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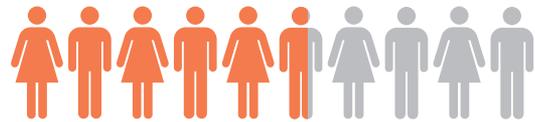
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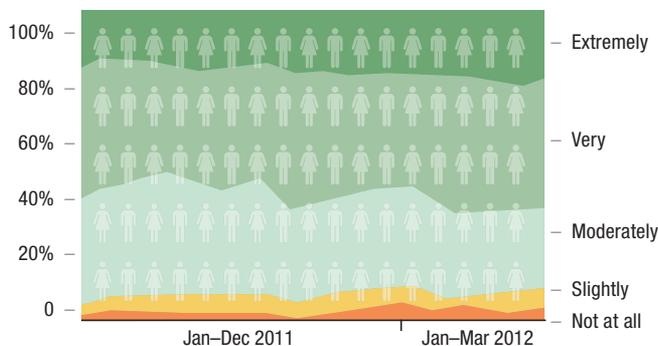
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advertising second edition

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**BONUS CHAPTER PRODUCING ADS (AVAILABLE IN
 CONNECT AND THROUGH CREATE)**



changes to the second edition

chapter one

- Added an opening paragraph describing chapter coverage (in all chapters).
- Updated the opening vignette on 2012 Barack Obama campaign.
- Introduced integrated marketing communications earlier.
- Updated the timetable of advertising history.
- Updated the references to Internet tools that enhance teamwork.
- Updated the table of global marketers.

chapter two

- Updated the opening vignette on celebrity endorsements and the collapse of Lance Armstrong's career.
- Updated the table relating a country's ad spending to its standard of living.
- Added a discussion of the implications of clutter on websites.
- Included fewer chapter "boxes" to reduce chapter length.

chapter three

- Added material on local advertisers and social media.
- Updated the statistics on top advertisers, and top media companies.
- Incorporated the AAAA definition of an advertising agency.
- Updated the trends in the advertising industry, including new material on Google.

chapter four

- Replaced the Toyota opening vignette with an Old Spice vignette.
- Converted the "Commercial Break" chapter boxes to exhibits or deleted them (throughout the text) to improve readability and reduce chapter length.

- Updated three exhibits.
- Enhanced the discussion of geodemographic segmentation.
- Enhanced the discussion of vertical marketing systems.

chapter five

- Added new interactive model of communication that is more relevant to effects of digital media.
- Thoroughly revised and improved coverage of the consumer perception process.
- Revised and improved the discussion of cognition and memory, including consumer memory biases.

chapter six

- Updated the Holiday Inn opening vignette.
- Added a Bill Bernbach quotation in relation to the role of research in advertising.
- Added a discussion of online focus groups.
- Updated the information on Nielsen's research services.

chapter seven

- Revised and updated the Mountain Dew chapter opener.
- Added a new "My Ad Campaign" box on developing brand strategy.
- Incorporated social media examples and references.
- Used more references to chapter opener throughout the chapter.

chapter eight

- Made significant revisions and provided updates to the Target chapter opener.
- Improved coverage of creative resonance, including a reference to Leo Burnett's creative philosophy.
- Incorporated Bill Bernbach's reflections on how creativity enhances advertising.

- Improved coverage of creative thinking, including incorporating the scholarship of Griffin and Morrison.
- Improved coverage of the collaborative nature of advertising creative work.
- Added a new exhibit featuring some of advertising's greatest big ideas.
- Expanded the discussion of ethical issues involved in using sexualized appeals.

chapter nine

- Added a new chapter opener on Sony Bravia.
- Updated material on the use of computers in production.
- Added a new “My Ad Campaign” on choosing the focus of visuals.
- Shortened and added focus on the ethics box on plagiarism.
- Streamlined and tightened copy throughout the chapter.
- Eliminated coverage of creating for international markets.

chapter ten

- Removed the material on advertising production to reduce textbook length and the number of chapters. Material is still available online and in custom versions.
- Replaced the American Legacy opening vignette with a Levi's GoForth campaign vignette.
- Updated four exhibits and numerous media statistics throughout the chapter.
- Added a discussion of online publications and digital subscriptions.

chapter eleven

- Updated the Hyundai chapter opener.
- Updated content on top network advertisers.
- Added coverage of Netflix and Amazon Prime.
- Updated the exhibit on top cable networks.
- Updated “My Ad Campaign 11–A” on buying TV and radio.
- Added new material on social media use during TV viewing.
- Added a new exhibit on people who begin watching a TV program because of online or social media recommendations.

