Simply defined, advertising is any form of *nonpersonal* presentation and promotion of ideas, goods, and services usually *paid for* by an *identified sponsor*.

- nonpersonal means it is directed toward a large group of anonymous people.
- being paid for differentiates advertising from publicity, which is not usually purchased
- sponsor identification is frequently the main purpose of advertising (otherwise, why advertise?)

**Functions of Advertising**

Advertising fulfills several basic functions in society:

- advertising serves a *marketing* function (helps companies sell products or services)
- advertising is *educational* (people learn about new or improved products or services)
- advertising plays an *economic* role (encourages new competition and lower prices)
- by reaching a mass audience, advertising increases *competition*, thus it *reduces the cost* of personal selling and distribution
- it performs a *social* function (helps increase productivity and raises the standard of living)

**Types of Advertising**

Advertising can be classified in several ways:

- Classifications by *target audience*, or the specific audience for whom a product or service has an appeal. Many target audiences can be defined, but the most general are consumer and business.
  - *consumer advertising* targets the people who buy goods and services for personal use
  - *business-to-business advertising* is aimed at people who buy products for business use
Classification by **geographic focus**, such as international, national, or local (retail) audiences.

Classification by **purpose**, such as selling a specific product or service as opposed to trying to improve a company's image or influence public opinion.

Classification by **primary versus selective demand**
- *primary demand advertising* promotes a product category (orange juice; beef; milk) rather than a specific brand
- *selective demand advertising* promotes a particular brand of product or service (not just any orange juice, for example, but Tropicana)

Classification by **direct versus indirect action advertising**
- *direct action advertising* promotes direct, short-term action from consumers (call now, use the coupon this week etc.)
- *indirect action advertising* promotes long-term brand recognition and consumer awareness

Advertising is part of the overall marketing process. Broadly defined, **marketing** consists of the development, pricing, distribution, and promotion of ideas, goods and services. Advertising is only part of the general promotion process.

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**A BRIEF HISTORY OF ADVERTISING**

Advertising’s beginnings are hard to pinpoint, but several examples date back thousands of years. More recently, Gutenberg’s printing press allowed the creation of several new advertising media: posters, handbills, and newspaper ads. Most early newspaper ads looked like today’s classified ads.

With the advent of mass production in the 1800s came the parallel needs for mass consumption and mass markets. This consumer evolution became most apparent immediately following the Civil War. In little more than three decades:

- the railroad linked all parts of the country together (and manufacturers with consumers)
- the U.S. population doubled between 1870-1900 (more consumers)
- the advent of new communication media (telephone, typewriter, high-speed printing press, motion pictures, national magazines, photography, and rural mail delivery)
- in an age of prosperity, people had more disposable income to spend on new products

Magazines were distributed across the country and enabled truly national advertising. Demand for advertising soon gave rise to the advent of the **advertising agency**, an organization that specializes in providing advertising services to its clients. During the 1920s radio quickly became an attractive vehicle for national advertisers, and advertising sponsors quickly began supplying popular programs. Both the Great Depression and WWII curtailed growth in the advertising industry.
From that point on, advertising’s fortunes more or less paralleled the social mood of the decades within which it existed. The Cold War of the 1950s fostered fears of advertising’s motivations and techniques, especially subliminal advertising. The 60s reflected a new creative spirit and the 70s a conservative pause and return to basics. The 80s and 90s saw an ad industry coming trying to come to grips with changing national demographics, the introduction of new mass media forms, and an emerging global market economy.

Contemporary advertising is trying to cope with technological and social change. The consumer is taking more control over her or his media choices (e.g., the Internet, DVRs, iPods, cell phones, etc). The traditional advertising model, in which advertisers interrupt a program or insert ads around articles, is becoming harder to justify. Many young people don’t get news and entertainment from traditional media.

The dawn of the Internet brought with it great expectations for online advertising. But online ads were not as effective as advertisers had hoped. Now, Internet advertising is more targeted, and the ads are becoming more interactive and more engaging. More than $8 billion was spent on Internet advertising in 2005, a figure which is sure to increase as advertisers become more skilled at using the Internet.

**ORIENTATION OF THE CONSUMER ADVERTISING INDUSTRY**

There are three main components of the advertising industry, advertisers, advertising agencies, and the media.

**Advertisers**

Two main types of advertisers are national and retail.

