Anatomy of Advertising

Introduction to Advertising

M. Larry Litwin, APR, Fellow PRSA
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Or...

A basic understanding of the Advertising Profession

Portions taken from...
You enter to learn
You leave to serve

I am here to:
HELP
...Hear, Educate, Learn and Prepare

[HELP – Hear what Prof. Litwin says so you can be Educated to Learn, which will Prepare you for your future. You’ve come to Rowan University to learn. You leave here to serve.]
PR Is...

- "This is who we are;
- What we think about ourselves;
- What we want to do; and
- Why we deserve your support."
You Talk – We Listen

Hearing vs. Listening

There is a reason why we have two ears and one mouth – we must listen twice as much as we speak.

Strategic Message

Commercial Persuasion
Or
Public Relations

“The establishing of reciprocal understanding between an individual and a group.”
Edward Bernays

Public Communication

• Public communication is at the heart of our economy, society and politics. Studios use it to promote their films. Politicians use it to get elected. Businesses use it to burnish their image. Advocates use it to promote social causes.

• It is a field built on ideas and images, persuasion and information, strategy and tactics. No policy or product can succeed without a smart (strategic) message targeted to the right audience in creative and innovative ways at the ideal time using the proper channel. The ability to communicate this way – to communicate strategically – is what Public Communication is all about.
MAC Triad

M = Message  A = Audience  C = Channel
P = Purpose  T = Timing

MAC Triad Plus cont.

• Informization
  – Disseminating information (message) to target audience through the proper channel at the best possible time.

Advertising is Synergy
Public Relations...

(Not paid – Uncontrolled)

Public Relations...

A tool of leadership!

Public Relations...Leadership

All leaders are teachers...but not all teachers are leaders!
Public Relations 101

- Management and *counseling* function
- Enables organizations to build and maintain *relationships*
- Through an understanding of audience attitudes, opinions and values
- *Planned, deliberate and two-way*
- *Conscience* of organization
- Overseer of brand/reputation
- *Relationship* management

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Public Relations

A management function that helps organizations and their publics mutually adapt to one another.

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Advertising 101

- Paid
- *(Non)* personal communication
- From identified sponsor
- Using (mass) media
- To persuade or influence
- Audience
  
  *(Paid – Controlled)*
Marketing 101

Determine what people need (and want) and give it to them.

Marketing

• The exchange of goods and services from manufacturer to consumer.
• Strategies that employ the various elements of the marketing mix to achieve marketing objectives.

Marketing Mix

• A plan that identifies the most effective combination of promotional activities (IMC).
• The goal is to achieve synergy.
Defining Modern Advertising

- Paid persuasive communication
- Uses nonpersonal mass media to reach broad audiences
- Connects an identified sponsor with a target audience

Six Basic Components
1. Paid  
2. (Non)-personal communication  
3. Sponsor is identified  
4. Using (mass) media  
5. Tries to persuade or influence  
6. Reaches large audience

Ogilvy’s Advertising Tenets
- Here are some advertising tenets that David Ogilvy offers:
  - “Never write an advertisement you wouldn’t want your own family to read.”
  - “The most important decision is how to position your product.”
  - If nobody reads or looks at the ads, “it doesn’t do much good to have the right positioning.”
  - “Big ideas are usually simple ideas.”
  - “Every word in the copy must count.”
Advertising Defined

Paid, (non) personal communication from an identified sponsor, using (mass) media to persuade or influence an audience.

Defining Modern Advertising

How is advertising regulated?

The following monitor and regulate advertising:

• Laws
• Government regulations and regulatory bodies
• Media
• Industry self-regulation
• Professional oversight groups
• Public/community organizations
Federal Trade Commission

Organizations That Oversee Advertising

Industry Self-Regulation

ARC = Advertising Review Council
AAAA = American Association of Advertising Associations
NAB = National Advertising Bureau
NARC = National Advertising Review Council (operating arms NAD/NARB)

- NAD = National Advertising Division of the Better Business Bureau (BBB)
- NARB = National Advertising Review Board
Legal Environment

Trademark Protection

- A trademark is a brand, corporate or store name, or a distinctive symbol that identifies the seller's brand and thus differentiates it from the brands of other sellers.
  - Registering a trademark through the Trademark Office gives the organization exclusive use, as long as it’s used to identify a specific product.
  - The Lanham Trademark Act of 1947 protects unique trademarks from infringement.
  - URLs can now be registered and protected.