- Added a new exhibit on how promoted tweets increase brand favorability and purchase intent.
- Updated the exhibit on costs of a 30-second spot in a top-rated TV program.
- Added a new exhibit on the 10-best-recalled product placements of 2012–2013.
- Updated the exhibit on how Nielsen tracks TV viewers.
- Significantly updated coverage of radio.
- Updated the exhibit on top radio advertisers.
- Updated the exhibit on top radio formats.
- Added a new exhibit on reach of terrestrial, satellite, and streaming radio.

chapter twelve

- Added a new opening vignette on Google and digital advertising.
- Added a new exhibit on digital advertising expenditures through 2016.
- Added new content on social media generally and Facebook specifically.
- Added a new exhibit on the most popular social media sites in 2013.
- Tightened the ethical discussion of Facebook Beacon.
- Updated the exhibit on top Internet display advertisers.
- Updated the exhibit on top Internet ad networks.
- Revised and updated information on search engine ads.
- Added a new exhibit on search engine market share as of July 2013.
- Added a new discussion on “banners and buttons” as Internet display advertising.
- Added new material on ad networks and behavioral tracking.
- Added new material on digital advertising dealing with local listings, group buying (Groupon) and affiliate marketing.

chapter thirteen

- Updated five exhibits and numerous statistics throughout the chapter.
- Added an Arbitron study about billboard viewers.
- Added an example of eBay's use of outdoor advertising to attract traffic to its site.
- Added a discussion of mall advertising.
- Enhanced the discussion of guerrilla marketing.

- Simplified the definition of direct-mail advertising and its relationship to direct marketing.
- Updated the discussion of printed catalogs.
- Used “promotional products” to describe the category previously referred to as “specialty advertising,” and updated definitions.

chapter fourteen

- Added a new opening vignette on trade desks.
- Updated media spending statistics in Exhibit 14–1.
- Added new material on media-buying agencies.
- Added a new exhibit tracking the inverse relation of TV viewing and costs.
- Added a new ethics box on the media.
- Increased focus on domestic media planning.

chapter fifteen

- Updated the GEICO opening vignette.
- Enhanced the description of database marketing.
- Updated the exhibit on the largest direct-response agencies in the United States and numerous statistics throughout the chapter.
- Added information about the National Do Not Call Registry.
- Clarified the distinction between direct mail that is intended to elicit a direct response (direct-response advertising) and that which is simply intended to communicate information about products and services.
- Added a discussion of direct-response digital interactive media.
- Added an exhibit on the top 10 U.S. trade shows.

- Added a discussion of coupon-to-card (C2C) coupons.
- Enhanced the distinction among contests, sweepstakes, and games.

chapter sixteen

- Replaced the social media opening vignette with a Netflix vignette.
- Updated three exhibits and numerous statistics regarding sponsorships.
- Added a public relations example of working conditions in Apple’s Chinese factories.
- Added a reference to *influentials*, a new term to describe “centers of influence.”
- Added *online newsroom* as new term.
- Added several examples of sports marketing sponsorships.
- Integrated David Ogilvy’s opinions about corporate advertising into the text (formerly in a text box).

bonus chapter (Available in Connect and through Create)

- New opening vignette featuring Jean-Claude Van Damme and Volvo trucks.
- New learning objectives relating to key responsibilities in managing production and explaining how ads are produced for the Web.
- Refocused content to reflect the influence of digital media in electronic production.
- Updated “My Ad Campaign” to offer students new (and free) production tools.

advertising 2e

the evolution of advertising

This chapter introduces you to some important themes of this text, including integrated marketing communications (IMC). It also introduces one of the most important components of IMC, advertising, and distinguishes it from other forms of marketing communications. The chapter goes on to explain the functions and effects of advertising in a free economy and traces the evolution of advertising's impact on society.

