard space. Standard sizes for bulletins are 12 feet tall by 24 feet wide (288 square feet of viewing space) and 14 feet tall by 48 feet wide (672 square feet). Advertisers use bulletins for

an extended period—from one to three years—to achieve a consistent and relatively permanent presence in heavily traveled locations. Compared to posters, bulletins are more permanent due to their rain-resistance and antifading qualities.

### Digital Billboards

As noted previously, digital OOH ad revenue is expected to grow steadily to over \$18 billion in 2019, 40 percent of the total OOH ad revenue.<sup>67</sup> Digital billboards are analogous to huge flat-screen televisions that rotate ads every 4 to 10 seconds in a manner similar to a PowerPoint slideshow presentation.

Major billboard companies such as Clear Channel Outdoor certainly welcome digital billboards because advertisements on these electronic billboards are frequently rotated; traditional billboards are restricted to a single advertising message throughout the course of the contract period—typically from four weeks to a full year. This has enabled billboard companies to increase their revenues substantially—perhaps as much as 6 to 10 times greater than with traditional billboards based on results from the first generation of digital billboards.<sup>68</sup>

It is anticipated that as many as 4,000 digital billboards will be standing across the United States by 2018.<sup>69</sup> Yet, at least two factors limit the growth of digital billboards. First, they are expensive to install and cost upwards of \$250,000 each.<sup>70</sup> Second, a number of cities and even entire states are opposed to this form of billboard due to concerns that they distract drivers, produce too much light at night, and represent visual pollution. (Whether digital billboards are unsightly and unsafe would make for interesting classroom discussion.)

In addition to offering revenue advantages for billboard companies, individual advertisers also stand to benefit from the availability of the digital billboard medium. First, digital billboards make it possible to change ads as frequently as needed. For example, an advertiser could announce a sale or special promotion one week and then the following week return to a non-promotional sales message. A second advantage of digital billboards is the ability to rotate messages throughout the day. For example, a fast-food restaurant might promote a breakfast item during the morning drive time and then advertise other menu items during later dayparts. A third advantage of digital billboards is that they enable integration—in the best spirit of the tenets of integrated marketing communications—with other digital ads that a consumer may be exposed to during the course of a day. For example, one may see a digital billboard ad for a particular brand on the way to work, then see the same digital ad later in the day on a computer, and perhaps then again on one’s mobile phone. In fact, the integration of DOOH media with mobile devices helps to extend customer engagement across media platforms. Fifth, and related to this last issue, is the increased use of

**interactive digital billboards.** Such interaction is made a reality through the use of near-field communication with mobile phones, quick response (QR) codes, or camera sensors in the digital boards.<sup>71</sup> For example, Figure 22.10 shows a digital sign along a highway displaying an interactive ad from General Motors that has “eyes” (i.e., camera sensors identifying passing vehicles by their grilles). When Camrys, Altimas, Sonatas, and Fusions go by, the system tells another digital board 1,000 feet down the road to display why their vehicles are inferior to GM’s Chevy Malibu.<sup>72</sup>

### Specialty Billboards

Resulting from the desire to attract consumer attention from the multitude of marketing messages that clutter the landscape in urban areas and along highways, specialty billboards represent different artistic and graphical techniques to present advertising messages in an especially engaging and creative way. Consider PR Newswire’s interactive media wall in Times Square, used by leading consumer brands such as Pepsico and Neiman Marcus (see Figure 22.11). The massive Reuters billboard is seen by about 1.5 million people every day.

### 22-5b BUYING BILLBOARD ADVERTISING

Outdoor advertising is purchased through companies that own billboards such as the aforementioned Clear Channel Outdoor, Outfront Media,

**Interactive digital billboards** Billboards that facilitate interaction between mobile phones, quick response codes, or camera sensors in the digital billboards through the use of near-field communication.

and Lamar Advertising. These companies are located in all major markets throughout the nation. To simplify the national advertiser’s task of buying outdoor space in multiple markets, buying organizations, or agents, facilitate the purchasing of outdoor space at locations throughout the country.

Outdoor advertising suppliers have historically sold poster-advertising space in terms of so-called *showings*. A showing is the percentage of the population that is theoretically exposed to an advertiser’s billboard message. Showings are quoted in increments of 25 and are designated as #25, #50, #75, and #100. The designation #50, for example, means that 50 percent of the population in a particular market is expected to pass daily the billboards on which an advertiser’s message is posted. A showing of #100 is equivalent to saying that virtually the entire population in a given market has an opportunity to see (referred to as an OTS) an advertiser’s message in that particular market.

Over the years, outdoor advertising companies have converted to *gross rating points (GRPs)* as the metric for quoting poster prices. As is the case with mass advertising media (TV, magazines, etc.), GRPs represent the percentage and frequency of an audience an advertising vehicle is reaching. Specifically, one outdoor GRP means reaching 1 percent of the population in a particular market a single time. Outdoor GRPs are based on the daily duplicated audience (meaning



Source: Lamar Advertising

**Figure 22.10** ► Illustration of an Interactive Digital Billboard



Source: Silberman's Fitness

**Figure 22.11** ▶ Illustration of an Interactive Media Wall

that some people may be exposed on multiple occasions each day) as a percentage of the total potential market. For example, if four billboards in a community of 200,000 people achieve a daily exposure to 80,000 people, the result is 40 GRPs. As with traditional showings, GRPs are sold in blocks of 25, with 100 and 50 being the two levels purchased most.

### 22-5c BILLBOARD ADVERTISING'S STRENGTHS AND LIMITATIONS

Billboard advertising presents marketing communicators with several unique strengths and problems.<sup>73</sup>

#### Strengths

A major strength of billboard advertising is its *broad reach* and *high frequency levels*. Billboards are effective in reaching virtually all segments of the population. The number of exposures is especially high when signs are strategically located in heavy traffic areas. Automobile advertisers are heavy users of outdoor media because they can reach huge numbers of potential purchasers with high frequency. The same can be said for telecommunications companies (such as AT&T, Verizon, and Sprint) and fast-food restaurants.

Another advantage is *geographic flexibility*. Outdoor advertising can be strategically positioned to supplement other advertising efforts (e.g., TV, radio, and newspaper ads) in select geographic areas where advertising support is most needed.

*Low cost per thousand* is a third advantage. The cost-per-thousand metric (abbreviated as *CPM*, where *M* is the Roman numeral for 1,000) is literally the cost, on average, of exposing 1,000 people to an advertisement. Outdoor advertising is the least expensive advertising medium on a CPM basis. However, as emphasized in Chapter 16 when discussing the relative advantages of traditional advertising media, CPM comparisons across different media can

be misleading. Because the various media perform different functions, it is inappropriate to use CPM as the sole basis of evaluation.

A fourth strength of billboard advertising is that *brand identification is substantial* because billboard ads are literally bigger than life. The ability to use large representations offers marketers excellent opportunities for brand and package identification. Also, billboard companies are becoming quite ingenious in designing billboards that attract viewers' attention through the use of creative techniques and eye-catching visuals—such as those shown in Figures 22.10 and 22.11. Consider also a creative billboard ad for promoting Adidas soccer products

in Japan (see Figure 22.12). Outdoor media play a more prominent role in Japan than in countries such as the United States because the average resident in a city such as Tokyo has a 70-minute commute to work, which makes billboards and other outdoor media an attractive and relatively inexpensive way of reaching them. However, the



© TBWA/Japan

**Figure 22.12** ▶ Illustration of Billboard Advertising

heavy spending on outdoor ads has created a major clutter problem. Sports-equipment and apparel maker Adidas came up with a novel solution: It designed faux soccer fields on billboards and suspended (via dangling ropes) two soccer players and a ball 12 stories above the ground. The two dangling soccer players played 10- to 15-minute matches at one-hour intervals during afternoons, while hundreds of pedestrians gathered below to watch. Of course, while they watched the soccer “matches,” they were continuously exposed to the Adidas name and logo along with a message overlaid on the soccer “field” proclaiming, “Own the passion and you own the game.” It is difficult to imagine a more attention-gaining billboard than Adidas’s use of live soccer players.<sup>74</sup>

A fifth advantage of billboard advertising is that it provides an excellent opportunity to reach consumers as a *last reminder before purchasing*. This explains why restaurants and products such as beer are among the heaviest billboard users. (U.S. tobacco advertisers also were heavy outdoor advertisers; in 1999, as part of a legal settlement with the state attorneys general, tobacco brands stopped advertising in outdoor media.)

### Limitations

A significant problem with outdoor advertising is *demographic nonselectivity*. Outdoor advertising can be geared to general groups of consumers (such as inner-city residents), but usually cannot pinpoint specific market segments (say, professional African-American men between the ages of 25 and 39). Advertisers must turn to other advertising media (such as magazines and radio) to better pinpoint audience selection. However, with technology that is under development, billboard advertising is in the process of improving its ability to target customers. For example, a California company, Smart Sign Media, introduced technology that adjusts digital billboards to the radio stations playing inside passing vehicles. Using radio-station selection as an indicator of income, Smart Sign’s technology calculates the average income of people who pass by and then changes the message to target the biggest cluster of people who drive by a particular billboard location.<sup>75</sup> Another breakthrough with outdoor boards is the use of Bluetooth technology to send video clips of new TV shows and so on to anyone with a smartphone within a close proximity to the billboard displaying the shows and other ad information.<sup>76</sup> Also, via near-field communications (with mobile phones) and QR codes, about 23 percent of consumers interact with OOH ads.<sup>77</sup>

*Short exposure time* is another drawback. “Now you see it, now you don’t” appropriately characterizes the fashion in which outdoor advertising engages the consumer’s attention. For this reason, outdoor messages that have to be read are less effective than predominantly visual ones. Bright colors, vivid images, and visual messages are essential in effective billboard advertising.

A third outdoor advertising limitation involves *environmental concerns*. Billboards, the so-called “litter on a stick,” have been banned in some manner by several states (Alaska, Hawaii, Maine, and Vermont) and hundreds of local governments. Although some would argue that attractive billboards can enliven and even beautify neighborhoods and highways with attractive messages, others consider this advertising medium to be ugly and intrusive. This largely is a matter of personal taste. The articles cited in the following end note explore the issue in some depth, including a discussion of the value and potential hazards attendant to the growing use of changeable message signs—that is, digital billboards that vary the advertising message on a schedule of every 4 to 10 seconds.<sup>78</sup>

### 22-5d MEASURING BILLBOARD AUDIENCE SIZE AND CHARACTERISTICS: OAAA’S GEOPATH RATINGS

When placing ads in print (newspapers and magazines) and broadcast media (radio and TV), advertisers have access to so-called syndicated data sources that inform them about (1) the size of the audience to be reached when using these media and (2) the demographic characteristics of audiences reached by media vehicles such as individual magazines (e.g., *Cosmopolitan*) or TV programs (e.g., *Saturday Night Live*). (Audience measurement techniques for the print and broadcast media were described in detail in Chapter 16.) This information is invaluable when planning for and making media buying decisions. In advance of making a media buy, an advertiser can estimate what percentage of a target audience is likely to be reached and the average frequency audience members will have an OTS (opportunity to see—or read or hear) an ad message during, say, a four-week media planning period. Print and broadcast media are, then, *measurable*, and advertisers have quite a lot of faith in the accuracy of the audience data for these media.

Comparatively, the OOH advertising industry now relies on the outdoor Advertising Association of America’s (OAAA’s) Geopath ratings that offer similar measurement.<sup>79</sup> Historically, the outdoor industry had relied on traffic data the Traffic Audit Bureau collects that simply indicates how many people pass by an outdoor site such as a billboard. With demographic data from publically available traffic surveys and camera sensors tracking vehicle traffic, the OAAA’s Geopath OOH ratings provide reach, frequency, gross rating points (GRPs: reach × frequency), and gross impressions data (see Chapter 16 for these measures).

### Nielsen Personal Outdoor Devices

Nielsen Media Research, a company that specializes in the measurement of advertising audiences, also has





© Cognetix Advertising/Adams Outdoor

**Figure 22.13** ▶ Illustrations from the Outhouse Springs Billboard Campaign

developed ways to determine the *demographic characteristics of outdoor audiences*. Nielsen's service has involved selecting a representative sample of individuals, collecting important demographic information from them, and equipping them with battery-operated meters called *Npods* (Nielsen Personal Outdoor Devices). Using global positioning satellite (GPS) technology, these Npod meters automatically track individuals' movements from the time they leave their homes until they return. Of course, this also could be done using near-field communications with mobile phone apps from a representative sample of commuters.<sup>80</sup>

### 22-5e A CASE STUDY OF BILLBOARD EFFECTIVENESS

Adams Outdoor Advertising, a large Atlanta-based firm, undertook a creative campaign to demonstrate the effectiveness of billboard advertising. With the assistance of Cognetix—an advertising agency located in Charleston, South Carolina—a scheme was hatched to test the effectiveness of billboard advertising. Adams and Cognetix ran a billboard campaign for a fictitious brand of bottled water they named *Outhouse Springs*. Playing on the concept of incongruity (bottled water named Outhouse Springs?) and using potty-type humor, billboard advertisements for Outhouse Springs were located throughout the Charleston market and achieved a 75 showing at a four-week cost of approximately \$25,000. Messages on the billboards



RSA/ZOU WENN Photos/Newscom

**Figure 22.14** ▶ Illustration of a Transit Advertisement



© Feature Photo Service/Newscom

**Figure 22.15** ▶ Illustration of a Full-Wrap Bus Ad

## 22-5f OTHER FORMS OF OOH ADVERTISING

The emphasis to this point has focused on billboards, which are the major form of OOH advertising. However, as alluded to earlier, OOH advertising also includes various forms of transit advertising (ads on buses, taxis, and trucks), advertising on bus shelters and other “street furniture,” and various miscellaneous forms of outdoor advertising.

The creativity and potential effectiveness of these forms of non-billboard OOH advertising is best illustrated with examples. Figure 22.14 is a transit advertisement for Smart-Water, a nutrient-enhanced, vapor-distilled European brand that seems to give Tom Brady his energy. Figure 22.15 shows

another transit advertisement, this one for Kodak. As a sponsor of the Olympic Games in Japan a few years ago, Eastman Kodak had marketing visibility with Japanese consumers who may never before have been exposed to their products. A fleet of 12 full-sized city buses were completely “wrapped” with Kodak or Olympic imagery promoting Kodak’s involvement in the Games, and served as traveling billboards. Figure 22.16 is a bus bench ad for MADD and is another useful form of advertising directed at transit customers and passers-by.

included amusing, albeit incredulous, statements such as “America’s First Recycled Water”; “Originally in Cans . . . Now in Bottles”; “L-M-N-O- . . .”; and “It’s #1, Not #2” (see Figure 22.13 for illustrations).<sup>81</sup>

To assess campaign effectiveness, brand awareness, attitudes, and purchase intentions were measured in weekly intervals. By week three, 67 percent of a large sample of consumers indicated awareness of the hypothetical Outhouse Springs brand, 77 percent had neutral or favorable attitudes toward this bottled water brand, and 85 percent indicated an intention to purchase Outhouse Springs.

Although admittedly a highly unique and viral product (recall the discussion on viral marketing and buzz-building in Chapter 21), this campaign for a fictitious brand of bottled water reveals that large numbers of people are exposed to billboard ads and can be favorably influenced. Part of the success was no doubt due to the fact that widespread buzz-generated stories on TV, on radio, and in newspaper articles. Nonetheless, this test of a hypothetical brand illustrates that people are alert to billboard messages that are attention catching and memorable. For further discussion of the Outhouse Springs case along with other case studies of outdoor advertising effectiveness, go to the Outdoor Advertising Association of America’s website, <http://www.oaaa.org>.



© Tony Freeman/PhotoEdit

**Figure 22.16** ▶ Illustration of a Bus Bench Ad

# Summary

This chapter covered four relatively minor (*vis-à-vis* mass-media advertising), yet important, forms of marcom communications: packaging, point-of-purchase advertising, on-premise business signage, and out-of-home (off-premise) advertising. The package is perhaps the most important component of the product as a communications device. It reinforces associations established in advertising, breaks through competitive clutter at the point of purchase, and justifies price and value to the consumer. Package design relies on the use of symbolism to support a brand's image and to convey desired information to consumers. A number of package cues are used for this purpose, including color, design, shape, brand name, physical materials, and product information labeling. These cues should interact harmoniously to evoke within buyers the set of meanings intended by the marketing communicator. Package designs can be evaluated by applying the VIEW model, which contains the elements of visibility, information, emotional appeal, and workability. A concluding section described a five-step process for package design.