Legal Environment

Copyright Protection

- A copyright gives an organization the exclusive right to use or reproduce original work, such as an advertisement or package design, for a period of time.
  - Copyright infringement is when a product is used in an ad without proper permission.
  - Ads that use another ad’s message (copycat) can be subject to copyright infringement charges.

Legal Environment

International Laws and Regulations

- Pricing and distribution laws and regulatory restrictions vary by country.
- Some countries/regions ban ads for certain products:
  - Thailand, Hungary, Hong Kong, and Malaysia have bans on certain types of tobacco advertising.
  - Truthful ads can be banned for the public good.
- Federal ban on junk faxes is valid.
- Contests, promotions, and direct mail are illegal in some countries.
Message-related Issues

- **False advertising** is a message that is untrue.
- **Misleading claims** are grossly exaggerated claims made by advertisers about products.
- **Puffery** is “advertising or other sales representations, which praise the item to be sold with subjective opinions, superlatives, or exaggerations, vaguely and generally, stating no specific facts.”

**Principles:**
Advertising claims are unethical if they are false, misleading or deceptive.

Puffery may be legal, but if it turns off the target audience then nothing is gained by using such a message strategy.

Product-related Issues

- **Unhealthy or dangerous products**—agencies must consider if they can honestly promote these products including fast food, tobacco, liquor, or beer.
- In 1997, the FDA loosened controls on drug companies, and prescription drug ads skyrocketed.

**Principle:**
The ethical responsibility for selling a controversial or unsafe product lies with the marketing department. However, advertising is often in the spotlight because it is the visible face of marketing.

American Association of Advertising Agencies’ 10 Guidelines for Comparative Advertising

1. The intent and connotation of the ad should be to inform and never to discredit or unfairly attack competitors, competing products or services.
2. When a competitive product is named, it should be one that exists in the marketplace as significant competition.
3. The comparison should be fair and properly identified but never in a manner or tone of voice that degrades the competitive product or service.
4. The advertising should compare related or similar properties or ingredients of the product, dimension to dimension, feature to feature.
5. The identification should be for honest comparison purposes and not simply to upgrade by association.
6. If a competitive test is conducted, it should be done by an objective testing service.
7. In all cases, the test should be supportive of all claims made in the advertising that are based on the test.
8. The advertising should never use partial results or stress insignificant differences to cause the consumer to draw an improper conclusion.
9. The property being compared should be significant in terms of value or usefulness of the product to the consumer.
10. Comparisons delivered through the use of testimonials should not imply that the testimonial is more than one individual’s, unless that individual represents a sample of the majority viewpoint.
Reactions to Concerns about Unhealthy or Dangerous Products

- McDonald's and Disney both added healthier choices to their menus.
- In 1996, the FDA restricted tobacco advertising within 1,000 feet of a school, and said ads in publications with 55% readership under age 18 could only run black and white text ads.
- The FDA’s Master Settlement Agreement required the tobacco industry to pay $206 billion over 25 years to 46 states, half of which supports antismoking ads targeting children.
- Tobacco companies voluntarily curbed ads to youth.
- Liquor companies and television networks have voluntarily reduced alcohol advertising.

Regulatory Environment

Federal Trade Commission (FTC)

- Established in 1914, the FTC regulates deceptive and misleading advertising, focusing on:
  - Fairness: unfair competition and deceptive practices
  - Deception: issues cease and desist orders
  - Violations: can fine companies for violating 1) a trade regulation rule or, (2) cease and desist order.
  - Consumer participation: funds consumers groups and other interest groups in making rules
  - Also oversees advertising involving weight loss products, children and elderly, telemarketing, and the entertainment industry.

Regulatory Environment

The FTC and Children’s Advertising

- The Children’s Advertising Review Unit (CARU) evaluates ads to children under 12.
- The Children’s Television Advertising Practice Act (1990) placed ceilings on ads during TV programs.
  - 10.5 minutes per hour on weekends
  - 12 minutes per hour on weekdays
  - Ads clearly separated from programs
- As of 1996, all stations must air 3 hours per week of educational programming.
Regulatory Environment

Regulating Deception
• Deceptive advertising intends to mislead consumers by making false or by failing to fully disclose important facts, or both.
• Current policy contains three elements:
  – Misleading—representation, omission, practice
  – Reasonableness—"reasonable consumer"
  – Injurious—must cause material injury
• Deception is difficult to prove due to vague and hard-to-measure criteria.