Advertising pros pay careful attention to the work of others, and they pay extra attention when ads are inspired and effective. One such campaign ran from the end of 2006 through November 2008. But this campaign was not for a soap brand or some other product; it was for a young candidate who, seemingly coming from nowhere, won election to the highest office in the land.

Barack Obama is a natural leader and an exciting speaker. Even so, when he announced that he would run for president, it took audacity, to borrow from an Obama book title, to believe he would win. Just 46 years old, Obama had only two years of experience in national office. Indeed, he was a long shot even for the nomination of his party.

continued on p. 4

LEARNING OBJECTIVES

After studying this chapter, you will be able to:

- L01-1** Define integrated marketing communications.
- L01-2** Define advertising and distinguish it from other forms of marketing communications.
- L01-3** Explain the role advertising plays in business and marketing.
- L01-4** Illustrate the functions of advertising in a free-market economy.
- L01-5** Discuss how advertising evolved with the history of commerce.
- L01-6** Describe the impact of advertising on society.



continued from p. 3

The Obama team’s assessment of his situation in late 2006 revealed it would be an uphill climb. In the Democratic primary, polls gave Hillary Clinton three times as many supporters as Obama.¹ Nationally the story was even bleaker. A survey found a matchup with likely Republican nominee John McCain would give McCain every state but two, Illinois and Hawaii.²

The situation analysis also revealed some great opportunities. Understanding those opportunities, and developing a strategy for seizing them, proved central to creating Obama’s great ads. Obama’s team knew that Hillary Clinton, in addition to being ahead in the polls, was well known. Many of her enthusiastic supporters were excited at the prospect that she would become the first female president. But she also had vulnerabilities, chief among them her vote giving President Bush the authority to go to war in Iraq and her association with her husband’s administration eight years earlier.

Obama’s team decided that he would be positioned as the candidate of change. Every message coming from the campaign,

whether in ads, speeches, Web sites, press releases, posters, bumper stickers, or any other medium, would resonate with that theme. As you’ll see later in this book, *positioning* is a term marketers use when they create an image of a product, person, organization, or idea in the minds of a group of people.

Creating a campaign around the core idea of change was brilliant. It turned Obama’s outsider status and lack of experience into a plus. And it transformed a seeming strength of Clinton into a liability. Obama’s message to an electorate that wanted fresh approaches was that electing Clinton would bring more of the old ways of governing. Obama’s advisors were right. In 2008, voters were more interested in change than experience.

The election pitted Obama against Republican John McCain. Would the “change” message still work against a self-described “maverick,” a candidate known for bucking his own party? Obama’s advisors thought so. They would neutralize McCain’s maverick status by linking him to President Bush. Obama’s ads and

speeches linking McCain to Bush occurred with such frequency that during the final debate an exasperated McCain cried out: “If you want to run against President Bush, you should have run four years ago.”

Obama had a solid core strategy: convince voters that he was the candidate of change. Tactically his campaign also made several smart moves. One tactic was to spend heavily on advertising; in fact, a record amount of over \$310 million.³ Television advertising reached large numbers of undecided voters and familiarized them with the candidate.

Another tactic was to effectively use social media as a campaign strategy. They became powerful tools for community building, voter turnout, and fundraising, raising over \$500 million from 3 million donors. Nearly 2,000 Obama videos on YouTube were watched more than 80 million times. The McCain campaign could not keep up.

It’s hard to believe that when the 2008 campaign started, Twitter had just been launched and the iPhone didn’t exist yet. Four years later, during the 2012 presidential campaign, far more social media tools were available and American adults’ use of those tools had nearly doubled. Almost half of those in the 18-to-29 age group said they had been lobbied online to vote for one candidate or the other. While the Romney campaign was more social media savvy than McCain’s, it couldn’t compete with Obama’s social media machine. Obama logged twice as many Facebook “Likes” and nearly 20 times as many retweets as Romney. The Obama campaign outspent the Romney campaign 10:1 on digital advertising.⁴

The Obama campaign was also very sophisticated in deciding where to spend its money. In each swing state, the Obama campaign utilized a different media mix, varying the amount of money spent on television, radio, digital, mobile, and social media advertising, based on data about the voters.