Major chapter coverage was devoted to POP advertising, as the point of purchase is an ideal time to communicate with consumers. A variety of POP materials—signs, displays, and various in-store media—are used to attract consumers' attention to particular brands, provide information, affect perceptions, and ultimately influence shopping behavior. POP displays—which are distinguished broadly as permanent, semipermanent,

or temporary—perform a variety of useful functions for manufacturers, retailers, and consumers.

Research has documented the high incidence of consumers' in-store purchase decision making and the corresponding importance of POP materials in these purchase decisions. POPAI's *Consumer Buying Habits Study* classified all consumer purchases into four categories: specifically planned, generally planned, substitutes, and unplanned decisions. The combination of the last three categories represents in-store decisions that are influenced by POP displays and other store cues. Recently, it is estimated that in-store decisions represent as much as 76 percent of supermarket purchase decisions. (In-store decisions represent 82% of mass merchant store purchase decisions.) Research on the effectiveness of displays—such as the joint undertaking by POPAI, Kmart, and Procter & Gamble—provides evidence that displayed brands sometimes enjoy large, triple-digit increases in sales volume during the display period.

Both off- and on-premise messages perform important functions and are capable of influencing consumers' awareness of and perceptions of stores and brands. The different forms of off- and on-premise messages are described and illustrations provided. Primary emphasis is devoted to billboard advertising. This discussion includes description of the forms of billboard advertising (e.g., digital billboards), explanation of billboard advertising's strengths and limitations, discussion of how billboard ads are purchased, and explanation of how the effectiveness of billboard advertising is measured.

## Discussion Questions

1. Select a packaged-goods product category, and apply the VIEW model to three competitive brands within that category. Define all four components of the model, and explain how each applies to your selected product. Then use the following procedures to weigh each component in the model in terms of your perception of its relative packaging importance for your chosen product category:
  - a) Distribute 10 points among the four components, with more points signifying more importance and the sum of the allocated points totaling exactly 10. (This weighting procedure involves what marketing researchers refer to as a constant sum scale.)
  - b) Next, evaluate each brand in terms of your perception of its performance on each packaging component by assigning a score from 1 (does not perform well) to 10 (performs extremely well). Thus, you will assign a total of 12 scores: 4 for each VIEW component for the three different brands.
  - c) Combine the scores for each brand by multiplying the brand's performance on each component by the weight of that component (from step a) and then summing the products of these four weighted scores.
  - d) The summed score for each of your three chosen brands will reflect your perception of how good that brand's packaging is in terms of the VIEW model—the higher the score, the better the packaging in your opinion. Summarize the scores for the three brands for an overall assessment of each brand's packaging.

2. Choose a grocery product category and analyze the various brands in this category in terms of their packaging features designed to attract consumers' attention. Identify the packaging features that make some brands in this category more or less attention-gaining than others.
3. Considering just the workability component of the VIEW model, provide illustrations of several packages that, in your opinion, represent higher or lower levels of workability.
4. What are your personal views about the advantages and disadvantages of supermarket shopping with in-store shopping apps on smartphones, or intelligent shopping aids such as Scan It! (see *Marcom Insight*)?
5. What functions can POP materials accomplish that mass media advertising cannot?
6. Explain why the *POPAI Consumer Buying Habits Study* probably overestimates the percentage of unplanned purchases and underestimates the percentage of specifically planned and generally planned purchases.
7. Although not presented in the chapter, the *POPAI Consumer Buying Habits Study* revealed that the percentage of in-store decisions for coffee was 57.9 percent, whereas the comparable percentage was 87.1 percent for a group of "sauce" products (salsa, picante sauce, and dips). What might account for the 29.2 percent difference in in-store decision making between coffee and the "sauce" products? Go beyond these two product categories and offer a generalization as to what factors determine whether a particular product category would exhibit a low or high proportion of in-store decision making.
8. The *POPAI Consumer Buying Habits Study* also revealed that the highest average brand lift index from signage (rather than displays) in mass-merchandise stores was dishwashing soaps, with an index of 21.65. Provide an exact interpretation of this index value.
9. Why were motion and static displays considerably more effective at increasing Olympia beer sales in liquor stores than in supermarkets?
10. The shopping smartphone app described in the chapter-opening *Marcom Insight* is subject to criticism on grounds that it might cost checkout clerks in supermarkets their jobs. What is your perspective on this matter?
11. What is your opinion of new interactive digital billboards that can "see" your car type or sense (via smartphone apps) that you are near? Is this good marketing or an invasion of privacy?
12. Changeable message signs are billboards that vary the advertising message on a schedule of every 4 to 10 seconds. What, in your opinion, is the value of this technology to the advertiser, and what are the potential hazards to society?
13. The Outhouse Springs bottled water case illustrated an effective application of billboard advertising. With reference to the material on "buzz generation" and viral marketing covered in Chapter 21, what is it about this particular campaign that may make these results atypical and thus unrepresentative of more mundane products advertised via billboards?
14. Conduct an informal audit of on-premise business signage in your college or university community. Specifically, select five examples of on-premise signage that you regard as particularly effective. Using material from Chapter 6 on the CPM and HEM models, explain why your chosen illustrations likely stand a good chance of attracting consumer attention and influencing their behavior.

# CHAPTER 23

## Personal Selling

### CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

- 1 Discuss personal selling's role in the promotional mix and IMC.
- 2 Explain the advantages and disadvantages of personal selling, attitudes toward careers in this field, and some attractive features of personal selling.
- 3 Describe selling activities, duties, and types of selling jobs.
- 4 Discuss and apply the seven basic steps in personal selling.
- 5 Explain the determinants of salesperson performance and effectiveness.
- 6 Describe the characteristics of excellence in selling.

### Marcom Insight

#### What Qualities Are Liked and Disliked in a Salesperson?

Some have unfairly typified salespeople as aggressive, pushy, and always relying on the “hard sell” to convince customers. This “old-school” view is certainly outdated, as some of the most important characteristics of effective salespeople today are listening ability and empathy. Moreover, recent successes for pharmaceutical sales reps have come primarily from the “soft sell” approach. That is, focusing on physician needs and wants and letting them set the agenda in meetings rather than using a “hard sell” or aggressive approach. (Legislation on disclosure of promotional gifts to physicians has also played a part.) As a result, satisfaction ratings of sales reps and sales have soared recently in the pharmaceutical industry with this softer approach. A few years ago, a national sample of purchasing agents was surveyed to determine exactly what qualities buyers value most and least in a salesperson. Ratings from over 200 purchasing agents revealed the following:



Photographer: Travis Dove

## QUALITIES PURCHASING AGENTS VALUE MOST AND LEAST IN A SALESPERSON

<i>Most Valued</i>	
Reliability/credibility	98.6%
Professionalism/integrity	93.7
Product knowledge	90.7
Innovativeness in problem solving	80.5
Presentation/preparation	69.7
<i>Least Valued</i>	
Supplies market data	25.8%
Appropriate frequency of calls	27.3
Knowledge of competitor's products	31.2
Knowledge of buyer's business and negotiation skills (tie)	45.8

In purchasing agents' own words, here are some of the specific qualities and behaviors in salespeople that are most liked, disliked, and despised—the good, the bad, and the ugly.

THE GOOD	THE BAD	THE UGLY
"Honesty"	"No follow-up"	"Wise-ass attitude"
"Loses a sale graciously"	"Walking in without an appointment"	"Calls me 'dear' or 'sweetheart'" (I am a female)
"Admits mistakes"	"Begins call by talking sports"	"Gets personal"
"Problem-solving capabilities"	"Puts down competitor's products"	"Doesn't give purchasing people credit for any brains"
"Friendly but professional"	"Poor listening skills"	"Whiners"
"Dependable"	"Too many phone calls"	"BSers"
"Adaptability"	"Lousy presentation"	"Wines and dines me"
"Knows my business"	"Fails to ask about my needs"	"Plays one company against another"
"Well prepared"	"Lacks product knowledge"	"Pushy"
"Patience"	"Wastes my time"	"Smokes in my office"

Sources: "PAS Examine the People Who Sell to Them," *Sales and Marketing Management*, November 11, 1985, 38–41; "Talk, Talk, Talk—Try a Little Listening," *Wall Street Journal*, March 22, 1990; Richard Whiteley, "How to Push Customers," *Sales and Marketing Management*, February 1994, 29–30; Jonathan D. Rockoff, "Drug Sales Reps Try a Softer Pitch," *Wall Street Journal*, January 10, 2012, B1, B2.

## 23-1 Introduction

A good sales force that embodies the positive qualities identified in the opening *Marcom Insight* is crucial to corporate success. Personal selling is the last promotion-mix element covered in this textbook, but it certainly is not the least important. Indeed, popular business wisdom holds that everything starts with selling. In total, over 12 million people are engaged in some form of personal selling in the United States, a major contributor to the economy.<sup>1</sup> (If one excludes U.S. Bureau of Labor retail sales, cashier,

and modeling categories, this still represents over 3.7 million workers.<sup>2</sup>) At times, personal selling can provide the push (as in *push strategy*) needed to get customers to carry new products, increase their amount of purchasing, and devote more effort in merchandising a company's brand. At the retail level, personal selling can determine whether a purchase is made and how often consumers shop at a particular store.

This chapter's overall objective is to present the reader with a broad array of ideas about the nature of personal

selling, encouraging a greater appreciation of the opportunities and challenges for career success in this field. Toward this end, the chapter explores several dimensions of personal selling.

## 23-2 Personal Selling

**Personal selling** is a form of person-to-person communication in which a salesperson works with prospective buyers in attempting to determine their purchase needs to provide a match with his or her company's products or services. The most important feature of this definition is the idea that personal selling involves *person-to-person interaction*. This contrasts with other forms of marketing communications in which the audience typically consists of many people, sometimes millions (as in the case of mass-media advertising).

### Personal selling

Person-to-person communication in which a salesperson works with prospective buyers in attempting to determine their purchase needs to provide a match with his or her company's products or services.

into a coordinated unit where both sets of interests are served.<sup>3</sup>

The primary disadvantage of personal selling is that it is *more costly* than other forms of promotion because sales representatives typically interact with only one customer at a time. (Typically, this might run more than \$500 per sales call.<sup>4</sup>) Thus, when considering only the outcomes or results accomplished with the personal-selling effort (an effectiveness consideration),

personal selling is generally *more effective* than other promotion elements. However, when considering the ratio of inputs to outputs (cost to results), personal selling is typically *less efficient* than other promotional and IMC tools. In practice, allocating resources to personal selling and the other promotion elements amounts to an effort at balancing effectiveness and efficiency. Integration with other IMC tools is important in providing synergistic effects.

### 23-2a PERSONAL SELLING'S ROLE IN THE PROMOTION MIX AND IMC

As explained throughout the text, all elements of the promotion mix and IMC work together to achieve overall organizational objectives. Each promotional element has its own unique characteristics, purposes, and advantages. Personal selling's primary purposes include educating customers, offering product usage and marketing assistance, and providing after-sales service and support to buyers. Personal selling, in comparison to other promotional elements, is uniquely capable of performing these functions as a result of the person-to-person interaction mode that characterizes this form of marketing communications. Consequently, various advantages are found with personal selling compared to other promotional tools.

1. Personal selling contributes to a *relatively high level of customer attention*, since in face-to-face situations it is difficult for a potential buyer to avoid a salesperson's message.
2. It enables the salesperson to *customize the message* to the customer's specific interests and needs.
3. The two-way communication characteristic of personal selling yields *immediate feedback*, so that an alert salesperson can know whether or not his or her sales presentation is working.
4. Personal selling enables a salesperson to *communicate a larger amount of technical and complex information* than could be communicated using other promotional methods.
5. In personal selling, there is a greater ability to *demonstrate a product's* functioning and performance characteristics.
6. Frequent interactions with a customer permit the *opportunity for developing long-term relations* and effectively merging selling and buying organizations

### 23-2b ATTITUDES TOWARD SELLING

Historically, some critics have held personal selling in low esteem. This reputation dates back at least to the time of the ancient Greek philosophers and continues to be perpetrated today by movie and television directors and playwrights. For example, Arthur Miller's classic *Death of a Salesman* and David Mamet's *Glengarry Glen Ross* depict salespeople as rather pathetic characters who struggle for an existence and earn their living through ingratiating, deceit, and other unethical and immoral practices. In real life, there are indeed men and women who rely on deception, false promises, trickery, and misrepresentation to persuade people to buy products and services they do not need or items that do not work. Although this still happens today, it represents a very small percentage of the personal-selling business.

Fortunately, there is a continuing trend toward college students' holding somewhat more favorable attitudes toward selling. Table 23.1 compares results of three studies separated by a 40-year interval. It can be seen that student attitudes have improved over time, yet there still are some challenges in perceptions.<sup>5</sup> Overall, personal selling can be a much more attractive career option than many students previously thought. In fact, many CEOs and CMOs have made their start in personal selling.

### 23-2c ATTRACTIVE FEATURES OF PERSONAL SELLING

Numerous challenging and exciting job opportunities are available in this field. The attractive features of a sales job include freedom of action, variety and challenge, opportunities for advancement, and desirable financial and non-financial rewards.<sup>6</sup>

**Table 23.1** ▶ College Students' Changing Attitudes toward Personal Selling

	1958 STUDY	1988 STUDY	1998 STUDY
I associate a job in personal selling with:			
• Insincerity and deceit/lack of professionalism	Agree	Disagree	Disagree
• Low status/low prestige	Agree	Disagree	Agree
• Much traveling	Agree	Agree	Agree
• Low job security	Agree	Disagree	Agree
• Just a job not a career	Agree	Disagree	–
• Too little monetary reward/pay	Disagree	Disagree	Disagree
• Contributing to society	–	–	Disagree
• Opportunity for rapid advancement	–	–	Agree
• I prefer a nonsales position much more than sales	Agree	Disagree	–

Sources: Rosemary R. Lagrace and Timothy A. Longfellow, "The Impact of Classroom Style on Student Attitudes toward Sales Careers: A Comparative Approach," *Journal of Marketing Education*, 1989 (Fall), 74; Steven Lysonski and Srinivas Durvasula, "A Cross-National Investigation of Student Attitudes Toward Personal Selling: Implications for Marketing Education," *Journal of Marketing Education*, 1998 (August), 169. Not all attitude items are measured in each survey.

**Job Freedom.** In field-sales positions (those outside of retail settings), the individual is primarily responsible for most of his or her day-to-day activities. Many sales positions involve little direct supervision. Salespeople may go days or even weeks without seeing their supervisors. Of course, with freedom comes responsibility. The unsupervised salesperson is expected to conduct his or her business professionally to achieve sales objectives.

**Variety and Challenge.** Managing one's own time presents a challenge that professional salespeople enjoy. Much like the person who operates his or her own business, a salesperson can invest as much time and energy into the job as desired and can generate as many rewards as possible based on hard work. Thus, one is rewarded for hard work and effort, with an opportunity to work even harder (and smarter) and be rewarded accordingly.

**Opportunities for Advancement.** More and more companies expect their middle- and upper-level managers to have had sales experience because they believe it helps an individual understand a business from the ground-level up. More top corporate positions (e.g., CEOs, CMOs) come from the sales ranks than from any other area; sales experience provides them with a direct knowledge of the customers, the trade, the competition, and their own company. Ultimately, a company's success is determined by their sales.

**Attractive Compensation and Non-Financial Rewards.** Personal selling is potentially both lucrative and

rewarding. Nonfinancial rewards include feelings of self-worth for a job well done and the satisfaction that comes from providing a customer with a solution to a problem or with a product or service that best meets his or her needs.

### 23-3 Modern Selling Philosophy

Before the *modern* selling philosophy, there must have been an earlier variety. Let us label this earlier version *antiquated* and place the two in stark contrast, realizing of course that any such comparison is necessarily simplified.