Regulatory Environment

Regulating Substantiation
• Does the advertiser have a reasonable basis to make a claim about product performance?
• Factors considered:
  – Type and specificity of claim made
  – Type of product
  – Possible consequences of the false claims
  – Degree of reliance on the claims by consumers
  – Type and accessibility of evidence available for making the claim
  – Injurious—must cause material injury

Regulatory Environment

Remedies for Deception and Unfair Advertising
• Consent decrees
  – Advertiser agrees to stop the deceptive practice
• Cease and desist order
  – A process similar to court trial precedes the order
• Corrective advertising
  – Advertiser runs messages correcting the false impressions
• Consumer redress
  – Cancel or reform contracts, refund money or return property, pay for damages, or public notification
• Ad agency legal responsibility
  – Agency is liable along with advertiser and subject to the same penalties
Regulatory Environment

Food and Drug Administration (FDA)
- Regulatory division of the Department of Health and Human Services
- Oversees package labeling, ingredient listings, and advertising for food and drugs
- Determines the safety and purity of foods, cosmetics
- Watchdog for drug advertising, specifically direct-to-consumer ads for prescription drugs

Regulatory Environment

Federal Communications Commission (FCC)
- Regulates radio and television broadcast communications (media, not advertisers)
- Can issue and revoke licenses, ban deceptive messages, or those in poor taste
- Responds to complaints but doesn’t initiate actions
- Works closely with FTC to eliminate false and deceptive advertising

Regulatory Environment

Other Regulatory Bodies
- The Bureau of Alcohol, Tobacco, and Firearms (BATF) within the Treasury Department regulates deception in advertising and establishes labeling requirements for the liquor industry.
- The U.S. Postal Service regulates direct mail and magazine advertising including the areas of obscenity, lotteries, and fraud.
- The States’ Attorneys General regulates advertising at the state level.
**Specialized Government Agencies That Affect Advertising**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Effect on Advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Trade Commission</td>
<td>Regulates credit, labeling, packaging, warranties, and advertising.</td>
</tr>
<tr>
<td><a href="http://www.ftc.gov">www.ftc.gov</a></td>
<td></td>
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<td><a href="http://www.fcc.gov">www.fcc.gov</a></td>
<td></td>
</tr>
<tr>
<td>U.S. Postal Service</td>
<td>Controls advertising by monitoring materials sent through the mail.</td>
</tr>
<tr>
<td><a href="http://www.usps.gov">www.usps.gov</a></td>
<td></td>
</tr>
<tr>
<td>Bureau of Alcohol, Tobacco, and Firearms</td>
<td>Division of the U.S. Treasury Department that regulates advertising for alcoholic</td>
</tr>
<tr>
<td>U.S. Patent Office</td>
<td>Overseas trademark registration to protect against patent infringement.</td>
</tr>
<tr>
<td><a href="http://www.uspto.gov">www.uspto.gov</a></td>
<td></td>
</tr>
<tr>
<td>Library of Congress</td>
<td>Provides controls for copyright protection.</td>
</tr>
<tr>
<td><a href="http://www.loc.gov">www.loc.gov</a></td>
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</table>

**Media Review of Advertising**

- The media screens and rejects advertising that violate their standards of truth and good taste.
- The First Amendment lets publishers refuse to run ads.
- The FTC pressures magazines and newspapers to stop running misleading weight loss ads.
- CBS refused to run an anti-Bush ad endorsed by the MoveOn organization.

**Three Types of Self Regulation**

- Self-discipline
- Industry self-regulation
- Self-regulation by public and community groups
Self-Discipline

• Organizations exercise self-discipline when they develop, use, or enforce norms within its own practices.
• Most major advertisers and advertising agencies have in-house ad review procedures.
• Several U.S. companies have their own codes of behavior and criteria for acceptability of advertising.

Industry Self-Regulation

• National Advertising Review Council (NARC)
  – Negotiates voluntary withdrawal of deceptive advertising
  – National Advertising Division (NAD) consists of ad industry people who monitor advertising and review complaints. If they can’t resolve the issue, they send it to the NARB.
  – National Advertising Review Board (NARB) is a 50-member group of ad industry people who hear the case and try to resolve an issue. If unresolved, they can:
    • Publicly identify the advertiser; share facts about the case
    • Refer the complaint to a government agency like the FTC

NARB Appeal Process

[Diagram of the NARB appeal process is shown here, with steps such as Advertiser Appeals to NAD, NAD Panel finds facts, etc.]
Self-Regulation by Public and Community Groups

- Local groups like the Better Business Bureau advise local businesses on legal aspects of advertising.
  - Also receives and investigates complaints, maintains files on violators, and assists law enforcement officials in prosecuting violators.
- Consumer Activist Groups
  - Action for Children’s Advertising monitors advertising to children and files complaints.
  - Public Citizen group pushed for warnings on print ads for nicotine products.
  - Cultural Environment Movement is a nonprofit coalition focused on fairness, diversity, and justice in media communications.