Much as John F. Kennedy was considered the first president to effectively use the new medium of television to speak directly to the American people, Barack Obama was the first president to effectively use social media to interact with the populace. It’s quite certain that social media will play a key role in future campaigns for politicians, as well as for products.⁵ ■

marketing communications

The various efforts and tools companies use to communicate with customers and prospects, including newspaper ads, event sponsorship, publicity, telemarketing, digital ads, and coupons, to mention just a few.

L01-1 Define integrated marketing communications.

The Obama campaigns highlight the importance of having an integrated communications plan. Television played a key role in reaching and informing a vast audience, but messages from digital sources, such as the Internet, may have made the difference in the outcome of the elections. Throughout this text, we will discuss the importance of integrated marketing communications (IMC): the coordination and integration of messages from a variety of sources. Marketers today realize that it is no longer possible to reach and effectively persuade their audiences with traditional media alone—television, radio, magazines, newspapers, direct mail, and outdoor. They need to combine and coordinate those communications tools with public relations, personal selling, sales promotion, and the new digital media to mount an effective marketing campaign.

We will begin by focusing on advertising, since it plays a central role in most marketing campaigns. Advertising is the element of marketing communications over which a company has the greatest control. As such, it is likely to remain an important component of almost every major IMC campaign. But keep in mind that whenever you see the term *advertising*, other communications elements can and should be integrated into a campaign to deliver a coordinated marketing message.

L01-2 Define advertising and distinguish it from other forms of marketing communications.

WHAT IS ADVERTISING?

You are exposed to hundreds and maybe even thousands of commercial messages every day. They may appear in the forms used by the Obama campaign—television commercials, Web sites, and text messages—or in the form of product placements in TV shows, coupons, sales letters, event sponsorships, telemarketing calls, or e-mails. These are just a few of the many communication tools that companies and organizations use to initiate and maintain contact with their customers, clients, and prospects. You may simply refer to them all as “advertising.” But, in fact, the correct term for these various tools is **marketing communications**. And advertising is just one type of marketing communication.

So, then, what is advertising?

At the beginning of the twentieth century, Albert Lasker, generally regarded as the “father” of modern advertising, defined advertising as “salesmanship in print, driven by a reason why.”⁶ But that was long before the advent of radio, television, or the Internet.

The nature and scope of the business world, and advertising, were quite limited. More than a century later, our planet is a far different place. The nature and needs of business have changed, and so have the concept and practice of advertising.



Overview [1–A]

Welcome to My Ad Campaign, a valuable feature of this text. My Ad Campaign should be useful in any of the following situations:

- Your instructor has asked students in your class to work on part or all of an ad campaign, either individually or in groups.
- You are doing an internship and want practical advice on how to help your company advertise.
- You want to try to apply the concepts and ideas that you are reading about in this book in the real world.

Professors approach advertising projects differently. Some assign students to create ads for a real product, although you never actually contact the company that makes the product. Some assign a fictional brand in a real product category. Perhaps your professor has offered your talents to a client, such as a small local business or firm. You may even have to find a client yourself by making inquiries in your community. Finally, your professor may ask you to help a charity or nonprofit with its advertising. No matter which of these things is true, the good news is that developing an advertising campaign follows a similar path. And the My Ad Campaign feature is designed to help you do it well.

Let's begin with a definition. An advertising campaign involves the creation and placement of a series of strategic communications that are unified by an underlying theme or core message. The communications are intended to help promote a brand, product, service, organization, or idea. The messages are typically designed to resonate with a group called a target audience. Campaigns usually have specific objectives, such as increasing product awareness or persuading people to try a service or donate money to a candidate. And to ensure that the target audience receives them, messages appear in various media, such as newspapers, radio commercials, or Web pages. You may not do all of these activities, especially placing ads in real media. But you will get a chance to do some serious thinking, planning, and brainstorming.

We can make our definition of a campaign a bit more concrete by thinking back to the opening vignette of this chapter. President Obama, of course, is not a "product," but for purposes of winning the election his team had to plan their messages as though he was one. Previously we noted that an ad campaign has an underlying theme or core message. In the Obama campaign this theme was "change," specifically that Obama represented change and his opponents did not. Many years ago, a famous advertising professional named David Ogilvy referred to a great campaign's theme as "the big idea." Deciding what the "big idea" is for your brand will be one of the most important decisions you will make. The big idea of "change" proved central to Obama's victories over Hillary Clinton, John McCain, and Mitt Romney.