Basically, *antiquated selling* is *seller-oriented*. Selling practices in this older view are undertaken with the seller's interests paramount. Manifestations of this approach include high-pressure selling tactics, little effort to understand the customer's business, and minimal post-sale follow-through and attention to customer satisfaction.

Are these antiquated practices truly antiquated in the sense that they no longer are practiced? Certainly not. Some firms are still antiquated; although they remain in business, they no longer thrive. Their selling practices lag behind contemporary forces that have imposed a higher standard on sales performance. These new forces include intense competition, narrow profit margins, sophisticated buying practices, and expectations of reliable and dependable service from vendors. For example, buyers are usually two-thirds of the way through the buying cycle before they even contact a salesperson.<sup>7</sup> They have already



researched products, competitors, and so on online and through software before they call a rep. Sometimes their initial research and conclusions may be flawed, but that is the reality in today's selling environment.

In most prospering firms, a modern selling philosophy has supplanted this seller-oriented approach. As noted previously in the pharmaceutical industry, a *partner-oriented* selling mind-set exists in most successful firms. These firms realize that their own success rests with their customers' successes. Therefore, modern partner-oriented wisdom makes customer satisfaction its highest priority. Modern selling practice is based on the following principles:<sup>8</sup>

1. *The sales process must be built on a foundation of trust and mutual agreement.* Selling should not be viewed as something someone does to another; rather, it should be looked upon as something two parties agree to do for their mutual benefit. In fact, it is easy to argue that modern salespeople do not sell, but rather, facilitate buying. This difference is not merely semantics—it is at the root of the transformation from the antiquated to modern selling philosophies.
2. *A customer-driven atmosphere is essential to long-term growth.* This is a corollary point to the preceding principle. Modern selling requires that the customer's welfare, interests, and needs be treated as equal to the seller's in the partnership between seller and buyer. A customer-oriented approach means avoiding high-pressure tactics and focusing on customer satisfaction. Salespeople have to be trained to know the customer and to speak in a language that the customer understands. Perhaps the preceding points are best summed up in these words: "Be product-centered, and you will make a few sales; be prospect-centered, and you will gain many customers."<sup>9</sup>
3. *Sales representatives should act as if they were on the customer's payroll.* The ultimate compliment a salesperson can receive is a comment from a customer to the sales supervisor along these lines: "I'm not sure whether your sales rep works for me or for you."<sup>10</sup> The closer salespeople are to the customer, the better they will be at providing solutions to the customer's problems.
4. *Getting the order is only the first step; after-sales service is what counts.* No problem a customer has should be too small to address. A modern selling philosophy calls for doing whatever is necessary to please the customer in order to ensure a satisfying long-term relationship. (See the *Insights Online: Global Focus* in MindTap on sales techniques commonly found in Japan.)
5. *In selling, as in medicine, prescription before diagnosis is malpractice.* This principle holds that no one solution is appropriate for all customers any more than any single diagnosis is appropriate for all patients. Customers' problems have to be analyzed by the

modern salesperson and solutions customized to each problem. The days of "one solution fits all" are gone. Moreover, because most people like to make their own decisions or at least be involved in making them, a salesperson should treat the customer as a partner in the solution. In the end, the focus of the sale should be to solve a customer's problem. In essence, the customer is buying a solution. It may be obvious (e.g., reducing labor) or subtle (e.g., improving the work environment), but the key is to serve as a partner in helping uncover and solve customer issues and problems.

6. *Salesperson professionalism and integrity are essential.* Customers expect high standards of conduct from their salespeople and dislike unprofessional, untrustworthy, and dishonest behavior. (As evidence of this, reexamine the Bad and the Ugly in the chapter's opening *Marcom Insight*.) Unless the product or service being sold is extremely unique, the key differentiator is the salesperson. In fact, some sales managers tell their reps to assume they are selling a commodity. Then, what makes their offering different is what they do and how they act toward the customer.



To learn more about sales techniques used in Japan, go to Insights Online in MindTap.

## 23-4 Selling Activities and Types of Personal-Selling Jobs

To this point in the chapter, personal selling has been treated rather generally as if all selling jobs are identical. This section describes the different kinds of activities that salespeople perform and then identifies six types of selling jobs.

### 23-4a SELLING ACTIVITIES

What exactly does a salesperson do? The specific activities and their range of performance vary greatly from sales job to sales job. Nonetheless, the following 10 activities are common to nearly all selling jobs.<sup>11</sup>

**Selling Function.** This is the typical activity envisioned when thinking of personal selling. Selling-function activities include planning the sales presentation, making the presentation, overcoming objections, trying to close the sale, and so on.

**Working with Others.** Much of a salesperson's time is spent entering orders online, working with lost orders, handling shipment problems, expediting orders, and handling back orders.

**Servicing the Product.** These activities are performed primarily by people who sell technical products (e.g., an

industrial machine). Activities include testing a newly sold product to ensure that it is working properly, training customers to use the product, and teaching safety procedures.

**Information Management.** These activities involve receiving feedback from customers and then relaying the information to management. Much of this is done online in the course of day-to-day selling, but some information-management work requires the salesperson to serve in the capacity of a field marketing researcher (i.e., conveying price discounts and increases, tracking customer comments and social media, collaborating with other reps, etc.).

One of the best available online sales information management tools is Salesforce.com (<https://www.salesforce.com>). Salesforce.com was founded in 1999 with the objective of using customer relationship management (CRM) software to help with sales leads and client interactions for \$25 to \$300 a month in providing a wide range of CRM services. Through acquisitions, the company has grown into an \$8 billion company with annual growth of almost 25 percent.<sup>12</sup> The latest initiative for Salesforce.com is the integration of their CRM platform, including app tool exchanges (“Lightning”), artificial intelligence services (“Einstein”), and CRM data services (“Thunder”).<sup>13</sup> The most significant part offered is their recent artificial intelligence acquisition of BeyondCore. This cloud-based platform takes in data and summaries of big data and uses machine-learning to spot correlations and patterns helpful for customer leads and interactions. It is designed to let businesses select customer measures to investigate, such as cost, profitability, and/or lifetime value. It then identifies and explains what drives each measure through a series of four questions: (1) What happened? (2) Why did it happen? (3) What will happen? and (4) How can I improve?<sup>14</sup>

For further information on Salesforce.com, see the *Insights Online* featured in Mindtap.<sup>15</sup>

insights  
online

To learn more about Salesforce.com, go to Insights Online in MindTap.

**Servicing the Account.** These activities include inventory control, stocking shelves, handling local advertising, and setting up and working with POP displays. Such activities are primarily performed by salespeople who call on retail customers such as supermarkets and drugstores.

**Conferences/Meetings.** Attending conferences, working at trade shows, and attending sales meetings are activities nearly all salespeople participate in to some extent.

**Training/Recruiting.** Salespeople who are in more advanced stages of their careers often become involved in training new salespeople, traveling with trainees, and carrying out similar duties.<sup>16</sup>

**Entertaining.** Some sales positions involve entertaining customers through activities such as dining and playing golf. Parenthetically, the antiquated view of selling would hold that you can buy customers by “wining and dining” them. Modern selling philosophy includes a role for customer entertainment, but recognizes that customers are earned (through loyal, efficient, and dependable service) rather than bought. (See “The Ugly” column in the *Marcom Insight* table at the beginning of this chapter.)

**Out-of-Town Travel.** Although sales jobs involve some traveling, the amount of time spent out of town is highly variable, ranging from virtually no travel to journeying thousands of miles each month. The advent of teleconferencing, online collaboration (e.g., Dimdim, Skype), real-time presentations, and webinars has lessened the need for extensive travel.

**Working with Distributors.** A final category of selling activity is selling to or establishing relations with distributors or collecting past-due accounts.

### 23-4b TYPES OF SALES JOBS

The following six categories encompass the major types of sales jobs.<sup>17</sup>

#### Trade Selling

A sales representative for a food manufacturer who sells to the grocery and drug industries typifies trade selling. The primary task of trade salespeople is to build sales volume by providing customers with promotional assistance in the form of advertising and sales promotion. Trade selling requires limited prospecting and places greater emphasis on *servicing*



Jonathan Weiss/Shutterstock.com

*accounts.* Trade salespeople, who typically are hired out of college, may work for companies such as General Mills, Kimberly-Clark, Colgate-Palmolive, Johnson & Johnson, Kraft Heinz, Campbell's Soup, Procter & Gamble, S.C. Johnson, and many other consumer packaged-goods companies.

### Missionary Selling

Like trade salespeople, missionary salespeople typically are employees of manufacturers. However, the difference is that trade salespeople sell *through* their direct customers, whereas a missionary sales force sells *for* its direct customers.<sup>18</sup>

The pharmaceutical industry typifies missionary selling. Nearly two-thirds of all pharmaceutical sales to retailers are through wholesalers. In other words, manufacturers of pharmaceuticals typically sell their products to wholesalers who in turn sell to pharmacies and other retailers. Thus, the wholesaler is the pharmaceutical manufacturer's direct customer. Sales representatives for pharmaceutical manufacturers (called detail reps or detailers) nonetheless call on physicians and pharmacies to detail (explain) the advantages of the manufacturer's brands compared to competitive offerings. Detail reps are not selling directly to physicians (i.e., selling in the sense that a physician will place an order with the salesperson's company); rather, they are trying to get physicians to prescribe their brands and pull these brands through the channel. In so doing, they benefit both the manufacturer (via increased sales volume) and their direct customers (wholesalers).

### Technical Selling

Technical salespeople ("sales engineers") are present in industries such as chemicals, machinery, electronics, computers, and sophisticated services (e.g., complicated insurance and other financial programs). They are typically trained in technical fields such as chemistry, engineering, computer science, and accounting. For example, in the chemical division of DuPont, 95 percent of the company's salespeople start out in a technical field and then are recruited into sales.<sup>19</sup> Later, many sales technicians attain advanced training in business administration. Successful technical salespeople must be especially knowledgeable about their company's product lines and must be able to communicate complicated features to prospective customers.

### New-Business Selling

This type of selling is prevalent with products such as office copiers, personal computers, business software, and personal insurance. Practitioners use terms such as *bird-dogging*, *cold calling*, prospecting, and *canvassing* to characterize this type of selling. These terms capture the idea that new-business salespeople must call on new accounts continuously. Salespeople involved in any of the

previous categories of sales jobs do some prospecting for new customers, but most of their time is spent working with and servicing existing accounts. New-business salespeople continually work to open new accounts because sales to most current customers can be infrequent.

### Retail Selling

The distinguishing characteristic of retail selling is that the customer comes to the salesperson. Many retail sales jobs require limited training and sophistication, but others demand salespeople who have considerable product knowledge, strong interpersonal skills, and an ability to work with a diversity of customers.

### Inside Sales

Inside sales, in the form of telemarketing, was discussed in some detail in Chapter 15. Suffice it to say that online (and some telemarketing) contacts are rapidly growing forms of selling activity. Online and telephone salespeople are especially helpful with activities such as prospecting, price quotes, and follow-up information in support of the field sales reps or for a wider range of selling activities with smaller accounts. Interestingly, inside sales is possibly the most significant growth area of sales. Outside sales reps can be expensive and may not reach as many prospects or customers as an inside rep due to travel, and so on. Since more buyers are doing their job online, an inside rep is perfectly situated to respond to a buyer's inquiry. Inside sales responsibilities have expanded well beyond the telemarketing role. Many companies use inside reps for add-on sales and to support the field sales reps. Also, some recent tech start-ups (e.g., InsideSales <https://www.insidesales.com>) have amassed data to aid inside selling, including interesting trends showing that people answer the phone more when it is snowy, cold, or very humid and respond more to e-mail when it's sunny or less humid.<sup>20</sup>

## 23-5 The Basic Steps in Personal Selling

Regardless of the specific type of sales position, all forms of personal selling can be presented by a common set of steps or phases that are performed in the process of making a sale (or in facilitating buying). Although different variations have been proposed, there commonly are seven basic steps involved in personal selling:<sup>21</sup>

1. Prospecting and qualifying
2. Preapproach
3. Approach
4. Sales presentation
5. Handling objections
6. Close
7. Follow-up

### 23-5a STEP 1: PROSPECTING AND QUALIFYING

The first step involves identifying potential buyers (prospects) who have the need, willingness, ability, and authority to buy. Specifically, the salesperson looks for names, addresses, e-mail leads, telephone numbers, social media sites (e.g., LinkedIn, Facebook, Twitter), data from CRM software (e.g., Salesforce.com), corporate websites, and other general facts about prospective customers. Prospecting involves the identification of such customers through both *internal sources* of information (e.g., company records, membership lists, and other written documents) and *external sources* of information (e.g., referrals from existing customers, sales leads from organizations or compilers, friends, business mapping software tools, social media sites, non-competing salespeople, and so on). Prospecting is especially important for new-business sales jobs.

Once prospects have been identified, it is important to *qualify* such prospects, as they may or may not fit your current target market criteria (e.g., based on prior purchases, number of employees, shipments, geographical location, industry type, among other company statistics). Then, one can evaluate each prospect on criteria of importance to your firm. For example, databases such as the U.S. Census' North American Industrial Classification System (<http://www.census.gov/eos/www/naics>) can provide industry classification codes to target and match with the codes listed for specific prospects in business mapping software tools for a specific geographical location. Thus, not all prospects may make the best customers that fit with your firm; some qualification and targeting is first needed. Again, some of this may be done via CRM software.

### 23-5b STEP 2: PREAPPROACH

The preapproach step requires the salesperson to arrange a meeting with the prospective customer and to acquire, prior to the meeting, more specific information about him or her and his or her business needs. The initial sales meeting might be arranged in a variety of ways: by sending a personal letter or e-mail to prospects, by calling to set up a meeting during designated buying times, by asking mutual friends to set up a meeting, or by having a present customer introduce the salesperson and request an interview.

*Acquiring meaningful information about prospective customers and their business* is an essential part of the preapproach. For example, the salesperson may learn that the prospect's business is expanding rapidly; therefore, the salesperson's product could be needed to accommodate this growing business. Salespeople use a variety of information sources for learning about prospective customers:

current customers, company websites, social and other media, observation of the prospect's business facilities, and so on.

In sum, if a salesperson has not done his or her homework in advance of meeting the customer, the chances of winning the account are greatly reduced. Most customers expect the salesperson to know quite a bit about their business and how the product or service can serve to help them.

### 23-5c STEP 3: APPROACH

The third step, approach, represents the first few moments that a salesperson spends with a prospect. This initial greeting and first impression is critical to the salesperson's chances of eventually making the sale. In fact, a sale is unlikely if the salesperson has failed to do his or her homework in the preapproach stage.

Salespeople can use a variety of approach techniques, often in combination with one another, to gain the prospect's attention and interest. Some of these include: (1) using a present customer's name as a reference to the prospect, (2) giving the prospect a small gift, (3) offering a benefit (e.g., cost savings, new item, research) that appeals to the prospect's curiosity, (4) opening the sales interview with a question to gain the prospect's attention and interest (see "SPIN method" below), and (5) handing a sample product to the prospect for him or her to inspect. Overall, the questions asked are probably the most important part of any sales discussion and the best sales reps ask high-value questions, as noted in the "SPIN method" below.

#### SPIN method

In personal selling, forging long-term relationships with customers with the following questions: *situation questions, problem questions, implication questions, and need-payoff questions.*

### 23-5d STEP 4: THE SALES PRESENTATION

The fourth step, the actual sales presentation, is the fundamental part of the selling activity. The salesperson presents the product or service, explains what it will do for the prospective customer, demonstrates its strengths, shows its value for the customer, and so forth. In this stage (as well as for the previous one), sales reps are taught the **SPIN method** in order to forge long-term relationships with customers with the following questions:<sup>22</sup>

1. *Situation questions.* These questions ask about facts or explore the prospect's present situation. For instance, "What software application are you using to create invoices for your customers?"
2. *Problem questions.* These examine problems, difficulties, challenges, frustrations, and dissatisfactions that the prospect is experiencing. For example, "What parts of the system create errors?"
3. *Implication questions.* These ask about the consequences or impact of a prospect's problems, difficulties, challenges, frustrations, and dissatisfactions. As an example, "How does this problem affect your firm's return on investment (ROI)?"