What guides ethical behavior?

- **Ethics**
  - "shoulds" and "oughts"; the "right thing to do"
- **Morals**
  - Frameworks for right actions often based in religion

Principle:
Decisions about ethics are made based on laws and regulations, professional codes, but more importantly, on an internal moral compass that senses when something is right or wrong.

What guides ethical behavior?

- **Personal Ethics**
  - Ethical decisions are complex and involve conflicting forces—strategy vs. ethics, costs vs. ethics, effectiveness vs. ethics.
- **Professional Ethics**
  - In Gallup poll, advertising practitioners ranked just above HMO managers and car salesmen
  - The American Association of Advertising Agencies publishes a code of standards
- **International Standards and Codes**
  - Singapore, Malaysia, the Netherlands, and Sweden all have standards of professional behavior
Reaching the Desired Outcome

• Attitude
• Opinion

Education > Knowledge > Attitude
> Behavioral Change > Output = Desired Outcome

Advertising is Synergy

Synergy
www.synergysportswear.com
Synergy’s Parts

• Advertising
• (Sales) Promotion*
• Public Relations*
• Direct Marketing
• Cause Marketing
• Sponsorship (Partnering) Marketing
• Positioning (Place)*
• Personal Selling*
• Price*

• Product itself*
• Packaging*
• Policy*
• Politics*
• Mind Share (Brainstorming – Intellectual Property)
• Brand Identity
• Interactive

* Litwin’s 9 P’s of Marketing

Litwin’s 9 P’s of Marketing = Synergy

• Product
• Place (Positioning)
• Price
• Promotion (Sales)

• Public Relations
• Personal selling
• Policy
• Politics
• Packaging

Synergy

The whole is greater than the sum of its parts
or
The whole works better than any one of its parts.
[To achieve our goal, we should achieve synergy.]
7 C’s of Communication

- Credibility
- Context
- Content
- Clarity
- Continuity and Consistency
- Channels
- Capability

Public Communication

- Public communication is at the heart of our economy, society and politics. Studios use it to promote their films. Politicians use it to get elected. Businesses use it to burnish their image. Advocates use it to promote social causes.

- It is a field built on ideas and images, persuasion and information, strategy and tactics. No policy or product can succeed without a smart (strategic) message targeted to the right audience in creative and innovative ways at the ideal time using the proper channel. The ability to communicate this way – to communicate strategically – is what Public Communication is all about.

MAC Triad

M = Message  A = Audience  C = Channel
P = Purpose  T = Timing
MAC Triad Plus cont.

- Informization
  - Disseminating information (message) to target audience through the proper channel at the best possible time.

Audiences (ISPR) or [IFPR]

- Identify
- Segment/Fragment
  - Demographically
  - Psychographically
  - Geodemographically
  - Behavioristically
  - Benefits
- Profile
- Rank
  - Audience Power Structure
    - Elite (Key Communicators)
    - Pluralistic or Diffused
    - Amorphous/Latent

Emerging Marketing Strategies

- Relationship Marketing
- Permission Marketing
- Experience Marketing
- Guerilla Marketing
- Digital Marketing
- Viral Marketing
- Mobile Marketing
- Social Network Marketing
Key Concepts of Marketing

Features and Benefits

Features
- Important characteristics of a product or service.

Benefits
- The quality of product or service that supplies satisfaction or need fulfillment to the consumer or audience member.

Strategy
- The logic and planning behind the ad that give it direction and focus
- Advertisers develop ads to meet objectives
- Advertisers direct ads to identified audiences
- Advertisers create messages that speak to the audience’s concerns
- Advertisers run ads in the most effective media to reach the audience
Superior tactics cannot overcome a flawed (business) strategy.