Obama's team also did an excellent job identifying target audiences that should receive campaign messages. Two of the most important audiences were undecided voters and young voters, and the

Definitions of advertising abound. Journalists, for example, might define it as a communication, public relations, or persuasion process; businesspeople see it as a marketing process; economists and sociologists tend to focus on its economic, societal, or ethical significance. And some consumers might define it simply as a nuisance. Each of these perspectives has some

campaign developed specific messages for each. It wanted to persuade undecided voters that they could change Washington only by voting for Obama. For young voters, the objective was different. Young voters already liked Obama and wanted him to win. The campaign's challenge with this group was to get them to register to vote, something young voters had not done in large numbers in previous elections. To do all of this, the campaign used a variety of media, both traditional (TV, radio, print) and new (Facebook, Twitter, MySpace).

Hopefully you've inferred from all of this that advertising is very strategic. Lots of planning takes place long before ads are created. For that reason, while you may be itching to create some advertisements for your client, you have lots of work to do before you begin brainstorming ideas for actual ads. Obama's team was successful not only because they created great ads, but because they understood their candidate, his opponents, the audiences that were important to reach, the media that could be used to reach them, and the objectives that were crucial to success. On a much smaller scale and with far less resources, you face similar challenges. My Ad Campaign is designed to help you to meet that challenge.

In subsequent chapters, we'll help you learn to develop a deeper understanding of your brand or client, develop a plan for marketing and advertising activities, conduct research so that you can better understand your target audience, formulate media strategy, and design effective advertisements. Finally, we'll teach you how to implement evaluation programs to test whether your ads have been successful. By the end of the semester, you won't be a top advertising professional. But you'll have some real experience in the art and science of developing an ad campaign.

The My Ad Campaign topics are listed below. You may find it useful or necessary to jump around as you develop your own campaign.

1. Overview/Tools for Teamwork
2. Your Campaign Assignment
3. Understanding What Your Client Wants
4. Segmenting the Audience
5. Understanding Your Customer and Product
6. Conducting Marketing and Advertising Research
7. Situation Analysis, Objectives, and Budgets
8. The Creative Brief
9. Developing the Creative Product
10. Magazine and Newspaper Advertising
11. Television and Radio Advertising
12. Digital Interactive Media
13. Out-of-Home, Direct Mail and Specialty Advertising
14. Developing Media Objectives and Strategies
15. Developing a Plans Book
16. Blogging/The Client Presentation

merit, but for now we'll use the following functional definition:

Advertising is the structured and composed nonpersonal communication of information, usually paid for and usually persuasive in nature, about products (goods, services, and ideas) by identified sponsors through various media.

Let's take this definition apart and analyze its components. Advertising is, first of all, a type of *communication*. It is actually a very *structured* form of communication, employing both verbal and nonverbal elements that are

advertising

The structured and composed nonpersonal communication of information, usually paid for and usually persuasive in nature, about products (goods, services, and ideas) by identified sponsors through various media.

consumers

People who buy products and services for their own, or someone else's, personal use.

public service announcements (PSAs)

An advertisement serving the public interest, often for a nonprofit organization, carried by the media at no charge.

goods Tangible products such as suits, soap, and soft drinks.

composed to fill specific space and time formats determined by the sponsor.



You don't have to be perfect to be a perfect parent.
There are thousands of teens in foster care who would love to put up with you.

1 888 200 4005 · adoptuskids.org

Ad Council logo, AdoptUSKids logo

Second, advertising is typically directed to groups of people rather than to individuals. These people could be **consumers**, who buy products like cars, deodorant, or food for their personal use. Or they might be businesspeople who buy fleets of cars for commercial or government use. The messages are delivered via media, such as television or the Internet, rather than through direct, personal contact between a seller and a buyer. Advertising is, therefore, a kind of nonpersonal, or mass, communication.

Most advertising is *paid* for by sponsors. GM, Walmart, the Obama campaign, and your local fitness salon pay the newspaper or the radio or TV station to carry the ads you read, see, and hear. But some sponsors don't have to pay for their ads. The American Red Cross, United Way, and American Cancer Society are among the many national organizations whose **public service announcements (PSAs)** are carried at no charge because of their nonprofit status. Likewise, a poster on a school bulletin board promoting a dance is not paid for, but it is still an ad—a structured, nonpersonal, persuasive communication.