4. *Need-payoff questions.* These ask about the value or usefulness of a proposed solution. For instance, “How much would you save if our company could help you reduce errors by 75 percent?”

In general, successful sales presentations result from having an *impact* on the customer.<sup>23</sup> This means the ability for the salesperson to get prospective customers to focus on what he or she is saying and eventually follow his or her lead in a buying decision. There are four fundamental tenets of *high-impact selling*. First, *prospects pay attention only to salespeople when they believe have something important to say*. As noted in Chapter 11, the credibility of the source goes a long way in ensuring a source’s persuasiveness, as in the case of a salesperson’s presentation. Source credibility is a function of the source’s perceived expertise and trustworthiness. Thus, a salesperson’s persuasiveness may be reduced if he or she is perceived by the customer to be motivated primarily by personal gain and not the customer’s needs. Conversely, a sales rep who can demonstrate a high level of expertise for the product or service enhances his or her chances of being perceived as a credible source. Second, *people buy for their own reasons—not the salesperson’s reasons*. The saying “What’s in it for me?” certainly should be considered when evaluating a prospect’s self-interests. If salespeople have asked the right questions to uncover the real impact of the product or service on the buyer, they should know the answer to “what’s in it” for the buyer. Again, buyers usually are purchasing a product or service to solve a problem. Once the problem is uncovered and how it impacts the buyer, the salesperson is much closer to a sale. A third tenet of high-impact selling is that *people do not want to be sold; they want to buy*. That is, the true role of salespeople is to facilitate buying through understanding the buyer’s needs and interests rather than pushing products on potential customers. A fourth tenet is that *buying is basically an emotional response*. Certainly, although logical criteria (e.g., price, delivery, service) and analysis are involved, even professional buying can be subject to more subjective and emotional influences.<sup>24</sup> For example, a corporation that purchases a new wireless phone system undoubtedly uses objective evaluative criteria such as cost, efficiency, clarity of voice transmission, range, service, and so on. However, emotional considerations may come into play, such as fears that the new system may not be as reliable as the old one, that any “dead spots” in the network do not create havoc in communication, hopes that the buyer will receive praise from a superior for a smart and efficient purchase decision, and so on.

#### Relational communications

An approach to handling objections that focuses on understanding not the content of the communication, but the *form* of the communication.

### 23-5e STEP 5: HANDLING OBJECTIONS

In many, if not most, selling situations, prospects feel they have reasons not to buy the product or service offered by the salesperson. The salesperson should be prepared to

handle objections, counterarguments, and sales resistance. At this point, the salesperson might reiterate how the product meets the customers’ needs and problems, what benefits the product offers, and how the prospect can most easily make the decision (e.g., credit terms).

Different methods have been offered over the years for handling objections and reducing buying resistance. For example, the salesperson might (1) dispute the objection professionally and then offer solid reasons for this, (2) concede to parts of the objection and dispute other issues in an inoffensive manner (e.g., using a two-sided argument), or (3) address the objection later in the presentation or use humor, and so on to relieve tension brought about by conflicting issues.

Somewhat recently, and briefly described earlier in the chapter, sales representatives from the pharmaceutical firm Eli Lilly & Co. discovered that a “soft sell” to time-pressured physicians works far better than more aggressive tactics to sell pharmaceutical products.<sup>25</sup> For years, armies of pharmaceutical sales reps fanned out to “detail” physicians with well-rehearsed sales pitches and pressure to boost prescriptions. However, physicians have been under pressure from health plans to curb costs, and have less patience and time for hard-sell pitches. Moreover, there have been crackdowns by the FDA, and so on for aggressive and illegal marketing of drugs for nonapproved uses. Nondisclosure of gifts to physicians has also been an issue.

Pharmaceutical companies have been forced themselves to reduce expenses and find more effective selling methods. So, the new “soft sell” approach is now all about the physicians’ agenda. Sales rep evaluations are no longer based on the number of prescriptions written, but now on how well physicians rate their representatives. This change has paid off for Lilly, as 85 percent of doctors are now satisfied with Lilly, up from 60 percent before the change. Sales of their pharmaceutical products have escalated as well.

Other approaches in handling objections focus on understanding not only the content of the communication, but the *form* of the communication. This notion is known as **relational communications** and is about the relative position of dominance, deference, or equality that buyers and sellers put themselves in as a result of dialogue between the two.<sup>26</sup> Based on these relative positions, there may be an agreement or disagreement on the ending relationship as a result of the dialogue. As depicted in Figure 23.1, a dialogue in which a salesperson defers to a dominant buyer may go like this: *Buyer*: “Your prices are really quite high.” *Salesperson*: “Do you really think so? I guess they are.” So, there is some agreement—although the salesperson will have to work on their higher prices! In other dialogues in Figure 23.1, there may be a disagreement or conflict based on the dialogue. The implication of relational communications is that certain salespeople

Figure 23.1 ▶ Relational Communication Dialogues

		Salesperson		
		Dominance	Deference	Equality
Buyer	Dominance	Salesperson: You are the most knowledgeable buyer I've met. Buyer: Actually, I know very little.  Initiation/Disconfirmation -	Buyer: Your prices are really quite high. Salesperson: Do you really think so? I guess they are.  Initiation/Question, Confirmation +	Buyer: Your prices are really quite high. Salesperson: Yes they are, but so are everybody's in this inflationary economy.  Initiation/Extension -
	Deference	Salesperson: You are the most knowledgeable buyer I've met. Buyer: Do you really think so?  Initiation/Question +	Buyer: Your product really meets our needs. Salesperson: Do you really think so? Buyer: Yes, don't you?  Support, Question/Support, Question -	Buyer: Your prices are really quite high. Salesperson: Yes they are, but so are everybody's. Buyer: Do you really think so?  Extension/Support, Question -
	Equality	Salesperson: You are the most knowledgeable buyer I've met. Buyer: Thank you. I've had 17 years of experience.  Initiation/Extension -	Salesperson: You are the most knowledgeable buyer I've met. Buyer: Thank you. I've had 17 years of experience. Salesperson: Oh really!  Extension/Question, Support -	Buyer: Your product really meets our needs. Salesperson: You're right. It is beautifully designed. Buyer: Yes. So is most of your line.  Extension/Extension +

+ = agreement on relationship    - = disagreement on relationship

Source: Gary F. Soldow and Gloria Penn Thomas, "Relational Communication: Form Versus Content in the Sales Interaction," *Journal of Marketing*, Vol. 48, Winter 1984, p. 88. *Journal of Marketing* by American Marketing Association; American Marketing Society; National Association of Marketing Teachers. © 1984. Reproduced with permission of American Marketing Association in the format Republish in a textbook via Copyright Clearance Center.

may be more adept at recognizing the nature of the dialogue with buyers, can adjust, and then better control the outcome of the dialogue. Training in this area may help recognize that the form of what is said is sometimes more important than the content.

### 23-5f STEP 6: THE CLOSE

In the "close," the salesperson attempts to gain some type of *commitment* from the customer to purchase the product or service. In other words, the salesperson asks for the order. Salespeople use different techniques in closing the sale to make it easier for the prospect to commit to a purchase. For example, the salesperson may (1) tell the prospect about a previous customer whose needs were similar to the prospect's and who benefited from the salesperson's

product, (2) present the prospect with two or more product versions and ask which one he or she prefers, (3) if the prospect is ready to buy, focus on purchase details such as delivery date and credit terms, (4) ask for the order in a straightforward manner, or (5) offer some incentive or cost savings (via trade-ins) to get the prospect to buy now. If the prospect is not ready to commit, leaving a demonstrator or sample may help move the prospect closer to purchase. Also, "trial orders" are popular and can be effective. In this situation, the customer agrees to buy the product on a trial basis, and if it does not meet his or her needs, the customer can return it for a full refund. In essence, there is no risk for the customer, but there has to be clear expectations as to what constitutes a successful trial. For example, trial orders might backfire if the customer agrees to the trial with the intent of short-term usage and making the product fail.

### 23-5g STEP 7: THE FOLLOW-UP

Finally, in a post-sale follow-up, the salesperson attempts to reduce the consumer's post-purchase anxiety ("cognitive dissonance") that is likely especially for products requiring a high level of effort, time, or money. This may involve suggesting additional products and accessories, determining any problems the customer may be having with the product, and/or developing a stronger relationship with the customer in the hope of generating future sales.

Effective follow-up is critical for establishing long-term *relationships* with customers. Successful salespeople do not discontinue contact once they have made a sale. They make sure that the product truly fits the customer's needs, that it is being used properly, that customer complaints are remedied expeditiously, and so on. Follow-up includes sending letters of appreciation to customers, training the customer's employees in the proper use of the product, addressing the customer's complaints or product-related problems, and making adjustments if the product does not meet the customer's expectations.

### 23-5h IN SUMMARY

It would be erroneous to think that the preceding step-by-step presentation means that all selling efforts progress in such an orderly fashion and that each preceding step must be completed before the next one follows. Nothing could be further from the truth. The point is that the seven steps are involved to one degree or another in all selling jobs and that all must be performed at one time or another. However, rather occurring in some linear, lock-step fashion, the steps actually mingle and occur over an extended time period with iterations. For instance, a salesperson may try to close a sale early in the presentation, but find her effort rebuffed. Unable to handle the buyer's objection at that time, she courteously asks for an opportunity to do some more research (preapproach activity) and to return at a later date. Her additional study of the buyer's needs and objections leads her to develop a different presentation, to delay attempting to close the transaction, and to use a different tactic in handling the buyer's objections. Her persistence eventually pays off when the buyer is convinced that her offering is the best for his company. See the *Insights Online* in MindTap for a direct case application (the National Business Machines case) of the seven basic steps in personal selling for a recently graduated, undergraduate marketing student on his first day in his sales job.

insights  
online

To learn more about the application of the seven basic steps in personal selling, go to *Insights Online* in MindTap.

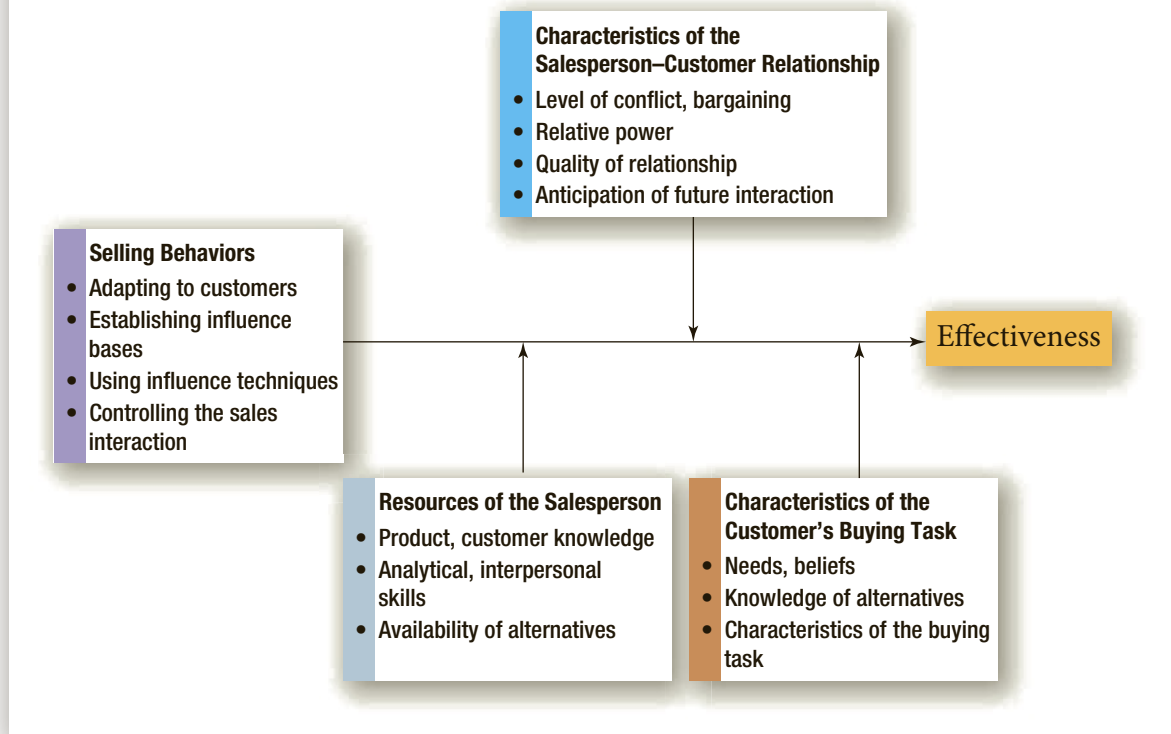
### 23-6 Salesperson Performance and Effectiveness

Regardless of the type of sales job, certain aptitudes and skills are needed to perform effectively. Indeed, people in all facets of life are ultimately judged in terms of their performance and effectiveness. Typically, these evaluations are based on quantitative assessments: number of books published by a writer, number of indictments by a prosecuting attorney, number of hits by a baseball player, number of units produced by a factory worker, number of articles published by a professor, and so on. Likewise, salespeople are typically judged in terms of the number of units sold or dollar volume. (No doubt, an argument could be made for *quality*, rather than just quantity, for each of these categories!)

Academic and business researchers have long been intrigued with explaining and predicting salesperson performance. The fundamental issue is one of identifying the specific factors that determine salesperson effectiveness—the factors that distinguish the outstanding salesperson from good, mediocre, and bad salespeople. (Stop reading for a few moments and think about your own ideas on this issue. You might jot down what you think are the most important determinants of salesperson success and later compare your thoughts with the ideas presented.)

Before a specific discussion of the determinants of salesperson performance and effectiveness, two general points require careful attention. The first is that *no single factor is able to adequately explain salesperson performance*. In a very thorough and insightful analysis of sales research conducted over a 40-year span, researchers examined over 100 separate studies and over 1,500 correlations in these studies relating salesperson performance with a wide variety of potential predictors. Their analyses revealed that, on average, no single predictor explained more than *4 percent* of the variability in salesperson performance!<sup>27</sup> The conclusion to be drawn is clear: Sales performance is based on various considerations (e.g., training, incentives, time horizons); to expect any single factor (or even several factors) to adequately explain a complex behavior is too much.<sup>28</sup>

A second general conclusion is that salesperson effectiveness is *contingent on a host of factors*; indeed, selling effectiveness depends on the total situation in which sales transactions take place. Specifically, as depicted in Figure 23.2, the effectiveness of selling behaviors (e.g., adapting to customers, establishing networks) is contingent upon (1) the salesperson's own resources (product knowledge, analytical skills, etc.), (2) the nature of the customer's buying task (e.g., whether it is a first-time or repeat decision), (3) the customer-salesperson relationship (relative power, level of conflict, etc.), and interactions among all three of these general sets of factors.<sup>29</sup>

**Figure 23.2** ▶ Contingency Model of Salesperson Effectiveness

Source: Barton A. Weitz, "Effectiveness in Sales Interactions: A Contingency Framework," *Journal of Marketing* 45 (Winter 1981): 90.

### 23-6a SPECIFIC DETERMINANTS OF SALESPERSON PERFORMANCE

You now should appreciate the fact that salesperson effectiveness is contingent upon several key factors and how they interact. We will examine in greater detail six characteristics (see Figure 23.3) that have been hypothesized to determine salesperson performance: (1) aptitude, (2) skill level, (3) motivational level, (4) role perceptions, (5) personal characteristics, and (6) adaptability.<sup>30</sup>

#### Aptitude

An individual's ability to perform certain tasks depends greatly on his or her aptitude, which is based on interests, intelligence, and personality characteristics. Because different salespeople have different tasks and activities to perform, some people are better suited to one type of sales job than another. Technical sales positions require individuals with the strong analytical aptitude and technical knowledge needed for explaining complex product features to customers. Trade selling requires individuals who have good interpersonal skills and are highly adaptive, because they meet with many different types of customers.