Creative Idea
- The central idea that grabs the consumer’s attention
- Creativity drives the entire field of advertising

Execution
- Effective ads adhere to the highest production values in the industry
- Clients demand the best production the budget allows
The Functions of Advertising

- Builds awareness of products and brands
- Creates a brand image
- Provides product and brand information
- Persuades people
- Provides incentives to take action
- Provides brand reminders
- Reinforces past purchases and brand experiences

Copy Strategy/Selling Premises

Sales logic behind an advertising message

- **Product-centered strategies** – Ads that focus on the product itself. Should be based on fact. Often a scientifically conducted test or other research technique provides support for a claim.
  - **Claim**
  - **Brag and Boast**

- **Prospect-centered strategies** – Ads that focus needs and wants rather than on what the company can produce.
  - **Benefits**
  - **Promise**
  - **Reason Why**
  - **Unique Selling Proposition (USP)**
Copy Strategy/Selling Premises

Sales logic behind an advertising message

- **Prospect-centered strategies** – Ads that focus on needs and wants rather than on what the company can produce.
  - Benefits – Statements about what the product can do for the user.
  - Promise – A benefit statement that looks to the future.
  - Reason Why – A statement that explains why the feature will benefit the user.
  - Unique Selling Proposition (USP) – A benefit statement about a feature that is both unique to the product and important to the user.

Message-related Issues

- **Comparative advertising** is a legitimate message strategy, regulations govern those uses that are challenged as misleading.
  - The Lanham Act permits awards of damages from an advertiser who "misrepresents the nature, characteristics, qualities, or geographic origin in comparative advertising."
- An **endorsements or testimonial** is any advertising message that consumers believe reflects the opinions, beliefs, or experiences of an individual, group, or institution.
  - It’s misleading if the endorser doesn’t use the product or if consumers can reasonably ascertain that a message does not reflect the announcer’s opinion.

Message-related Issues

- **False advertising** is a message that is untrue.
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Ad Clutter

11 Types of Advertising

- Brand
- Retail or Local
- Directory
- Direct-Response
- Business-to-Business
- Corporate
- Institutional (Product)
- Recruitment
- Political
- Issue (Advocacy)
- Public Service (Charity/Non-profit)
26 Advertising Mechanisms or Techniques

- Co-op
- Per Inquiry
- Tie-in
- Piggyback
- Competitor
- Product Placement
- Product Integration
- Silent Publicity
- Advertorial
- Infomercial

26 Advertising Mechanisms or Techniques (more)

- Endorsement
- Testimonial
- Informational
- Partnering (Partnership/Affinity/Sponsorship Marketing)
- Cause-Related Marketing (Positive Association/Sponsorship Marketing)
- Co-authoring
- Co-branding

26 Advertising Mechanisms or Techniques (more)

- Interactive
- Scent/Aroma Marketing
- Virtual
- Specialty
- Street Marketing
- Viral Marketing (Word of Mouth – WOMM)
- E-viral Marketing (Word of Mouse – E-WOMM)
- Promotainment
- House (Promo)
What Makes an Ad Effective?
1. Gets your attention
2. Delivers the message
3. Creates an impression for a product or brand
4. Influences people to respond
5. Separates the product or brand from the competition

What Makes an Ad Great?
• Explicit objectives should drive the planning, creation, and execution of each ad.
• An ad is great to the extent that it achieves its objectives, not because it wins awards.
• Creativity for its own sake does not always lead to great advertising.

Characteristics of Great Ads
Good or Great Ads Work on Two Levels
- Satisfy the Customer's Objectives by Engaging Them & Delivering a Relevant Message
- Achieve the Sponsor's Objectives
Dual Process of Great Advertising: Reaching Objectives

- Advertising Objectives: Consumer's Objectives
  - Attention/Awareness
  - Interest
  - Knowledge
  - Attitude Change
  - Behavioral Change/Trial
  - Repurchase/Commitment/Reminder
- Consumer's Objectives: Satisfy Curiosity/Memory/Entertainment
  - Gather Relevant Information
  - Support Risk Associated With Attitude Change
  - Enhance Need Reduction
  - Reinforce Trial and Need Reduction

Broad Dimensions that Characterize Great Advertising

The Ultimate Test for the Greatness of An Ad is Whether It Achieved Its Goals.

- Strategy
- Creativity
- Execution

You are the Brand

- Brand
- Brand Equity
- Brand Extension
- Brand Expansion
- Brand Familiarity
- Brand Favorability
- Brand Identity
- Brand Image
- Brand Insistence
- Brand Loyalty
- Brand Power (Brand Champions)
**Product Life Cycle**

1. Introductory Stage (Introduction/Launch)
2. Growth Stage
3. Maturity Stage
4. Decline
5. Withdrawal

**Current Advertising Issues**

- Interactive Advertising
- Integrated Marketing Communication
- Globalization
- Niche Marketing
- Consumer Power, Relationship Marketing and Customization

**The Current Advertising Scene:**

*...Integrated Marketing Communication...*

- Unifying all marketing communication tools so they send a consistent, persuasive message
The Current Advertising Scene:

...Globalization...

