Chapter 01

The Evolution of Advertising

# LEARNING OBJECTIVES

The main objectives in this chapter are to define integrated marketing communications and advertising and to distinguish advertising from related forms of marketing communications. Students will also learn about the role that advertising plays in business, marketing, and the economy. Finally, students will begin to develop an appreciation of some of the ways advertising has influenced our society (p. 3).

After studying this chapter, your students will be able to:

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

# TEACHING TIPS AND STRATEGIES

**Using the opening vignette in the classroom**

Ask students to consider the tactics used by the 2008 Obama presidential campaign and to offer opinions about: 1) why the campaign theme of “change” was chosen, 2) whether the same tactics would have worked equally well for John McCain as well as Obama, and 3) whether the tactics would have worked if Obama had not been able to raise $310 million for advertising and less had been allocated to “change” media messaging.

Students should begin to focus on two important issues: 1) the critical need to identify a key theme in development of an advertising campaign and 2) the opportunity advertising creates to change consumer perceptions – if the right message is conveyed to the intended audience.

It might be interesting to contrast the success of Obama’s campaign with the difficulties faced by the campaigns of John McCain and Mitt Romney. Which candidate was most successful staying on message? Which candidate deviated from his initial theme within the campaign?

If you have Internet access in the classroom, consider showing some of the many 2008 presidential campaign videos available on YouTube, such as this one focusing on social media: <http://www.youtube.com/watch?v=vBzjRdEMjEU>.

**Other tips and strategies**

Whatever their majors, students tend to find advertising interesting because they have been viewing ads all of their lives. A simple yet effective way I’ve found to help students develop a more sophisticated perspective on ads is to call on them in class to identify and then describe their favorite ads. This simple activity helps to accomplish several important things. First, because it is an enjoyable and easy activity for students, it works as a great icebreaker! I find that students quickly jump in with mentions of their favorite ads, and that this process of sharing elicits a lot of laughing and merriment. As students observe their own reactions and those of other students, they begin to recognize how much they enjoy advertising when it is done well. Finally, the activity allows for follow–up questions, such as “Why do you like that one?” and “What makes that ad effective for you?” that encourage students to reflect a bit more deeply about how effective advertising works. At subsequent points in the semester you might refer back to this activity as you explore more deeply the issues surrounding advertising effectiveness.

To activate learning, I suggest starting the class with a discussion of Mercedes-Benz. I ask the students if Mercedes cars are good cars. Students will tell me that Mercedes cars are *great* cars. Does a Mercedes really cost $30,000 more to build than a typical car? This leads to a discussion of who put the image of Mercedes as high-end products in our minds. Advertisers! I like to build on that idea with students and introduce them to the idea that brand image and perception usually come from advertising.

I then ask if advertising influences everything we buy. Students will tend to debate both sides. Some students will maintain that advertising does not influence them in anyway. I then write the following brands on the board (please adapt these to fit your style):

* Rolex
* Timex
* Nabisco
* Pepperidge Farm
* Nike
* Adidas

I ask the students to tell me which ones are high-end or low-end brands. I then go down the list, writing beside each brand “high-end” or “low-end.” This facilitates a discussion of how we know this information and who put the idea in our minds that Rolex is better than Timex (does that mean surgeons only use Rolexes in complex procedures?). This is a great way to transition into discussing the communication process between the company and the customer. You will also want to discuss different methods of advertising, such as word of mouth, television, radio, etc. It is also a good opportunity to discuss the consumer and the different media used to learn about a company, product, or service.

Students start questioning what they are hearing and seeing in their surroundings. I like to ask students to then do a special project for me. The very next morning, I want them to write down all the brand references they see in the first ten minutes of waking in the morning. I have students bring this list to class, and they are quite amazed at how many different brand references they see in the morning. For example: When I open my eyes, I see GE on the alarm clock. In the bathroom, I see Crest on the toothpaste, Oral-B on the toothbrush, Price Pfister on the faucet, Kohler on the sink, etc.

This little exercise helps students to understand how hard it is for companies to get their names out in the marketplace due to all the “noise” and competition for consumers’ attention.

This leads to a discussion of how many TV channels the typical home has now. The answers will vary from 50 to 500 per home. I then go over how in the early 1980s it was typical for consumers to have only 10 or 15 channels. This affects advertisers in different ways. Most likely, with the advent of so many different television stations, we are not necessarily creating more TV viewers. To put this in lay terms, let’s pretend for a moment that CBS has a million viewers. Then five additional channels are launched. This affects CBS by dropping them to eight hundred thousand viewers, and the other five new channels get the remaining viewers. This is called cannibalization: as television and radio add more and more channels, the universe (the number of audience members) is not growing at the same rate. For an advertiser this is a serious dilemma, because now they have to advertise on five to ten stations (or more) to get the same results they used to get from one station.