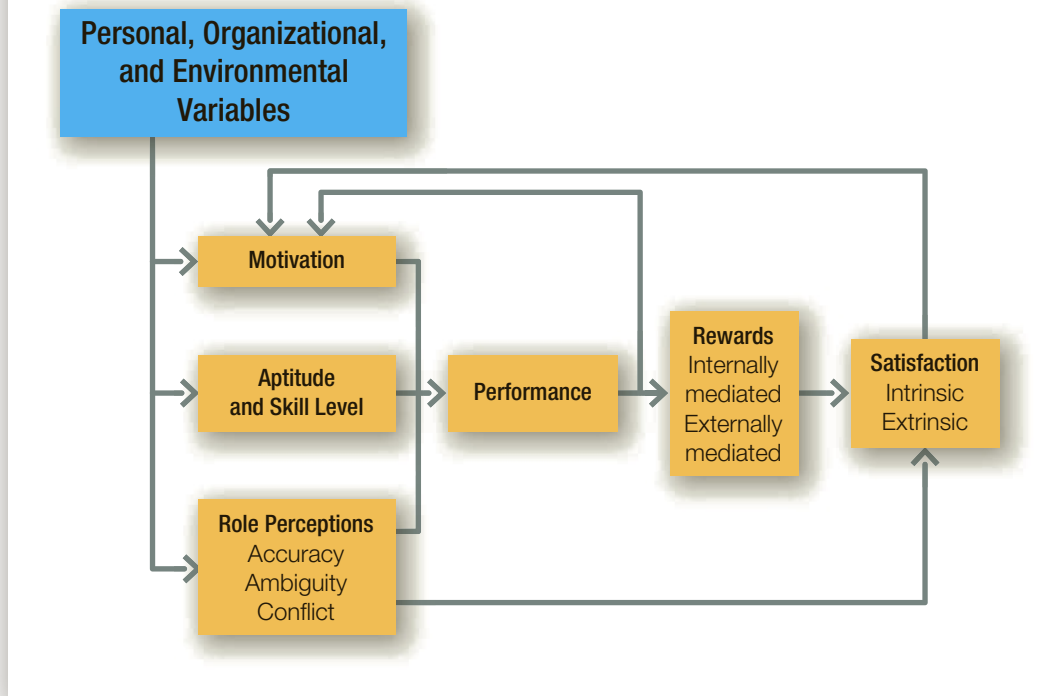
Regardless of the specific type of sales position, all professional salespeople must be customer-oriented and empathetic. They should be able to view the world from the outside in and not just in terms of their own limited perspective.

#### Skill Level

Whereas aptitude is a matter of native ability, skill level refers to an individual's *learned proficiency* at performing necessary selling tasks. These skills include sales skills (such as knowing how to make a sales presentation), interpersonal skills (such as how to cope with and resolve conflict), and technical skills (such as knowledge about a product's features, performance, and benefits). These skills are partially brought to a sales job as a function of an individual's education preparation, but are also learned and fostered on the job.

Companies with effective sales programs instill in their sales force the skills needed for success. In fact, many sales organizations prefer to recruit salespeople directly out of college rather than from other sales positions so that they do not have to retrain sales candidates to overcome bad habits and conflicting skills learned elsewhere.



**Figure 23.3** ▶ Determinants of Salesperson Performance

Source: Orville C. Walker, Jr., Gilbert A. Churchill, Jr., and Neil M. Ford, "Motivation and Performance in Industrial Selling: Present Knowledge and Needed Research," *Journal of Marketing Research*, 14 (May 1977): 158. *JMR*, *Journal of Marketing Research*, American Marketing Association. © 1977. Reproduced with permission of American Marketing Association in the format Republish in a textbook via Copyright Clearance Center.

For example, Armstrong World Industries, a maker of carpeting, flooring, and other products, is legendary for hiring salespeople directly from college and sending them through the same basic training program that all Armstrong salespeople have undergone for over 60 years. In explaining the company's attitude toward sales training, Armstrong's director of human resources explains: "We prefer to hire people without any biases, conflicting opinions, or bad traits—and then we train them ourselves. We've had great success doing things our way, and if we're doing it that way and other companies aren't, well, then they're doing it wrong."<sup>31</sup> This may sound quite confident, but it merely represents the belief that it is often easier to train than it is to retrain.

### Motivational Level

Motivational level refers to the *amount of time and energy* a person is willing to expend performing tasks and activities associated with a job. These tasks typically include managing sales information, calling on new accounts, creating new sales presentations, following up on sales, and so forth. An interesting thing about motivation is that it is *reciprocally related to performance*. That is, motivation is a determinant of performance and also is determined

by performance—we often become even more motivated after we have enjoyed some success.

Another important characteristic of salesperson motivation is the distinction between *working hard* and *working smart*. Motivation is not simply the amount of effort but also how the effort is directed. Salespeople who work smart are typically more effective than those who just work hard.<sup>32</sup> Of course, a truly dynamite combination for a salesperson is to work both smart and hard.

### Role Perceptions

In order to perform their jobs well, salespeople must know what is expected of them and have accurate perceptions of their role. Their jobs are defined by people both within and outside the organization, including family, sales managers, company executives, and customers. Thus, how well people perform in sales jobs depends on the accuracy of their perceptions of management's stated goals, demands, policies, procedures, organizational lines of authority, and responsibilities.

Very often salespeople face *role conflicts* that inhibit their sales performance. For example, a customer may want a special price or advertising concessions that the company has policies against. Salespeople have been

trained to meet customers' needs; however, they have also learned to follow company policies. What should a sales representative do in this situation? If a salesperson can negotiate differences between the two parties, he or she may be able to resolve the conflict and make the sale. In general, accurate role perceptions are a very important determinant of sales performance, effectiveness, and organizational commitment. Research has shown that role ambiguity in the early stage of employment decreases salesperson commitment to the company and increases turnover.<sup>33</sup> Accurate perceptions are instilled during initial sales training and over time during periodic sales meetings and through periodic interactions with sales supervisors.

#### Adaptive selling

Altering of sales behaviors during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation.

### Personal Characteristics

Another determinant of salesperson effectiveness is an individual's personal characteristics—his or her age, physical size, appearance, race, and gender are some of the personal characteristics expected to affect sales performance. Some research has shown that these personal factors can sometimes be important in determining sales performance.<sup>34</sup> Yet, as noted in Chapter 7, such “effectiveness” via personal characteristics may be more a function of suboptimal, peripheral (rather than central) processing on behalf of buyers and/or managers.

Thus, it would be erroneous to conclude that one's personal characteristics ensure sales success or failure. To the contrary, personal characteristics merely may make it more or less difficult to succeed in sales. Performance by any individual depends ultimately on his or her ability, skill, and motivation level, again, similar to the processing of message claims centrally (versus peripherally) as discussed in Chapter 7. In fact, the number of opportunities for salespeople from more diverse backgrounds has increased significantly over the years.<sup>35</sup>

In terms of gender, the percentage of female salespeople has risen to 45 percent.<sup>36</sup> Yet, the question of who is better—men or women—is a fruitless one. No doubt, some women are better salespeople than some of their male colleagues and vice versa. The real determinant of sales success is not dependent on one's gender, but rather on the ability to adapt oneself to situational circumstances and to call upon a repertoire of both male and female traits. This ability is called *androgyny*, which is “the degree to which individuals feel that they are characterized by traits associated with both men and women.”<sup>37</sup>

### Adaptability

Although not explicitly included in Figure 23.3, a final determinant of salesperson performance is one's ability to adapt to situational circumstances. This ability is due in part to personal aptitude, but also includes learned skills. Researchers have built a compelling case that adaptability is an absolutely essential characteristic for success in selling.<sup>38</sup>

Formally, **adaptive selling** is the “altering of sales behaviors during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation.”<sup>39</sup> A low level of adaptability is manifest when a salesperson uses the same presentation approach and methods during a single sales encounter or across encounters. Effective salespeople adapt their presentation to fit the situation; they are able to pick up signals and *read* the situation. For example, a brief, matter-of-fact presentation may be called for when meeting with a time-pressured and impatient customer, whereas a longer, more-detailed presentation is appropriate when interacting with a customer who wants all the details before making a decision.

Thus, adaptive selling involves (1) recognizing that different selling approaches are needed in different sales situations, (2) having confidence in one's ability to use a variety of sales approaches *across* selling encounters as called for by the specifics of the situation, (3) having confidence in one's ability to alter the sales approach *during* a sales encounter, and (4) actually using different approaches in different situations.<sup>40</sup>

One last note, as depicted in Figure 23.3, is that a salesperson's performance is guided by the availability and type of rewards—hopefully, leading to extrinsic or intrinsic satisfaction for the salesperson. No doubt, if satisfied, this can lead to greater motivation for future selling duties and tasks.

## 23-7 Excellence in Selling

What does it take to be a truly outstanding salesperson, to be a high performer, to excel in sales? As is always the case, there are no simple answers. Moreover, achieving excellence in one type of sales endeavor, say selling personal insurance, undoubtedly requires somewhat different aptitude and skills than achieving excellence when selling sophisticated information systems to corporate buyers. However, although there are differences from sales job to sales job, there also are similarities.

High-performing salespeople generally differ from other salespeople in terms of some general attitudes they have about the job and the manner in which they conduct their business. High-performing salespeople do the following:

- Represent the interests of their companies and their clients simultaneously to achieve *two-way advocacy*.
- Exemplify *professionalism* in the way they perform the sales job.
- Are *committed to selling* and the sales process because they believe the sales process is in the customer's best interest.
- *Actively plan and develop strategies* that will lead to programs benefitting the customer.<sup>41</sup>

### 23-7a SPECIFIC CHARACTERISTICS OF HIGH-PERFORMERS

In addition to these general practices, excellence in selling is associated with a set of specific characteristics (some of which were already mentioned briefly) that are reflected in the salesperson's personal features and job behavior. These include the first impression a salesperson makes his or her depth of knowledge, breadth of knowledge, adaptability, sensitivity (empathy, listening skills), enthusiasm, self-esteem, extended focus, sense of humor, creativity, risk taking, and sense of honesty and ethics.<sup>42</sup>

#### The First Impression

The outcome of a sales call is greatly influenced by the first impression a salesperson makes on the customer. The likelihood that a salesperson's ideas will be accepted depends largely on the initial encounter. Determinants of the first impression include personal looks, dress, body language, eye contact, handshake, punctuality, and courtesy.

#### Depth of Knowledge

A salesperson's depth of knowledge reflects how well he or she understands the business, products, company, competitors, and general economic climate related to the sales job. Depth of knowledge is obtained in part through an individual's self-study efforts. Knowledgeable salespeople stay alert to what is going on by listening carefully to customers, reading general business and trade publications (*Wall Street Journal*, *Bloomberg Businessweek*), and getting the most out of company sales meetings and conferences. Another source of company knowledge is the initial training a salesperson receives.

#### Breadth of Knowledge

Salespeople who have a wide breadth of knowledge are conversant on a broad spectrum of subjects and, therefore, are able to interact effectively with a variety of customers. Salespeople who possess a broad scope of knowledge make customers feel relaxed and are able to share common interests (via comments or discussions concerning world events, athletics, cultural affairs, or whatever the customer's interests may be). One acquires this facet of excellence through expansive reading, taking a variety of courses while in college, continuous studying, and good listening skills. In general, breadth of knowledge is a matter of being alert, attentive, and interested in different people and events.

At a minimum, any college graduate who expects to be conversant and effective in a selling position should read an online or print version of a daily newspaper (e.g., *New York Times*, *Wall Street Journal*) and a weekly magazine (e.g., *Time*).

#### Adaptability

As already discussed, this fourth characteristic of excellence is the willingness and ability to adapt your interactional style to match the other person's. Because

salespeople deal with a wide variety of customers, those who are more adaptable tend to be more effective. Adaptability in this sense is not to be misinterpreted as suggesting that a salesperson should alter his or her presentation to accommodate what each prospect might want to hear, regardless of the truth. Rather, the point is that people differ in terms of how open, sociable, and communicative they are, and a salesperson must adjust his or her interactional style to the customer's preferred style.

#### Sensitivity (Empathy and Listening Skills)

The essence of this fifth characteristic of excellence is *empathy*, or the ability to place oneself in the other person's position. That is, the successful sales representative shows a genuine interest in the prospect's needs, problems, and concerns. Also, the salesperson demonstrates respect for customers and does not patronize them. Most people are quick to notice a sales representative's positive attitude toward them, and they react favorably to it.

*Good listening skills* are another *very important* facet of sensitivity. Listening enables the salesperson to understand the needs of the customer and to adjust the sales message accordingly. Listening is a rare skill. But why? One reason is that people are usually absorbed in their own lives, devices, and activities and listening to someone else may be boring for them. (This has become even more challenging with being constantly online through mobile devices. It is good advice to turn off one's device or phone when interacting face-to-face with potential buyers.) Some may enjoy a conversation only when the other person is finished talking and they can start talking. The fact that so many people look upon listening as rather irksome reflects the scarcity of good listeners.

#### Enthusiasm

Enthusiasm, the sixth characteristic of excellence, reflects a salesperson's *deep-seated commitment to his or her company's products and to customers' needs*. Enthusiastic salespeople tend to be more motivated than less enthusiastic people, and customers are responsive to the salesperson's enthusiastic efforts.

#### Self-Esteem

This involves feelings of *self-worth and personal confidence*. A salesperson is more successful if he or she has a positive self-concept, likes his or her product and company, and looks forward to meeting prospects. A salesperson who does not have self-confidence may find it more challenging to be successful in selling. Furthermore, a salesperson should have a positive attitude toward the product, company, and sales message. After all, if the salesperson does not believe in the product, how can the customer?

#### Extended Focus

Excellent people in any endeavor have specific goals and purpose; that is, a sense of focus. Said another way, "Most people aim at nothing in life and hit it with amazing

accuracy.”<sup>43</sup> The term *extended focus* means the ability to *simultaneously focus on the specific and look at the big picture*. This eighth characteristic of excellence is based on the idea that salespeople must focus their efforts into achieving specific goals; they must not permit themselves to be distracted.

### Sense of Humor

This ninth characteristic of excellence stresses the ability to laugh with others as well as to laugh at yourself. Humor helps customers relax. It also helps customers remember you. There is a difference, however, between having a sense of humor and forcing humor inappropriately.

### Creativity

Salespeople who exhibit this tenth characteristic have an ability to connect seemingly unrelated ideas and to arrive at unique solutions to problems. This ability is critical in many selling positions, such as trade selling and technical selling, where the salesperson is often selling a total system rather than a single product. Often competing companies' basic products and nonproduct offerings (e.g., promotional programs) are very similar. Therefore, what distinguishes one company from the next are the creative solutions that salespeople devise for addressing customers' needs or solving problems. Creativity does not stop with merely coming up with an idea; rather, “it is the quality of the action that puts the idea into being.”<sup>44</sup>

### Taking Risks

Closely related to creativity is the eleventh characteristic of excellence, the willingness to take risks. To be creative you must be willing to take risks, recommend solutions that might backfire or be ridiculed, and seek change rather than sameness. Excellent salespeople are always looking for new ideas, new methods and software, and new solutions that will benefit their customers, themselves, and their companies.

### Sense of Honesty and Ethics

This twelfth characteristic is last but certainly not least. Contrary to widespread myths about personal selling, excellence in personal selling requires as high a degree of honesty and ethical behavior as in any of life's lasting relationships. The key word is *relationship*. There are some sales jobs where a single transaction between buyer and seller takes place; however, most personal-selling interactions involve building long-term relationships with customers. This is not accomplished with deceit, misrepresentation, or undependable behavior. Salespeople who are more successful are seen by customers as trustworthy and dependable. We expect these qualities in our friends, and the same expectations carry over on a professional level to the marketplace. You may recall the opening *Marcom Insight*, identifying the qualities most and least valued by purchasing agents in salespeople. The two most valued qualities are reliability/credibility and professionalism/integrity.

# Summary

This chapter presents a broad array of ideas about the nature of personal selling. Personal selling's role in the promotion mix includes educating customers, encouraging product usage and marketing assistance, and providing after-sale service and support to the buyer. As a personal career, the field of sales includes the attractive features of freedom of action, variety and challenge, opportunities for advancement, and desirable financial and nonfinancial rewards.

A *partner-oriented* selling mind-set is in operation in most successful firms today. These firms realize that their success rests with their customers' successes. Thus, modern partner-oriented philosophy makes *customer satisfaction* its highest priority. Modern selling practice is based on the following principles: trust and mutual agreement must exist between buyer and seller; getting the order is only the first step—after-sales service is what counts; and professionalism and integrity are essential in a salesperson.