- Advertisers are moving into global markets
- Agencies are forming huge multinational operations

Key Players

- Advertiser
- Agency
- Media
- Supplier/Vendor
- Target Audiences

Five Players of Advertising

- The Advertiser is the individual or organization that usually initiates the advertising process.
- The Advertising Agency plans and implements part or all of the advertising efforts.
  - May use an outside agency, or their own advertising department or in-house agency.
- The Media are the channels of communication that carry the messages from the advertiser to the audience, i.e. television, magazines, radio, etc.
Five Players of Advertising

- The **Vendors** are a group of service organizations that assist advertisers, advertising agencies, and the media, i.e. freelance copywriters, graphic artists, photographers, etc.
- The **Target Audience** may be the purchaser or the consumer of the product, or both. May need to design different ads for each group.
  - Critical to know as much about these target audiences as possible.

Key Players: Advertiser

- Uses advertising to send out a message about its products
- Initiates effort by identifying a problem that advertising can solve
- Approves audience, plan and budget
- Hires the agency

<table>
<thead>
<tr>
<th>Biggest U.S. Advertisers in Terms of Categories</th>
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</thead>
<tbody>
<tr>
<td>1. Automotive</td>
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<tr>
<td>2. Retail</td>
</tr>
<tr>
<td>3. Movies, media, and advertising</td>
</tr>
<tr>
<td>4. Food, beverages, and confectionery</td>
</tr>
<tr>
<td>5. Medicines and proprietary remedies</td>
</tr>
<tr>
<td>6. Financial services</td>
</tr>
<tr>
<td>7. Telecommunications</td>
</tr>
<tr>
<td>8. Toiletries, cosmetics, and personal care</td>
</tr>
<tr>
<td>9. Airline travel, hotels, and resorts</td>
</tr>
<tr>
<td>10. Restaurants</td>
</tr>
<tr>
<td>11. Direct-response companies</td>
</tr>
<tr>
<td>12. Home-furnishings, appliances, supplies</td>
</tr>
<tr>
<td>13. Insurance and real estate</td>
</tr>
<tr>
<td>14. Computers, software, internet</td>
</tr>
<tr>
<td>15. Government, politics, and organizations</td>
</tr>
<tr>
<td>16. Apparel</td>
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<tr>
<td>17. Beer, wine, and liquor</td>
</tr>
<tr>
<td>18. Audio and video equipment and supplies</td>
</tr>
<tr>
<td>19. Sporting goods, toys, and games</td>
</tr>
<tr>
<td>20. Entertainment and events</td>
</tr>
</tbody>
</table>
Key Players: Agency

- Has strategic and creative expertise, media knowledge, workforce talent and negotiating abilities.

Types of Agencies

- Full-service Agencies
  - Offer account management, creative services, media planning, account planning, accounting, traffic, production, and HR.
  - Specialized by:
    - Function (copy, art, media)
    - Audience (minority, youth)
    - Industry (healthcare, computers, agriculture)
    - Market (minority groups)
- Creative Boutiques
  - Small agencies focused on the creative product
- Media-buying Services
  - Focused on purchasing media for clients

Full Service Agencies
How Agencies Work...and are Organized

- Account management
- Creative development and production
- Account planning and research
- Media planning and buying
- Internal agency services

How Agencies are Organized

- Account management
  - Liaison between the client and the agency
- Creative development and production
  - Creative directors, creative department managers, copywriters, art directors, producers

How Agency Jobs Are Organized

- Account Management
  - Serves as a liaison between the client and agency
  - Three levels: management supervisor, account supervisor, account executive
- Account Planning and Research
  - Acts as the voice of the consumer
- Creative Development and Production
  - People who create and people who inspire
  - Creative directors, copywriters, art directors, producers
- Media Planning and Buying
  - Recommend most efficient means of delivering the message
- Internal Agency Services
  - Traffic, print production, financial services, human resources
How Agencies are Organized

- Media buying and planning
  - Recommends the most effective means of delivering the message to the target audience
- Account planning and research
  - Gathers intelligence on markets and consumers
- Internal services
  - Traffic, print production, human resource staff

Why Hire an Agency?