- *national advertisers* sell products or services all across the country. The emphasis is on the product or service itself rather than where it is sold

- *retail (or local) advertisers* are local companies with customers in the local area. The emphasis is on attracting people to the specific store or place

Some companies are both local and national advertisers (Sears, Target). Anyone in charge of advertising, whether it be a large or small store, must attend to several basics:

- planning the ads, deciding how and where they will appear
- budgeting funds for advertising
. coordinating advertisements with various departments within the organization
. if necessary, supervise any outside agency handling the advertising account

**Agencies**

An agency is an independent business organization composed of creative people and business people who develop, prepare, and place advertising for sellers seeking to find customers for their goods or services. Once located only in big cities, creative ad agencies are now scattered all over the country thanks to the accessibility created by new forms of mass communications. Big-city agencies, however, many of whom have merged into global-mega-agencies, still dominate the industry.

Agencies can be classified by the range of services they provide:

. **full-service agencies** handle all phases of the advertising process plus, if desired, other marketing services
. **media buying services** buy, resell, and monitor radio and TV time slots
. **creative boutiques** specialize in creating imaginative and creative ad campaigns

A full-service agency starts by studying the product or service and determining its marketable characteristics and how it relates to the competition. The agency then studies the potential market, possible distribution plans, and likely advertising media. The agency then presents a formal presentation to the client, and if the client agrees with the plan, the agency goes on to launch the execution phase (writing and producing the ads, buying ad space or time, and then verifying the ads appeared as planned).

**Media**

The media serves as the connection between a company and its customers, with advertisers using both obvious media (TV, radio, newspapers, Internet) as well as other media (billboards, direct mail, point-of-purchase ads, etc.). To make sure that the right audience sees the ad message, ad media planners help advertisers place and schedule their ads by evaluating media along four dimensions:

. **reach** How many people can get the message?
. **frequency** How often will the message be received?
. **selectivity** Does the medium actually reach the intended potential customers?
. **efficiency** How much does it cost to reach a certain number of people (usually expressed in terms of cost per thousand people)?
In addition, advertisers must take into account the inherent characteristics of each medium. (For example, TV offers sight, sound and motion, but the ad is also short lived and ill-suited to give product details; magazines, by contrast, can offer color and details but not sound and motion).

## Advertising Online

Since it first appeared in 1994, online advertising went through a boom and a subsequent bust. By 2005, there were signs that online advertising was picking up again; some reasons for this include:

- lower prices for online ads made them more attractive
- new technologies made ads more memorable
- audiences were spending more time online and less with TV
- new online techniques became more effective than traditional banner advertising

Even if it picks up, the amount spent on Internet advertising is small, only 3% of all U. S. ad dollars in 2004. Internet advertising is becoming increasingly obtrusive and annoying as spam, pop-ups and pop-unders become more prevalent. Also, advertisers are becoming more sophisticated in their purchase of online ads – some pay based on number of clicks or number of units sold rather than paying a fixed price.

### Categories of Internet Advertising

Besides banner ads, pop-ups, and pop-unders, Internet advertising can include:

- *splash pages* – advertising pages that appear before a web page loads, then disappears a short time later
- *skyscraper* – an elongated vertical banner bordering one side of a page
Floating ad – an object moves across the page on a preset course or moves up and down as the user scrolls

Mousetrapping – the user closes one ad that is then replaced by a slew of others that keep popping up

In addition, sponsored chat rooms or bulletin boards are related to the products or service being sold. Web sites can be devoted to a product or service. Some sites try to recreate the retail store experience online, giving consumers the chance to browse products, customize items, and place their order online.

PRODUCING ADVERTISING

Departments and Staff

Typically there are four major departments within an ad department or ad agency:

- creative services – responsible for creating the ad concept, writing the ad text (copy), prepare the artwork, and producing the final product
- account services – responsible for the relationship between the agency and the client; an ad agency’s account executive (AE) acts as the liaison
- marketing services – recommends appropriate media for the client’s message, making use of audience measurement data from firms like the Audit Bureau of Circulation, Arbitron, Nielsen, and MediaMetrix. Marketing services also handles any sales promotions (coupons, premiums or other dealer aids) done in conjunction with advertising
- administration – responsible for day-to-day business aspects of the agency, including clerical functions, accounting, personnel, training

The Advertising Campaign

A campaign consists of a large number of ads all stressing the same major theme or appeal that appear in a number of media over a specified time. Six typical phases are:

1. choosing the marketing strategy
2. selecting the main appeal or theme
3. translating the theme into the various media
4. producing the ads
5. buying space and time

6. executing and evaluating the campaign

During the initial phase, much research is done to determine the target audience, the marketing objective, the appropriate price for the product or service, and the ad budget. Positioning the product or service also comes into play at this point: **positioning** means fitting a product into the quality and price range of its competition—in a sense, setting it apart from the competition.