Personal selling is a broad field consisting of a variety of different types of sales jobs entailing different activities, including making sales presentations, working with orders, servicing the product and the account, managing information (e.g., using Salesforce.com), participating in

conferences and meetings, training, entertaining, traveling, and working with distributors. Sales jobs include trade selling, missionary selling, technical selling, new-business selling, retail selling, and telemarketing. Many sales positions involve a process explained in the seven basic steps of personal selling: (1) prospecting and qualifying, (2) the preapproach, (3) the approach, (4) the sales presentation, (5) handling objections, (6) the close, and (7) the follow-up.

A contingency model of the selling process is presented to explain that salesperson performance and effectiveness are dependent on a variety of factors, including resources of the salesperson, characteristics of the customer's buying task, and the salesperson–customer relationship. Specific determinants of salesperson performance include (1) aptitude, (2) skill level, (3) motivational level, (4) role perceptions, (5) personal characteristics, and (6) adaptability.

A final section examines excellence in selling. Twelve basic characteristics of excellence include the first impression a salesperson makes, his or her depth of knowledge, breadth of knowledge, adaptability, sensitivity (empathy, listening skills), enthusiasm, self-esteem, extended focus, sense of humor, creativity, risk taking, and sense of honesty and ethics.

## Discussion Questions

1. Personal selling is more effective than advertising, but may be less efficient. Explain.
2. Some people hold personal selling in low esteem. Some students rebel at the idea of taking a sales job out of college. Why do you think these attitudes persist?
3. Contrast antiquated and modern selling practices. Do you think a “soft sell” approach used by some pharmaceutical firms will work in all industries? Why or why not?
4. Discuss the future of managing data and online information, useful for generating sales leads and customer interactions, as with Salesforce.com. More specifically, would you trust analyses of big data and the use of machine-learning to generate customer leads and interactions? Is the future of personal selling reliant on such artificial intelligence?
5. One form of sales presentation is called a *canned presentation*. This means that a salesperson uses the identical presentation time after time. How would you evaluate such an approach? What are the advantages and disadvantages of this form of presentation?
6. “Sales representatives should act as if they were on the customer's payroll.” Evaluate this statement by explaining in your own words what it means and by describing the advantages and disadvantages that may result when a salesperson acts in this manner.
7. In view of the different types of sales jobs described in the chapter (such as trade selling and technical selling), identify the job types you would or would not be willing to take as a first job out of college. Provide your rationale for each decision.
8. Select a friend of yours to take the role of the “buyer” with playing the role of the “salesperson.” Then, go through each of the relational communication dialogue boxes in Figure 23.1, playing your roles. For each dialogue box, indicate whether you felt you were both in agreement with the relationship or whether there some unresolved conflict as a result of the dialogue.

9. Interview a friend that has recently started a sales job and someone who has worked in sales for many years. Get each person's reaction as to how they felt Brad Wilson did on his first day of selling in the National Business Machines case in the *Insights Online* in Mindtap.
10. No single factor is able to adequately explain salesperson effectiveness. Comment.
11. Clearly distinguish among aptitude, skill, and personal characteristics as unique determinants of salesperson performance. Considering only aptitude and personal characteristics, provide an assessment of whether you possess the aptitude and personal features for a successful career in (1) computer sales for a company like Apple or IBM, and (2) trade sales for a company such as Procter & Gamble or General Mills. Offer reasons why you think you would (or would not) succeed.
12. Distinguish between working hard and working smart. As a student, which behavior better characterizes your own performance? What behaviors would a salesperson manifest in demonstrating an ability to work smart rather than simply hard? Be specific.
13. Based on the 12 characteristics of personal excellence described in the text, which of these do you think most salespeople lack? Do you possess the potential for excellence in selling? Why or why not?
14. Interview three sales representatives and describe the differences in their philosophies and approaches to personal selling. Compare your findings with the ideas presented in the text.
15. Studies of college students' views toward personal selling were mentioned in the chapter and summarized in Table 23.1. Interview five students and ask them to rate each of the statements on a five-point scale labeled strongly agree, agree, neither agree nor disagree, disagree, and strongly disagree. Summarize the results from your small survey and draw implications based on the assumption that the five students you queried hold representative views.
16. Write a two- to three-page essay on why you would or would not be a good salesperson.



# Glossary

## A

**A rating point** Represents 1 percent of a designated audience or entire population that has an opportunity to see an advertisement in a vehicle.

**Ability to process** Whether a person is familiar with message claims and has the necessary skills (e.g., literacy, knowledge) to help comprehend them.

**Access** One of the four *general privacy principles* applied to one's personal information for all advertising and marketing activities. See also **Notice**, **Consent**, and **Security**.

**Account-specific marketing** A descriptive term that characterizes promotional and advertising activity that a manufacturer *customizes* to specific retail accounts. Also called *co-marketing*.

**Active synthesis** The second stage of perceptual encoding, it goes beyond merely examining physical features. The context or situation in which information is received plays a major role in determining what is perceived and interpreted.

**Adaptive selling** Altering of sales behaviors during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation.

**Adnorm index** Index that compares an advertisement's scores against other ads in the *same product category* as well as with the same size (e.g., full-page) and color classifications (e.g., four-color).

**Advertising** A paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future.

**Advertising plan** Provides the framework for the systematic execution of advertising strategies; evaluates a brand's advertising history, proposes where the next period's advertising should head, and justifies the proposed strategy for maintaining or improving a brand's competitive situation.

**Advertising strategy** A plan of action of how a brand is to be advertised; involves the development of an advertising message that communicates the brand's value proposition — i.e., its primary benefit or how it can solve the consumer's problem.

**Affect referral** The simplest of all decision heuristics; the individual calls from memory his or her attitude, or affect, toward relevant alternatives and picks that alternative for which the affect is most positive.

**Affordability method** An advertising budgeting method that sets the budget by spending on advertising those funds that remain after budgeting for everything else.

**Allegory** A word derived from a Greek term meaning other-speak; represents a form of extended metaphor.

**Ambushing** An activity that takes place when companies that are *not* official sponsors of an event undertake marketing efforts to convey the impression that they are.

**Androgyny** The degree to which individuals feel that they are characterized by traits associated with both men and women.

**Appropriateness** The extent to which the message is on target for delivering the brand's positioning strategy and capturing the brand's relative strengths and weaknesses vis-à-vis competitive brands.

**Attention** A stage of information processing in which the consumer focuses cognitive resources on and thinks about a message to which one has been exposed.

**Attitude** A general and somewhat enduring positive or negative feeling toward, or evaluative judgment of, some person, object, or issue.

**Attitudinal response (feelings)** Television commercials and online videos (e.g., from YouTube, Tumblr) can evoke a variety of positive and negative feelings. Positive feelings might include reactions such as pride, excitement, warmth, tenderness, amazement, confidence, humor, and so on. Negative feelings might include fear, boredom, sadness, anger, disgust, and irritation.

**Attractiveness** An attribute that includes any number of virtuous characteristics that receivers may perceive in an endorser; consists of three related dimensions: *similarity*, *familiarity*, and *liking*.

**Attributes** Features or aspects of the advertised product or brand.

## B

**Baby-boom** The generational term for the birth of around 77 million Americans between 1946 and 1964.

**Behavioral segmentation** Information about the audience's behavior—in terms of past purchase behavior or online search activity—in a particular product category or set of related categories.

**Beliefs** Consumer's subjective probability assessments, or expectations, regarding the likelihood that performing a certain act will lead to a certain outcome.

**Bill-back ad allowance** A form of trade allowance in which retailers receive allowances for featuring the manufacturer's brand in advertisements.

**Bill-back display allowance** A form of trade allowance in which retailers receive allowances for featuring the manufacturer's brand and providing special displays.

**Bonus pack** A form of sales promotion whereby extra quantities of the product that a company makes available to consumers at the regular price.



**Brand** Name, term, sign, symbol, design, or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competition.

**Brand awareness** An issue of whether a brand name comes to mind when consumers think about a particular product category and the ease with which the name is evoked.

**Brand concept** Specific meaning that brand managers create and communicate to their target market.

**Brand concept management** The analysis, planning, implementation, and control of a brand concept throughout the life of the brand.

**Brand equity** The goodwill (i.e., equity) that an established brand has built up over its existence.

**Brand image** The associations that are activated in memory when people think about a particular brand.

**Brand image style** A symbolic or experiential orientation that involves *psychological* rather than physical differentiation.

**Brand loyalty** A consumer's commitment to continue using or advocating a brand, as demonstrated not only by repeat purchases, but also by other positive brand behaviors (e.g., word-of-mouth advocacy, brand identification).

**Brand placement** A marketing strategy whereby an advertiser promotes a brand by placing it within the context (i.e., in a program scene or story) of a selected medium (e.g., a TV, film, online, or gaming program).

**Brand positioning** The key feature, benefit, or image that a brand stands for in the target audience's mind.

**Buzz creation** The systematic and organized effort to encourage people to talk favorably about a particular item—either over the fence or online—and to recommend its usage to others who are part of their social network.

## C

**Category management** When a company focuses on the overall product category through a working relationship between the manufacturer and retailer to find ways both parties can be more profitable.

**Cause-related marketing (CRM)** Involves alliances that companies form with *nonprofit organizations* to promote their mutual interests.

**Central route** When a receiver's motivation, ability, and opportunity to process the message arguments are high (and therefore one's elaboration likelihood is high), the receiver will focus predominantly on message arguments rather than peripheral cues leading to enduring attitude change. See also **Peripheral route**.

**Click fraud** When a competitor or other party poses as a legitimate user and clicks on a sponsored link repeatedly in order to bias advertising effectiveness.

**Click-through** When an online user, upon clicking a banner ad, is directed to the advertiser's website.

**Click-through rates** The percentage of people who are exposed to an online ad and click on it.

**Co-branding** Relationship that potentially serves to enhance both brands' equity and profitability.

**Cognitive dissonance** A post-purchase anxiety that maybe one has made the wrong choice.

**Commercial rumor** A widely circulated but unverified statement about a product, brand, company, store, or other commercial target.

**Commercial specifics** The elements in the execution of the advertisement such as the spokesperson or endorser, the music, the overall situation, and characters.

**Communication** The process whereby commonness of thought is established and meaning is shared between individuals or between organizations and individuals.

**Comparative advertising** The practice in which advertisers directly or indirectly compare their products against competitive offerings and claim superiority.

**Compatibility** The degree to which an innovation is perceived to fit into a person's way of doing things, such as consumers' needs, personal values, beliefs, and past consumption practices.

**Compensatory heuristic** In this situation, for a given alternative (e.g., college), the strength of one attribute (e.g., education) offsets (or compensates for) the weakness of another attribute (e.g., social life).

**Competitive parity method** A budgeting method that sets the advertising budget by examining what competitors are doing. Also called the *match-competitors method*.

**Compiled lists** Compiled (external) lists are not as desirable as (internal) house lists, however, for two important reasons. The first is because they do not contain information about the willingness of a person to purchase the specific item by mail. Second, the individuals or companies included on the list may have had to pay a fee to belong to an association representing the primary source for some lists.

**Complexity** An innovation's degree of perceived difficulty—the more difficult an innovation is to understand or use, the slower the rate of adoption.

**Compliance** Occurs when an individual is persuaded by an advertised source because they hope to achieve a favorable reaction or approval from this source.

**Comprehend** To understand and create meaning out of stimuli and symbols.

**Concretizing** Process of providing more concrete (versus abstract) information for consumers to process, as it is easier for them to remember and retrieve tangible rather than abstract information.

**Conjunctive model** The consumer establishes minimum cutoffs (e.g., a "7" out of "10") on all attributes considered.

**Connectedness** Addresses whether an advertisement reflects *empathy*, creates a bond, and is relevant with the *target audience's* basic needs and wants as they relate to making a brand-choice decision in a product category.

**Consent** One of the four *general privacy principles* applied to one's personal information for all advertising and marketing activities. See also **Notice, Access, and Security**.

**Consequences** The desirable or undesirable results from consuming a particular product or brand.

**Conspicuity** The ability of a sign to capture attention; those signage characteristics that enable walkers or drivers and

their passengers to distinguish a sign from its surrounding environment.

**Conspiracy rumor** A widely circulated but unverified statement that involves supposed company policies or practices that are threatening or ideologically undesirable to consumers.

**Contact** Any message medium capable of reaching target customers and presenting the brand in a favorable light. Interchangeable term with touch point.

**Contamination rumor** A widely circulated but unverified statement dealing with undesirable or harmful product or store features.

**Content marketing** Producing, curating, and sharing (marketer) content that is based on customers' needs and delivers visible value. It is also known as sponsored content.

**Contest** A form of consumer-oriented sales promotion in which consumers have an opportunity to win cars, merchandise, or prizes.

**Continuity** A media planning consideration that involves how advertising is allocated during the course of an advertising campaign.

**Continuous advertising schedule** A type of schedule to allocate advertising over an advertising campaign where an equal or relatively equal number of ad dollars are invested throughout the campaign.

**Continuity promotions** Promotions that reward consumers for purchasing a particular brand repeatedly or shopping regularly at a particular store. Also referred to as reward, loyalty, or point programs.

**Cooperative (co-op) advertising** An arrangement between a manufacturer and retailer (or distributor) whereby the manufacturer pays for all or some of the advertising costs undertaken by the reseller on behalf of the manufacturer's products.

**Copyright** A set of exclusive rights, not for an actual idea or invention, but for the form in which it is expressed, and it should be in a tangible medium.

**Corporate image advertising** Advertising that attempts to (1) increase a firm's name recognition, (2) establish goodwill for the company and its products, or (3) identify itself with some meaningful and socially acceptable activity.

**Corrective advertising** Advertising that is based on the premise that a firm that misleads consumers should have to use future advertisements to rectify the deceptive impressions it has created in consumers' minds; designed to prevent a firm from continuing to deceive consumers rather than to punish the firm.

**Cost-per-action** Determines the number of users who actually visit a brand's website.

**Cost-per-thousand (CPM)** The cost of reaching 1,000 people who are readers, viewers, or listeners of the media vehicle.

**Cost-per-thousand impressions** An alternative to click-through rates that assess how much it costs to place an online ad.

**Counterargument** When the receiver challenges a message claim. See also **Support argument**.

**Coupon** A promotional device that rewards consumers for purchasing the coupon-offering brand by providing cents-off or dollars-off savings.

**CPM-TM** A refinement of CPM that measures the cost of reaching 1,000 members of the target audience, excluding those people who fall outside of the target market.

**Creative brief** The "blueprint," or guide, that links the advertising strategy with the execution of the ad campaign.

**Cross-platforms** A strategy that integrates multiple media sources, such as TV, social, search, and print, into a single marketing campaign.

**Customer relationship management (CRM)** The process of carefully managing detailed information about individual customers and all customer "touch points" to ensure loyalty.

## D

**Data mining** To discover hidden facts and relationships contained in databases.

**Database marketing (DBM)** A process in which companies collect information on consumers, analyze it to predict who will buy, and then develop tailored marketing messages to those consumers.

**Deal** Any form of sales promotion that delivers a price reduction to consumers; retailer discounts, manufacturer cents-off offers, and the ubiquitous coupons are the most common forms of deals.

**Deception** A representation, omission, or practice that is likely to *mislead* the consumer *acting reasonably* and the representation, omission, or practice is a *material* one (i.e., an important characteristic likely to influence their conduct or choice).

**Decoding** Activities undertaken by receivers to interpret—or derive meaning from—marketing messages.

**Demographics** Measurable population characteristics such as age, income, and ethnicity.

**Direct marketing** An interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

**Direct response advertising** When media is used to transmit messages that directly encourage buyers to purchase directly from the advertiser.

**Direct response TV advertising (DRTV)** TV advertising that takes two basic forms: *long form* (half hour or hour-long segments explaining a product in detail, known as an infomercial) or *short form* (30-, 60-, or 120-second commercials asking viewers for an immediate response).

**Direct selling** The marketing and selling of products directly to consumers away from a fixed retail location.

**Disjunctive model** A consumer attitude model that states for a product to be considered, it only has to meet or exceed the minimum cutoffs on just one attribute.