- Use (independent) agency to:
  - Get objective advice
  - Get an experienced staff of experts
  - Get the management skills necessary to accomplish the advertising objectives
  - Provide a supportive environment for professional advice

Types of Agencies

- Full-service agency
  - Agency that includes account management, creative services, media planning and buying, and account planning
Types of Agencies – Niche

- Creative boutiques (Niche)
  - Small agencies that concentrate on creative execution
- Media buying services
  - Specialize in the purchase of media for clients
- Virtual agencies
  - Agencies that operate like a group of freelancers

Specialized (Niche) Agencies

Specialize in certain functions, audiences, industries, or markets

Types of Agencies – Niche

- Specialized agencies (Niche)
  - May specialize in certain functions (copy, art, media), audiences (minority, youth) or industries (health, computers)
  - May specialize in a marketing communication area (direct marketing, sales promotion, public relations)
  - May serve one client
Types of Agencies – Niche

- **Industry-focused agencies**
  - Concentrate on certain fields or industries

- **Minority agencies**
  - Agencies that focus on an ethnic group, especially African Americans and Hispanic Americans

Agency vs. In-house?

- **Use an in-house agency to:**
  - Allow individuals to become technical experts on products being advertised
  - Receive priority for client and client’s needs
  - Require minimum staffing

Ad Agencies

- The best agencies create value:
  - By giving a product personality
  - By communicating so as to shape a basic understanding of the product
  - By creating an image or memorable picture of the product
  - By setting the product apart from its competitors

- Great advertising must do more than inform.
  - Great advertising must “tailor the product story to a potential customer”
How Agencies Make Money

- How agencies make money
  - Commission
    - Amount charged to client as a percentage of the media cost.
  - Fee
    - May vary by department or may be a flat hourly rate. Charges are included for out-of-pocket expenses and media charges are billed to the client.
  - Hourly Rate
    - Compensation paid to a public relations or advertising agency based on the amount of time spent providing its services.

How Agencies Are Paid

- Commissions
  - A percentage of the media cost
- Fees
  - Hourly fee or rate plus expenses and travel (OOP=Out of Pocket expenses)
- Retainers
  - Amount billed per month based on projected amount of work and hourly rate charged
- Performance-based
  - Based on percentage of sales or marketing budget
- Profit-based
  - Greater risk if campaign doesn’t have desired impact
- Value Billing
  - Based on value of creative strategy or ideas

How Agencies Make Money

- Agencies derive revenue from four major sources
  - Commission
  - Fees
  - Project
  - Time and materials
    (OOP = Out of Pocket)
Additional Agency Issues

- Effect of technological changes on agencies
  - Rapid changes in media, computer, and production technologies have radically affected agencies
  - Some fear separation of creative and technical expertise

Key Players: Media

- Communication channels that reach a broad audience
- How to deliver the message is just as important as coming up with the creative idea of the message

Key Players: Media

- Channels of communication that carry the message to the audience
- Are also companies or huge conglomerates
- Cost effective because the costs are spread over a large number of people
Key Players: Supplier/Vendor

- Assist advertisers, agencies and the media in creating and placing the ads
- Vendor services are often cheaper than those in-house

Key Players: Target Audience

- The desired audience for the advertising message
- Data-gathering technology improves accuracy of information about customers
- Advertisers must recognize the various target audiences they are talking to and know as much about them as possible

Functions of Advertising

Provide Product & Brand Information
Provide Incentives To Take Action
Provide Reminders and Reinforcement
Advertising Performs 3 Basic Functions
Roles in/of Advertising

• Marketing Role
• Communication Role
• Economic Role
• Societal Role

Roles of/in Advertising

Marketing Role
- Marketing is the process a business uses to satisfy consumer needs and wants through goods and services.

Communication Role
- Advertising is a form of mass communication.

Economic Role
- Two main views about advertising: either the market power model or the economics of information theory.

Societal Role
- Informs us about new and improved products, teaches us how to use these innovations, etc.

The Marketing Role
The Communication Role

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can reach a mass audience</td>
<td>A commercial on the Super Bowl reaches 150 million consumers</td>
</tr>
<tr>
<td>Introduces products</td>
<td>Windows 98 was simultaneously introduced in multiple world markets</td>
</tr>
<tr>
<td>Explains important changes</td>
<td>MTN Cellular’s ads explain changes in its technology</td>
</tr>
<tr>
<td>Reminds and reinforces</td>
<td>Pepsi-Cola has been advertising continuously over the last 50 years</td>
</tr>
<tr>
<td>Persuades</td>
<td>Nike campaigns have helped increase sales by 300% during the last decade</td>
</tr>
</tbody>
</table>

The Economic Role

Advertising decreases the likelihood that a consumer will switch to an alternate product regardless of price.