Of course, most advertising is intended to be *persuasive*—to win converts to a product, service, or idea. Some ads, such as legal announcements, are intended merely to inform, not to persuade. But they are still ads because they satisfy all the other requirements of the definition.

In addition to promoting tangible **goods** such as oranges, iPods, and automobiles, advertising helps publicize the intangible

Even nonprofits use advertising to communicate information.

services A bundle of benefits that may or may not be physical, that are temporary in nature, and that come from the completion of a task.

ideas Economic, political, religious, or social viewpoints that advertising may attempt to sell.

product The particular good or service a company sells.

medium An instrument or communications vehicle that carries or helps transfer a message from the sender to the receiver.

word-of-mouth (WOM) advertising The passing of information, especially product recommendations, in an informal, unpaid, person-to-person manner, rather than by advertising or other forms of traditional marketing.

mass media Print or broadcast media that reach very large audiences. Mass media include radio, television, newspapers, magazines, and billboards.

services of bankers, beauticians, bike repair shops, bill collectors, and Internet providers. Increasingly, advertising is used to advocate a wide variety of **ideas**, whether economic, political, religious, or social. In this book the term **product** encompasses goods, services, and ideas.

An ad *identifies* its sponsor. This seems obvious. The sponsor wants to be identified, or why pay to advertise?

Finally, advertising reaches us through a channel of communication referred to as a **medium**. An advertising medium is any non-personal means used to present an ad to its target audience. Thus, we have radio advertising, television advertising, newspaper ads, Google ads, and so on. When you tell somebody how much you like a product, that's sometimes called **word-of-mouth (WOM) advertising**. Although WOM is a communication medium, it has not generally been considered an advertising medium. However, the popularity of social media, such as Facebook and Twitter, is forcing advertisers to reconsider this belief. Historically, advertisers have used the traditional **mass media** (the plural of medium)—radio, TV, newspapers, magazines, and billboards—to send their messages. Modern technology enables advertising to reach us efficiently through a variety of addressable media (like direct mail) and interactive media (like the Internet). Advertisers also use a variety of other nontraditional media such as shopping carts, blimps, and DVDs to find their audience.

check yourself ✓

1. What are the six key components of the definition of advertising?
2. Under what conditions might advertising not be paid for?

L01-3 Explain the role advertising plays in business and marketing.

THE ROLE OF ADVERTISING IN BUSINESS

In Chapter 5 we discuss in more detail how advertising helps inform and persuade consumers, but first let's consider advertising's role in business. Every business organization

performs a number of activities, typically classified into three broad divisions:

- Operations (production/manufacturing)
- Finance/administration
- Marketing

Of all the business functions, marketing is the only one whose primary role is to bring in revenue. Without revenue, of course, a company cannot pay its employees' salaries or earn a profit. So marketing is very important.

What Is Marketing?

Over the years, the concept of marketing has evolved based on the supply of and demand for products. Because we need to understand marketing as it relates to *advertising*, we will use the American Marketing Association's definition:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.⁷

We will devote all of Part 2 to the subject of marketing and consumer behavior. What's important to understand now is that marketing is a **process**—a sequence of actions or methods—aimed at satisfying consumer needs profitably. These processes are typically broken down into the 4Ps of the **marketing mix**: developing *products*, *pricing* them strategically, distributing them so they are available to customers at appropriate *places*, and *promoting* them through sales and advertising activities (see Exhibit 1–1). The ultimate goal of the marketing process to earn a profit for the firm by consummating the exchange of products or services with those customers who need or want them. And the role of advertising is to promote—to inform, persuade, and remind groups of customers, or markets, about the need-satisfying value of the company's goods and services.

Advertising and the Marketing Process

Advertising helps the organization achieve its marketing goals. So do market research, sales, and distribution. And these other marketing specialties all have an impact on the kind of advertising a company employs. An effective advertising specialist must have a broad understanding of the whole marketing process in order to know what type of advertising to use in a given situation.