Second, a coordinated overall campaign theme needs to be developed.

The next step is to translate the concept into an actual media format, seeking some variety in the ads but wanting consistency of approach that will help consumers remember and recognize the product.

When producing print ads, artists first create a thumbnail sketch and then a **rough layout** to experiment with positioning ad elements; finally the **comprehensive layout** (the final draft which is used to produce the ad) is executed. Radio ads are often created in ways similar to a dramatic program, with scripts, sound effects, music, and professional voice talent. Television ad production starts with a **storyboard**, a series of drawings depicting key scenes of the planned ad; because of the costs involved, storyboards are usually shown to the client before any actual production begins. Television ads are the most expensive ads to produce, and a 30-second commercial easily costs $350,000. Special effects or animation can drive costs even higher.

While the ad is being created, the marketing department is buying time in the appropriate, most cost effective media.

Then, the ads are run. Testing is done both during and after the ads have appeared to see if consumers saw and remembered the ads, and to determine whether the ads had the desired effect on sales.

**Advertising Research**

Ad research goes on during all phases of the campaign and helps agencies and their clients make informed decisions about their strategies and tactics.

- **Formative research** is done before the campaign starts to help guide creative efforts, and takes two forms.
  - *audience definition research* identifies the target audience (e.g., females 18-34)
  - *audience profiling* identifies how the target market lives—what they think, how they decide to buy, etc.

- **Message research** involves pretesting messages that have been developed for the campaign. Can the audience understand the ads? Do audiences remember the main points of the ad, and has the ad affected their attitude toward the product? Some agencies run pilot tests to gauge effectiveness of ads, sometimes showing different versions of ads to see which works best.
. Tracking studies examine how ads perform during and after campaign, and measure whether the ads changed consumer attitudes or buying behaviors.

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**ECONOMICS**

**Advertising Volume in Various Media**

About $280 billion was spent on advertising in the United States in 2006. TV and newspapers accounted for about half the total amount spent.

**Agency Compensation**

There are three common ways ad agencies make money:

- media commissions
- agency charges
- fees

Historically, the media have given ad agencies a 15% commission on any time and space they bought from the media. The commission system is declining in popularity, with some preferring payment based on sales or another measure of performance. Other companies pay agencies a fixed fee, and still others use some combination of flat fee plus performance-based incentives.

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**BUSINESS-TO-BUSINESS ADVERTISING**

Low profile though it is, the business-to-business advertising industry is a multi billion-dollar industry. Advertising directed at the business buyer rather than the general consumer, business to business advertising consists of four main categories:

- **Trade** goods and services aimed at wholesalers and retailers
- **Industrial** items used in the production of goods and services
- **Professional** services aimed at doctors, architects, nurses, teachers, etc.
- **Agricultural** goods and services aimed at farmers
Consumer Versus Business-to-Business Advertising

1. The target audience in business-to-business advertising is much smaller.
2. Most advertised business products tend to be technical, complicated, and high priced.
3. Buyers will be professional purchasing agents, basing purchases on reason and research.
4. Personal selling plays a much greater role in the business sector.

Media

Because the target audience for business advertising is smaller than the consumer market, personalized media are best. Business and trade publications take in about 60 percent of all business advertising dollars spent. Trade magazines come in two formats:

- horizontal deals with a particular job function without regard to the industry
- vertical covers all interests within an entire single industry

Other selective channels with good effect include direct mail, trade catalogs, well-placed spots in traditional consumer media outlets, and Web sites. Business-to-business ads in mass media used to be rare, but they are being used by some large companies such as FedEx, IBM, and Xerox.

Appeals

Business ad copy tends to be long, fact filled, detailed, technical, accurate, and complete, with little, if any, emotional appeal. Unlike in the consumer market, buyers in the business market pay close attention to these ads and place a premium on data accuracy and completeness. Some of the most common business ad formats are testimonials, case histories, new-product news, and demonstrations. However, some industrial ads do employ humor, warmth, and creativity.

-- End of Chapter 15 --