Advertising is a means to objectively provide price-value information, creating a more rational economy.

The Societal Role

- Informs consumers about innovations and issues
- Mirrors fashion and design trends
- Teaches consumers about new products
- Helps shape consumer self-image
- Perpetuates self-expression
Advertising’s Role in Society: Shape vs. Mirror Debate

- Does advertising create or reflect social values?
  - Critics say advertising abuses its influence on children and teenagers.
- Critics say advertising creates social trends, dictating how people think and act.
- Advertisers say they spot trends and develop messages that connect with them.
- Advertising both mirrors and shapes.

Advertising’s Role in Society: Overcommercialization Debate

- Does advertising make people materialistic?
  - Critics say advertising abuses its influence on vulnerable groups like children and teenagers.
- Critics say the lines between advertising and news and entertainment are blurred.
  - How do you know sponsors aren’t influencing content and how their product is perceived
  - How does product placement change how we view programming?

Other Social Responsibility Issues: An Overview

- Poor taste and offensive advertising
- Stereotyping
- Body and self-image problems
- Targeting strategies
- Problems with advertising claims and other message strategies
- The issues surrounding the advertising of controversial products
Poor Taste and Offensive Advertising

- Viewer reaction may be affected by sensitivity to:
  - The product category, the timing, whether the viewer is alone or with others, and the context
- Creating general guidelines is difficult because people’s idea of “good taste” varies.
- What is considered “offensive” changes over time.
  
  Principle:
  Testing is needed to find the right balance when one group that sees the advertisement finds the message offensive, even through the primary target market may think the message is appropriate.

Sex in Advertising

- It’s becoming more blatant, especially when it’s not relevant to the product.
  - Paris Hilton’s “soft-core porn” ad for Carl’s Jr. restaurants
- Should sex be used to sell pizza, tacos, and truck parts?
  - Should sex only be used to advertise products purchased for sexual reasons, like clothes or exercise equipment.
  - Does it, in fact, distract or hinder the communication or persuasion to the target?
  - Does sex really sell?

Portraying Diverse People

- A stereotype is a representation of a cultural group that emphasizes a trait or traits that may or may not communicate an accurate representation.
- Common problems include:
  - Gender stereotypes
  - Body image and self-image
  - Racial and ethnic stereotypes
  - Cultural differences in global advertising
  - Age-related stereotypes
  - Advertising to children
  
  Principle:
  Stereotyping is negative when it reduces a group of people to a caricature.
You are the Brand

- Brand
- Brand Equity
- Brand Extension
- Brand Expansion
- Brand Familiarity
- Brand Favorability
- Brand Identity
- Brand Image
- Brand Insistence
- Brand Loyalty
- Brand Power (Brand Champions)

Pricing Strategies

- Customary or Traditional
- Odd
- Line
- Psychological
- Price Lining
- Prestige or Image
- Value

Locking Power

- Jingle
- Slogan
- Key Visual
- Logo
- Signature
- Superimposition
- Superstitious
- Interstitial
**Integrated (Holistic) Marketing**

- Focused on better coordinating all marketing efforts to maximize customer satisfaction

- All areas of the marketing mix work together to present the brand in a coherent and consistent way.

- The goal is to manage all the messages delivered by all aspects of the marketing mix to present a consistent brand strategy.

**Global Marketing**

- Most countries have local, regional, and international brands requiring international advertising to promote the same brand in several countries.

- Companies may have several international regional offices and/or a world corporate headquarters.

- Agencies must adapt with new tools including one language, one budget, and one strategic plan.

- The choice of an agency for international advertising depends on whether the brand message will be standardized or localized.
Accountability

• Senior managers want marketing managers to prove that their marketing is effective based on:
  – Sales increases
  – Percentage share of the market the brand holds
  – Return on Investment (ROI)

• Agencies are creating departments to help marketers evaluate the efficiency and effectiveness of their marketing communication budgets.

Advertising is Synergy

Ogilvy’s Advertising Tenets

• Here are some advertising tenets that David Ogilvy offers:
  – “Never write an advertisement you wouldn’t want your own family to read.”
  – “The most important decision is how to position your product.”
  – If nobody reads or looks at the ads, “it doesn’t do much good to have the right positioning.”
  – “Big ideas are usually simple ideas.”
  – “Every word in the copy must count.”
Questions ???

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