Companies and organizations use many different types of advertising, depending on their particular marketing strategy. The

marketing

An organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

process

A sequence of actions or methods aimed at satisfying consumer needs profitably.

marketing mix

Four elements, called the 4Ps (product, price, place, and promotion), that every company has the option of adding, subtracting, or modifying in order to create a desired marketing strategy.

marketing strategy

The statement of how the company is going to accomplish its marketing objectives. The strategy is the total directional thrust of the company, that is, the how-to of the marketing plan, and is determined by the particular blend of the marketing mix elements (the 4Ps), which the company can control.

advertising strategy

The advertising objective declares what the advertiser wants to achieve with respect to consumer awareness, attitude, and preference; the advertising strategy describes how to get there. Advertising strategy consists of two substrategies: the creative strategy and the media strategy.

marketing strategy will help determine who the targets of advertising should be, in what markets the advertising should appear, and what goals the advertising should accomplish. The **advertising strategy**, in turn, will refine the target audience and define what response the advertiser is seeking—what that audience should notice, think, and feel. We will discuss the development of marketing, advertising, and media strategies later in the text.

But first, we need to understand the economic dimension of advertising and how advertising has evolved as both an economic and a societal tool.

check yourself ✓

1. What is the ultimate goal of marketing?
2. What are the 4Ps of the marketing mix and under which does advertising fall?
3. What roles does advertising play in helping marketing meet its goals?

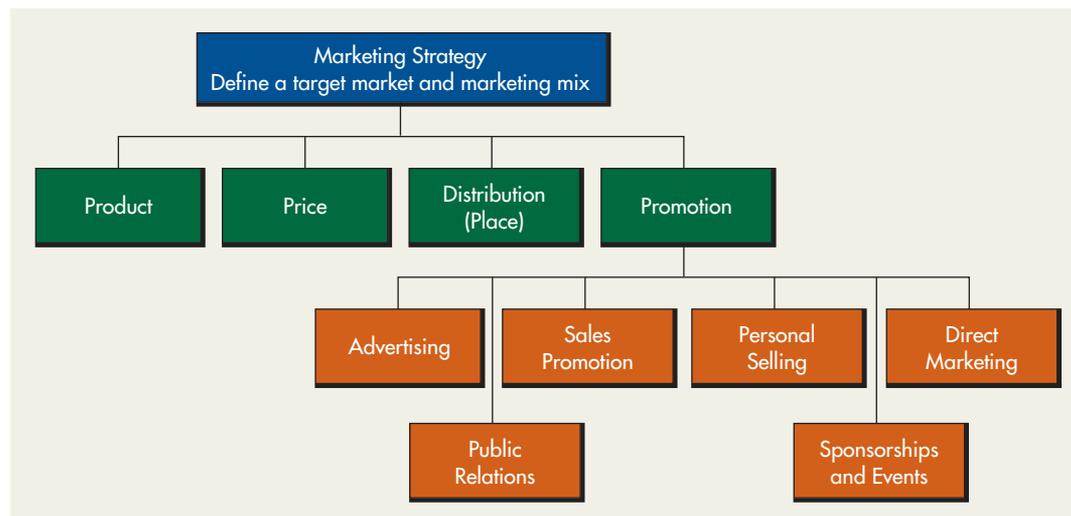
L01-4 Illustrate the functions of advertising in a free-market economy.

ECONOMICS: THE GROWING NEED FOR ADVERTISING

Economics has driven the growth of advertising since its earliest beginnings and has made it one of the hallmarks of the free-enterprise system. As English historian Raymond Williams wrote, advertising is “the official art of a capitalist society.”

Today, business and advertising are undergoing dramatic changes. To understand the nature of these changes and why they’re taking place, we need to look at how advertising has evolved. We’ll explain how the changing economic environment has influenced the evolution of advertising through the centuries. Then, in Chapter 2, we’ll look at how advertising influences the economy and society and, as a result, is often an object of controversy and criticism.

▼ **EXHIBIT 1-1** Advertising is just one of several activities that fall under the promotion component of the marketing mix.



Principles of Free-Market Economics

Our economy is based on the notion of competition. While there is no such thing as *perfect competition*, there are four fundamental assumptions of free-market economics that a market-driven society strives to achieve:

1. *Self-interest*. People and organizations tend to act in their own self-interest. People are acquisitive and always want more—for less. Therefore, open