**Diverting** When a manufacturer restricts a deal to a limited geographical area rather than making it available nationally, which may result in retailers buying abnormally large quantities at the deal price and then selling off, at a small profit margin, the excess quantities through brokers in other higher-priced geographical areas.

**Dual-coding theory** Pictures and visuals (versus words) are better remembered because pictures are able to elicit mental images.

## E

**Effective rating points (ERPs)** Equals the product of effective reach, or 3 exposures, times frequency.

**Effective reach** The idea that an advertising schedule is effective only if it does not reach members of the target audience *too few* or *too many* times during the media scheduling period, typically a four-week period; refers to the percentage of the target audience that is exposed to the ad schedule at least three times (i.e., 3 exposures) during the media scheduling period.

**Elaboration** Mental activity in response to a message such as an advertisement.

**Elasticity** A measure of how responsive the demand for a brand is to changes in marketing variables such as price and advertising.

**Emotion-based persuasion** When a consumer is highly involved in a message (such as a TV commercial), there is a tendency to relate aspects of the message to his or her personal situation.

**Encoding** The process of translating thought into symbolic form.

**Encoding specificity principle** A principle of cognitive psychology which states that information recall is enhanced when the context in which people attempt to retrieve information is the same as or similar to the context in which they originally encoded the information.

**Ethics** In the context of marketing communications, involves matters of right and wrong, or *moral*, conduct.

**Evaluations** The value, or importance, that consumers attach to consumption outcomes.

**Event sponsorship** A form of brand promotion that ties a brand to a meaningful athletic, entertainment, cultural, social, or other type of high-interest public activity.

**Executive-statement releases** News releases quoting CEOs, CMOs, and other corporate executives.

**Experiential needs** Needs representing desires for products that provide sensory pleasure, variety, and, in a few product circumstances, cognitive stimulation.

**Expertise** The knowledge, experience, or skills possessed by a source as they relate to the communications topic.

**Exposure** In marketing terms, signifies that consumers come in contact with the marketer's message.

**External mailing lists** Lists that are public, including house lists of others companies and other-compiled lists.

**External lists** Mailing lists used in direct mail; from a public database, including house lists of other companies and compiled lists. See also **Internal lists**.

## F

**Feature analysis** The initial stage of perceptual encoding whereby a receiver examines the basic features of a stimulus (such as size, shape, color, and angles) and from this makes a preliminary classification.

**Feature article** A detailed description of a product or other newsworthy programs that a PR firm writes for immediate publication or airing by print or broadcast media or distribution via appropriate social media or other online sites.

**Feedback** A way of monitoring how accurately the intended message is being received and whether it is accomplishing its intended objective(s).

**Flighting schedule** A type of schedule to allocate advertising over an advertising campaign where advertiser varies expenditures throughout the campaign and allocates *zero* expenditures in some months.

**Followers** Posts are displayed on a Twitter user's profile page and users may subscribe to other author tweets with subscribers.

**Following** In Twitter, an online social networking and micro-blogging service, the users can send and read text-based posts (called tweets) for up to 140 characters and these posts are displayed on a user's profile page and users may subscribe to other author tweets.

**Free-with-purchase premium** A form of premium that represents a delayed reward to consumers that is primarily designed to generate *trial purchases*.

**Frequency** The number of times, on average, during the media-planning period that members of the target audience are exposed to the media *vehicles* that carry a brand's advertiser's message. Also called *average frequency*.

**Functional needs** Needs involving current consumption related problems, potential problems, or conflicts.

## G

**Games** Provide consumers with an instant reward (e.g., a winning game piece).

**Galvanometer** A device (also referred to as a *psychogalvanometer*) for measuring *galvanic skin response*, or *GSR*. (*Galvanic* refers to electricity produced by a chemical reaction.)

**Generation X (Gen X)** To avoid overlap with the baby boom generation and Gen Y, this text defines Generation X as people born between 1965 and 1981.

**Generation Y** See "**Millenials**".

**Generic style** An ad strategy that uses a straightforward product claim with no assertion of brand superiority.

**Geodemographics** Based on demographic characteristics of consumers who reside within geographic clusters such as ZIP code areas and neighborhoods.

**Geo-targeting** Allows mobile customers to find nearby retailers (e.g., restaurants that serve Pepsi products, including Taco Bell, Pizza Hut, Arby's, and Panda Express.)

**Goals** Objectives become goals when time and magnitude are included. Objectives provide the foundation for all remaining decisions.

**Green marketing** Responding to environmental and sustainability concerns by introducing environmentally oriented products and undertaking marcom programs to promote them.

**Gross rating points (GRPs)** The weight that a particular advertising schedule has delivered. GRPs are a product of reach times frequency.

## H

**Hierarchy-of-effects** A model predicated on the idea that the marcom element move people from an initial stage of unawareness about a product/brand to a final stage of purchasing that product/brand.

**House lists** A form of internal lists, these are lists based on a company's own internal list of present or prospective customers.

**House lists of other companies** A form of external lists, these are other companies' lists that they comprise the names of people who have responded to another related company's direct-response offer.

## I

**Identification** Enhances the deceiver's self-concept via the association or identification with the source; the maintenance of the belief depends on the source's position.

**Imagery** The representation of sensory experiences in short-term, or working, memory—including visual, auditory, and other sensory experiences.

**Infomercial** A form of television advertising that serves as an innovative alternative to the conventional, short form of television commercial; full-length commercial segments that typically last 28 to 30 minutes and combine product news and entertainment.

**infomercial** A form of television advertising that serves as an innovative alternative to the conventional, short form of television commercial; full-length commercial segments that typically last 28 to 30 minutes and combine product news and entertainment.

**Ingredient branding** A special type of alliance between branding partners, whereby one brand (ingredient) appears on or inside another brand (the host).

**In-pack premium** A premium item provided inside the package of the brand that offers the free item as a promotional inducement.

**Integrated information response model** A model that takes its name from the idea that consumers *integrate information* from two sources—advertising and direct product usage experience—in forming attitudes and purchase intentions toward products and brands.

**Intellectual property** A number of different author or company creations (e.g., a new brand name and/or logo) for which a set of exclusive rights are recognized under law. This includes patents, copyrights, and trademarks.

**Intense and prominent cues** Cues that are louder, more colorful, bigger, brighter, and so on, thereby increasing the probability of attracting attention.

**Interactive digital billboards** Billboards that facilitate interaction between mobile phones, quick response codes,

or camera sensors in the digital billboards through the use of near-field communication.

**Internal mailing lists** Based on a company's own house list of present or prospective customers.

**Internalization** When an information source, such as an endorser, is perceived as credible, audience attitudes are changed through this psychological process; occurs when the receiver accepts the source's position on an issue as his or her own.

**Interstitials** A form of Internet advertising in which ads appear between (rather than within, as is the case with pop-ups) two content Web pages.

**Involuntary attention** Occurs automatically or involuntarily due to an intruding stimulus (e.g., due to the use of attention gaining techniques) rather than by the consumer's inherent interest in the topic. See also **Voluntary attention**.

**Issue index** Index that compares an advertisement's scores against the average scores for *all ads* in the magazine issue.

## K

**Keywords** A feature of search engine advertising (SEA), these are specific words and short phrases that describe the nature, attributes, and benefits of a marketer's offering.

## L

**Laddering** A marketing research technique that has been developed to identify linkages between attributes, consequences, and values; involves in-depth, one-on-one interviews that typically last 30 minutes to more than one hour.

**Lexicographic model** A non-compensatory heuristic where attributes are first ranked, then the alternative that is the best on the highest ranked attribute is selected.

**Location-based service (LBS)** Mobile service that tracks consumers location and identifies nearby places.

## M

**Mail-in Offer** A premium in which consumers receive a free item from the sponsoring manufacturer in the mail or online in return for submitting a required number of proofs of purchase or taking some action related to the brand. See also **Online offer**.

**Marcom objectives** General outcomes that the various marcom elements try to achieve individually or collectively.

**Market segment** A group of customers who share a similar set of needs and wants.

**Market segmentation** Act of dividing a market into distinct groups of customers who might require separate products and/or marketing mixes.

**Marketing** Human activity directed at satisfying (customer) needs and wants through exchange processes.

**Marketing communications** Collection of all elements in an organization's marketing mix that facilitate exchange by establishing shared meaning with its customers.

**Marketing mix** The collection of specific elements of a brand's 4Ps—product, place (distribution), price, and promotion—and usually aimed at a target market.

**Marketing plan** A written document that specifies the marketing objectives and goals, strategies, programs, budgets and controls for a company and its brands.

**Marketing public relations (MPR)** A narrower aspect of PR involving an organization's interactions with actual or prospective customers.

**Mature people** The U.S. Census Bureau's designation for people who are age 55 and older.

**Meaning** Thoughts and feelings that are evoked within a person when presented with a sign in a particular context.

**Media** The general communication methods that carry advertising messages.

**Media planning** The design of a strategy that shows how investments in advertising time and space will contribute to the achievement of marketing objectives.

**Message** A symbolic expression of what the communicator intends to accomplish.

**Message channel** The path through which the message moves from source to receiver.

**Message-based persuasion** A central-route attitude-formation process based on processing message arguments which results in an enduring change in attitudes toward a brand.

**Metaphor** A form of figurative language that applies a word or a phrase to a concept or an object, such as a brand, that it does not literally denote in order to suggest a comparison and to make the abstract more concrete.

**Middle age** Age range starting at age 35 and ending at age 54 at which point maturity is reached.

**Millennials** The generational term for the birth of around 60 million Americans between 1982 and 1996. Also known as Generation Y.

**Motivation to process** When a message relates to a person's present consumption-related goals and needs and is thus relevant to that individual.

## N

**National Do Not Call Registry** Based on a Congressional mandate (and revision later in 2007), allows consumers to register (only once) to maintain their phone numbers on a do-not-call list.

**Native advertising** Content that is created or sponsored by a brand that blends in with the surrounding editorial content.

**Near-pack premium** A premium offer that provides the retail trade with specially displayed premium pieces that retailers then give to consumers who purchase the promoted product.

**Noise** Extraneous and distracting stimuli that interfere with or interrupt reception of a message as it moves through a channel.

**Noncompensatory heuristics** In contrast to compensatory choice behavior, one attribute does not compensate for another one.

**Notice** One of the four *general privacy principles* applied to one's personal information for all advertising and marketing activities. See also **Consent**, **Access**, and **Security**.

**Novel messages** Messages that are unusual, distinctive, unpredictable, and somewhat unexpected; such stimuli tend to produce greater attention than those that are familiar and routine.

**Novelty** When an ad differs from the customer's expectations of a typical ad for a brand in a particular product category.

## O

**Objective-and-task method** The most sensible and defensible advertising budgeting method where advertising planners specify clear objectives for the advertising, identify the tasks the advertising must perform to reach these objectives, and then set the budget accordingly. See also **Percent-age-of-sales method**.

**Observability** The degree to which the user of a new brand or other people can observe the positive effects of new-product usage.

**Off-invoice allowance** A deal offered periodically to the trade that permits retailers to deduct a fixed amount from the invoice—merely by placing an order during the period which the manufacturer is “dealing” a brand.

**Online marketing** The promotion of product and services over the Internet.

**Online offer** A premium in which consumers receive a free item from the sponsoring manufacturer in the mail or online in return for submitting a required number of proofs of purchase or taking some action related to the brand. See also **Mail-in Offer**.

**Online video ads** Audiovisual ads that range in length from 15 seconds to several minutes.

**On-pack premium** A premium item that is attached to the package of the brand that offers the free item as a promotional inducement.

**Opinion leader** A person within a social network of family, friends, and acquaintances who has particular influence on other individuals' attitudes and behavior.

**Opportunity to process** The matter of whether it is physically possible for a person to process a message.

**Opt-in e-mailing** The practice of marketers' asking for and receiving consumers' permission to send them messages on a particular topic.

**Outcomes** Aspects of product ownership that the consumer either desires to obtain or to avoid.

**Overlay** The simultaneous use of two or more sales promotion techniques.

**Overlay program** The simultaneous use of two or more sales promotion techniques. Also called *combination program*.

## P

**Paper diaries** Nielsen's alternative data collection procedure for estimating TV program ratings in some local markets. Participating households complete a 20-page diary four times

a year—February, May, July, and November, which are the months known in the TV industry as “sweep” periods.

**Patent** Permits an author or a firm to secure a monopoly or exclusive rights to the use of an invention for a period of 20 years, which is generally not renewable.

**Pay-for-performance programs** Rewards to retailers for selling the manufacturer’s brand supported with a trade allowance rather than merely buying the brand at an off-invoice price. One form is called a scanner-verified trade promotion or a scan-down

**Percentage-of-sales method** A company sets a brand’s advertising budget by simply establishing the budget as a fixed percentage of *past* (e.g., last year’s) or *anticipated* (e.g., next year’s) sales volume. See also **Objective-and-task method**.

**Perceptual encoding** The process of interpreting stimuli, which includes two stages: feature analysis and active synthesis.

**Peripheral cues** The presence of cues that are peripheral to the primary message arguments, including such elements as background music, attractive sources, scenery, and graphics.

**Peripheral route** When a receiver’s motivation, ability, or opportunity to process the message is low (and therefore one’s elaboration likelihood is low), the receiver may focus on peripheral cues leading to temporary attitude change.

**Personal selling** A paid, person-to-person communication in which a seller determines needs and wants of prospective buyers and attempts to persuade these buyers to purchase the company’s products or services.

**Phishing** An illegal e-mailing practice related to spam in which criminals send e-mail messages appearing to be from legitimate corporations and direct recipients to phony Web sites that are designed to look like companies’ actual Web sites, which then attempt to extract personal data from people such as their credit card and ATM numbers.

**Pop-up ad** A form of Internet advertising in which ads appear in a separate window that materializes on the screen, seemingly out of nowhere, while a selected Web page is loading.

**Positioning** The key feature, benefit, or image that a brand stands for in the target audience’s collective mind.

**Positioning Advertising Copy Testing (PACT)** A set of nine copy testing principles developed by leading U.S. advertising agencies.

**Positioning statement** The key idea that encapsulates what a brand is intended to stand for in its target market’s mind and then consistently delivers the same idea across all media channels.

**Power** When the receiver complies with the source because the source has the power (legitimate or otherwise) to administer rewards and punishments.

**Preemptive style** A second category dominance technique, it is employed when an advertiser makes a generic-type claim but does so with an assertion of superiority.

**Preference** A behavioral tendency that exhibits itself in how a person acts toward an object.

**Premiums** Articles of merchandise or services (e.g., travel) manufacturers offer as a form of gift to *induce action* on the part of consumers and possibly also retailers and the sales force.

**Price-off promotion** A form of sales promotion that entails a reduction (typically ranging from 10 to 25 percent) in a brand’s regular price. Also called *cents-off* or *price packs*.

**Proactive MPR** A tool for communicating a brand’s merits and typically is used in conjunction with other marcom tools such as advertising and sales promotions. See also **Reactive MPR**.

**Product releases** A publicity tool that announces new products, provides relevant information about product features and benefits, and informs interested listeners and readers how to obtain additional information.

**Programmatic ad buying** A series of tactics in purchasing online ad space that includes fully-automated ad buying, real-time auctions for ad inventory, and data-driven targeting efforts.

**Promotional mix** The blend of advertising, public relations, personal selling, direct marketing, and online marketing/social media elements usually aimed at a specific target market.

**Psychographics** Information about consumers’ attitudes, values, motivations, and lifestyles that relate to buying behavior in a particular product category.

**Psychological reactance** A theory that suggests that people react against any efforts to reduce their freedoms or choices.

**Public relations (PR)** An organizational activity involved with fostering goodwill between a company and its various publics (e.g., employees, suppliers, consumers, government agencies, stockholders, etc.).

**Publicity** Non-personal communication to a mass audience.

**Pull strategy** A backward tug from consumers to retailers which is the result of a manufacturer’s successful advertising and consumer promotion efforts that encourage consumers to prefer, at least in the short term, the manufacturer’s brand versus competitive offerings.

**Pulsing advertising schedule** A type of schedule to allocate advertising over an advertising campaign where some advertising is used *during every period* of the campaign, but the amount of advertising varies from period to period.

**Pupillometer** A device used to measure respondents’ pupil dilation as they view a television commercial or focus on a printed advertisement, where greater dilation suggests positive reaction and smaller dilation suggests negative reaction.

**Push strategy** A forward thrust of effort, whereby a manufacturer directs personal selling, advertising, and trade-oriented promotions to wholesalers, distributors, and retailers.

**Push money** When manufacturers provide financial incentives directly to the retail salespeople to aggressively sell to consumers a select item in the manufacturer’s product line.

## Q

**Quick response (QR) code** A type of matrix barcode that encodes information which can then be scanned by readers on mobile devices.

## R

**Rating points** Represents one percent of a designated audience or entire population that has an opportunity to see an advertisement.

**Reach** The percentage of the target audience that is exposed, at least once, during a specified time frame to an advertiser's message.

**Reactive MPR** Marketing undertaken as a result of external pressures and challenges brought by competitive actions, changes in consumer attitudes, or other external influences. It typically deals with changes that have *negative consequences* for the organization. See also **Proactive MPR**.

**Rebate** A cash reimbursement for purchasing a durable good (e.g., \$5,000 refund for purchasing a new car); usually mailed with proofs of purchase to manufacturers.

**Receiver** The person or group of people (target audience) with whom the source attempts to share ideas.

**Recency principle** Also called the *shelf-space model*, this principle is built on three interrelated ideas: (1) that consumers' *first exposure* to an advertisement for a brand is the most powerful; (2) that advertising's primary role is to influence brand choice, and that advertising does indeed influence choice for the *subset of consumers who are in the market* for the product category at the time a brand in that category advertises; and (3) that achieving a *high level of weekly reach* for a brand should be emphasized over acquiring heavy frequency.

**Refund** The practice in which manufacturers give *cash discounts* or reimbursements to consumers who submit proofs of purchase for CPGs usually for a non-durable good.

**Relational communications** An approach to handling objections that focuses on understanding not the content of the communication, but the *form* of the communication.

**Relationship** An enduring link between a brand and its customers. Successful relationships between customers and brands lead to repeat purchasing and, ideally, loyalty toward a brand.

**Relative advantage** The degree to which consumers perceive a new brand as being better than existing alternatives with respect to specific attributes or benefits.

**Reliable** A test that yields *consistent* results each time an advertisement is tested.

**Repeater class** A function of five primary forces: personal selling, advertising and social media, price, distribution, and product satisfaction.

**Resonant advertising** Symbolic- or experiential-oriented, it extends from psychographic research and structures an advertising campaign to pattern the prevailing lifestyle orientation of the intended market segment.

**Retailer digital media exchanges** A digital platform that facilitates the buying or selling of media advertising inventory based on retail and customer sales data that then serves ads and measures sales responses.

**Revenue premium** The revenue differential between a branded item and a corresponding private-labeled (store brand) item.

**ROMI** The idea of *return on investment* (ROI), which is well known in accounting, finance, or managerial economics circles, is referred to in marketing circles as ROMI, or *return on marketing investment*.

## S

**Sales promotion** Refers to all promotional activities (excluding advertising, public relations, personal selling, direct marketing, and digital marketing/social media) that stimulate short-term behavioral responses from (1) consumers, (2) the trade (e.g., distributors, wholesalers, or retailers), and/or (3) the company's sales force.

**Sales-to-advertising response function** The relationship between money invested in advertising and the response, or output, of that investment in terms of revenue generated.

**Sampling** Any method used to deliver actual or trial-size products to consumers.

**Security** One of the four *general privacy principles* applied to one's personal information for all advertising and marketing activities. See also **Notice, Consent, and Access**.

**Self-liquidating offer** Known as SLOs by practitioners, this form of premium requires consumer mails in a stipulated number of proofs of purchase along with sufficient money to cover the manufacturer's purchasing, handling, and mailing costs of the premium item.

**Self-regulation** Regulation undertaken by the advertising community itself (i.e., advertisers, industry trade associations, and ad media) rather than by governmental bodies.

**Semiotics** The study of signs and the analysis of meaning-producing events.

**Sentiments** The polarity of a text in social media.

**Shaping** One application by which marketers attempt to shape certain behaviors through a process of changing preceding conditions and behaviors.

**Share of conversation** The ratio of a brand's conversations online to the industry conversations online.

**Share of market (SOM)** The ratio of a brand's revenue to total category revenue.

**Share of voice (SOV)** The ratio of a brand's advertising expenditures to total category advertising expenditures.

**Sign** Something physical and perceivable that signifies something (the referent) to somebody (the interpreter) in some context.

**Simile** A comparative term (such as, "like," or "as") to join items from different classes of experience.

**Single-source data** Consists of (1) household demographic information; (2) household purchase behavior; and (3) household exposure to (or, more technically, the opportunity to see) new television commercials that are tested under real-world, *in-market* test conditions.

**Slogan** A catch phrase or small group of words that are combined in a special way to identify a product or company.

**Slotting allowance** The fees manufacturers of both consumer packaged goods and durables pay retailers for access to

the slot, or location, that the retailer must make available in its distribution center (e.g., warehouse) to accommodate the manufacturer's new brand.

**Social media** Web-based and mobile technology used to turn communication into interactive dialogue.

**Social media marketing** Forms of electronic communication through which user-generated content (information, ideas, and videos) can be shared within the user's social network.

**Socialization** The process through which people learn cultural values, form beliefs, and become familiar with the physical cues representing these values and beliefs.

**Source** A communicator in some marcom capacity—an advertiser, salesperson, blogger, etc.—who has thoughts (ideas, sales points, etc.) to share with an individual customer/prospect or an entire target audience.

**Specific sales message** The last or highest level of an impression viewers retain is the specific sales message.

**SPIN method** In personal selling, forging long-term relationships with customers with the following questions: *situation questions, problem questions, implication questions, and need-payoff questions.*

**Sponsorships** A growing aspect of marketing communications, which are regarded as an important marketing tool by most marketing executives.

**Standardized Advertising Unit (SAU) system** Enables advertisers to purchase any one of 56 *standard ad sizes* to fit the advertising publishing parameters of all U.S. newspapers.

**Sticky ads** Ads for which the audience comprehends the advertiser's intended message; they are remembered, and they change the target audience's brand-related opinions or behaviors.

**Summary dashboard** A convenient summary of the social media impact of one's brand versus competitors.

**Superstitials** Short, animated ads that play over or on top of a Web page.

**Support argument** When a receiver agrees with a message argument. See also **Counterargument**.

**Symbol** When the object and referent have no prior intrinsic relationship but rather are arbitrarily or metaphorically related.

**Symbolic needs** Internal consumer needs such as the desire for self-enhancement, group membership, affiliation, altruism, and other abstract need states that involve aspects of consumption not solved by practical product benefits.

## T

**Target market strategies** Several alternatives for actually selecting segments that have been deemed attractive or effective; includes (1) *undifferentiated marketing*, in which overall marketing mix is applied to the mass market, (2) *differentiated marketing*, in which a separate marketing mix is applied to each separate segment, or (3) *concentrated marketing*, in which one overall marketing mix is applied to one separate segment.

**Target rating points (TRPs)** An adaptation of gross rating points (GRPs), these adjust a vehicle's rating to reflect just those individuals who match the advertiser's target audience.

**Telemarketing Sales Rule (TSR)** Used to regulate against untoward telemarketing practices.

**Three-exposure hypothesis** The *minimum* number of exposures needed for advertising to be effective.

**Tie-in** The simultaneous promotion of multiple brands in a single sales-promotion effort. Also called a *joint promotion*.

**Touch point** Any message medium capable of reaching target customers and presenting the brand in a favorable light.

**Trade allowances** Allowances that are used by manufacturers to reward retailers for performing activities in support of the manufacturer's brand such as featuring the brand in retail advertisements or providing special display space. Also called *trade deals*.

**Trade contest** A contest typically directed at store-level or departmental managers that is based on the managers meeting a sale's goal established by the manufacturer.

**Trade dress** The appearance and image of the product, including its packaging, labeling, shape, color, sounds, design, lettering, and style.

**Trade incentives** Incentives given to retail managers and sales people for performing certain tasks.

**Trade show** A temporary forum for sellers in a product category to exhibit and demonstrate their goods and services to present and prospective buyers.

**Trademark** A distinctive sign, or indicator used by an individual, business organization, or other legal entity to *identify* the goods or services to consumers with which the trademark appears; and to *distinguish* its goods and services from competition.

**Transformational advertising** Brand image advertising that associates the experience of using an advertised brand with the unique set of psychological characteristics that typically would *not* be associated with the brand experience to the same degree without exposure to the advertisement.

**Trialability** The extent to which an innovation can be used on a limited basis prior to making a full-blown commitment.

**Trier class** The group of consumers who actually try a new product; the second step in which an individual becomes a new brand consumer.

**Trustworthiness** The perceived honesty, integrity, and believability of a source.

**Tweets** Messages (up to 140 words) sent by users to other users of the social network Twitter.

## U

**Unfair advertising** Acts or practices that are likely to cause (1) substantial injury to consumers (e.g., health/safety, monetary), which is (2) not reasonably avoidable by consumers themselves, and (3) not outweighed by countervailing benefits to consumers or competition.

**Unique selling proposition (USP) style** An advertiser makes a superiority claim based on a unique product attribute that represents a meaningful, distinctive consumer benefit.



## V

**Valid** A valid test assesses what it is intended to assess (e.g., being predictive of marketplace performance).

**Values** Enduring beliefs people hold regarding what is important in life.

**Vehicles** The specific broadcast programs or print choices in which advertisements are placed.

**Vendor-support programs** These programs are initiated by retailers. A retailer, such as a supermarket chain, develops an advertising program in consultation with local advertising media and then invites its vendors (i.e., manufacturers) to pay for a certain percentage of the media cost for the campaign.

**Vicarious learning (modeling)** An attempt to change preferences and behavior by having an individual observe the actions of others and the consequences of those behaviors.

**Viral marketing** Techniques that use social networks to increase brand awareness or other marketing objectives, through a self-replicating, viral process, similar to the spread of a virus.

**Voluntary attention** Willful or prior attention to a message due to its perceived relevance pertinent to customers' needs (e.g., intent to purchase an advertised product). See also **Involuntary attention**.

## W

**Wearout** The ultimate diminished effectiveness of advertising over time.

**Word-of-mouth (WOM)** Informal communication among consumers about products and services.

## Z

**Zapping** When viewers switch to another channel when commercials are aired, superiority.

**Zipping** When ads that have been recorded along with program material using a *digital video recorder* are fast-forwarded (zipped through) when the viewer watches the pre-recorded material.

# End Notes

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## Chapter 3

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## Chapter 6

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## Chapter 7

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## Chapter 8

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## Chapter 10

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## Chapter 11

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## Chapter 16

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36. Jones, "Single-Source Research Begins to Fulfill Its Promise." Despite these findings, which have had considerable impact on the advertising community, there is some counterevidence suggesting that Jones's research results are not solely the result of advertising exposure, but in fact are correlated with sales promotion activity. In other words, what may appear to be the exclusive impact of successful advertising may actually be due at least in part to a brand's sales promotion activity (such as couponing or cents-off dealing) that takes place at the same time that advertising for the brand is running on television. Until research evidence is more definitive on this matter, a reasonable conclusion is that Jones' measure of advertising effectiveness is interesting and suggestive of the findings, yet more may be needed in the way of proper experimental or statistical controls for sales promotions, price changes, and other potential determinants of a brand's sales volume. For counterperspectives to Jones's claims, see Gary Schroeder, Bruce C. Richardson, and Avu Sankaralingam, "Validating STAS Using BehaviorScan," *Journal of Advertising Research* 37 (July–August 1997): 33–43. For another challenge, see Gerard J. Tellis and Doyle L. Weiss, "Does TV Advertising Really Affect Sales? The Role of Measures, Models, and Data Aggregation," *Journal of Advertising* 24 (Fall 1995): 1–12.
37. Erwin Ephron, "What Is Recency?" Ephron on Media, <http://www.ephronmedia.com>.
38. Ephron, "More Weeks, Less Weight: The Shelf-Space Model of Advertising," 19.
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40. A quote from Joanne Burke, senior vice president worldwide media research director, TN Media, New York, in Laurie Freeman, "Effective Weekly Planning Gets a Boost," *Advertising Age*, July 24, 1995, S8, S9.
41. This analogy is adapted from Charles H. Patti and Charles F. Frazer, *Advertising: A Decision-Making Approach* (Hinsdale, IL: Dryden Press, 1988), 369.
42. The "Esuvee" name was actually used in a national safety campaign a few years ago that was aimed at young drivers to educate them about SUV driving safety (see <http://www.youtube.com/watch?v5MZ7bcUrjNik>). Because SUVs have a higher center of gravity than passenger cars, there is a greater risk of rollover resulting from speeding, abrupt maneuvers, aggressiveness, and so on. For more about the campaign, see "Esuvee.com: New SUV Safety Campaign," *Road @ Travel* magazine, 2005, accessed September 1, 2016, <http://www.roadandtravel.com/safetyandsecurity/2005/esuvee.htm>.
43. To construct Table 16.5, magazine audience sizes were based on the larger of the estimated audience sizes provided by Simmons and MRI. Figures were obtained from *Marketer's Guide to Media: 2011*, vol. 34, (New York: Prometheus Global Media, 2011), 173–177. Because many of the readers of these magazines do not satisfy the income requirement of \$45,000 or are not within the 18- to 49-age category targeted for the Esuvee Safety Campaign, each magazine's total audience size was arbitrarily reduced by 50 percent prior to being divided by the target audience size of 17,674,840.
44. The program is ADPlus, which was developed by Kent Lancaster and is distributed by Telmar Information Services Corp., Telmar Information Services Corp., 711 Third Avenue, 15th floor, New York, NY 10017 (phone: 212-725-3000). It should be noted that ADPlus is available from Telmar under the name InterMix. Newer versions of ADPlus ("InterMix") may generate somewhat different solutions than are presented here (see Table 16.6). So, the results presented in Table

- 16.6 are for illustration purposes only and are intended simply to explain how the various media diagnostics (reach, frequency, etc.) are generated. The authors appreciate the help of Mr. Jeffrey Wieland, Account Executive, Telmar Information Services Corp. (Los Angeles) with Table 16.6.
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  46. Kent Lancaster, *ADPlus for Multi-media Advertising Planning* (Gainesville, FL: Media Research Institute, Inc., 1990), 18
  47. The following descriptions are based on a summary of a Diet Dr Pepper's advertising campaign prepared by Young & Rubicam. Appreciation for these materials is extended to Chris Wright-Isak and John T. O'Brien.
  48. "Health Effects of Smoking and Tobacco Use," Centers for Disease Control and Prevention, accessed September 2, 2016, [http://www.cdc.gov/tobacco/basic\\_information/health\\_effects/index.htm](http://www.cdc.gov/tobacco/basic_information/health_effects/index.htm).
  49. Surgeon General Report, *Preventing Tobacco Use Among Youth and Young Adults* (Rockville, MD: U.S. Department of Health and Human Services, 2012), 1–1395.
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## Chapter 17

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5. *Ibid.*
6. Jack Neff, "Copy Testing Coming to Digital Marketing," *Advertising Age*, February 28, 2011, 18.
7. Adapted from David Olson, "Principles of Measuring Advertising Effectiveness," American Marketing Association, accessed October 14, 2004, <http://www.marketingpower.com>; Karen Whitehill King, John D. Pehrson, and Leonard N. Reid, "Pretesting TV Commercials: Methods, Measures, and Changing Agency Roles," *Journal of Advertising* 22 (September 1993): 85–97.
8. This description is based on Allan L. Baldinger in the *Handbook of Marketing Research: Uses, Misuses, and Future Advances*, eds. Rajiv Grover and Marco Vriens (Thousand Oaks, CA: Sage, 2006); see also Cornelia Pechmann and Craig Andrews, "Copy Test Methods to Pretest Advertisements," 54; see also IPSOS-ASI Next\*TV ad testing methods including creative (rough) development, ad pretesting, ad posting, and emotional measurement; accessed September 10, 2016, <http://www.ipsos-asi.com/products/nexttv.aspx>.
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## Chapter 18

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## Chapter 21

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## Chapter 23

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