This chapter will explain to students the evolution of advertising. It is important for students to understand that although advertising started in the 1700s, it did not really become an everyday occurrence until the late 1800s in America. Many people believe it is because Americans were not as focused on consumption as they are now.

There are a number of different approaches that one can take to discuss the evolution of advertising in the U.S. The traditional approach is to focus on the developments within the advertising industry.

Spend time showing *Advertising Age*’s timeline website ([www.adage.com/century/timeline/index.html](http://www.adage.com/century/timeline/index.html)) and show their excellent pictorial timeline of how advertising started in America. Students seem to really get interested in this information. The timeline begins with the first ad that was created in America and brings the students up to date on modern ads.

Reviewing older ads with students is also both informative and entertaining. As you know, in the 1900s ads were very wordy. Back then, people read a lot more than they do today. This is because radios and television sets had not yet become standard possessions. Newspapers and magazines were consumers’ ways of catching up on the latest news. Advertisers used to make ads look like newspaper articles to help sell products or services.

The DVD supplement to *Essentials of Contemporary Advertising* includes a sensational reel of Coca-Cola commercials that date to the 1950s. There is no better way to illustrate the changes in TV advertising than by reviewing these Coke spots, many of which were among the best ads of their times. You can also find online copies of the ads and a great deal of background information about the spots at this great Web site: <http://memory.loc.gov/ammem/ccmphtml/colahome.html>. There is a wealth of information about how such great spots as the famous “Hillside singers” ad were developed.

Remind students that the advent of television allowed many consumers, for the first time, to actually hear and see a product or service. This really helped to change advertising, and the resulting television commercials have helped to sell billions of dollars of products through the years. I also try to encourage students to see the challenge faced by people working in agencies as they struggled to discover effective ways to write and produce for new media. This point can be amplified by showing early commercials from the 1950s and contrasting them with more current examples (I contrast old Coca Cola ads with their newer versions).

In the 1970s, there were pretty much three stations: NBC, ABC, and CBS. Manufacturers could advertise on these three stations and reach enormous numbers of consumers for a fair price. With the advent of cable, satellite, and the Internet there are more choices for consumers than ever before. Now we have millions of people watching television, but instead of watching three channels, they are watching several hundreds, reducing the impact of television advertising.

**Web Resources for Enhancing your Lectures:**

|  |  |
| --- | --- |
| Advertising Age Historical Timeline | [www.adage.com/century/timeline/index.html](http://www.adage.com/century/timeline/index.html)  |
| Coke Ads | <http://memory.loc.gov/ammem/ccmphtml/colahome.html> |
| Ads of the World | <http://adsoftheworld.com>  |
| Elements of Branding Table | <http://www.kolbrenerusa.com/elements.htm>  |
| AdRants: A blog about advertising | <http://www.adrants.com>  |
| AdGabber: A social network for people interested in advertising | <http://www.adgabber.com/>  |
| UT Advertising World | <http://advertising.utexas.edu/world>  |
| Ad\*Access: John W. Hartman Collection | <http://scriptorium.lib.duke.edu/adaccess>  |
| AdFlip: Historical print ad archive | <http://www.adflip.com/index.php>  |
| Ad Age Global Marketing and Advertising News | <http://adage.com/globalnews/> |

# LECTURE OUTLINE

I. Vignette: The Obama campaign (p. 5–7)

II. What Is Advertising? (p. 5)

 Many people simply refer to all commercial messages as “advertising,” but in fact, these various tools are collectively called **marketing communications.** Advertising is just one of these tools.

A. **Advertising** defined:

1. The structured and composed

2. Nonpersonal communication of information

3. Usually paid for

4. Usually persuasive in nature

5. About products (goods, services,andideas)

6. By identified sponsors

7. Through various media

B. Let’s analyze this definition:

1. **Advertising** is a structured form of communication that uses verbal and nonverbal elements to fill predetermined space and time formats that are controlled by the sponsor.

2. Advertising is nonpersonal communication of information because it’s directed at groups rather than individuals. These people could be **consumers**, who buy products for their personal use or businesspeople who buy products for their businesses.

3. Advertising is usually paid for by sponsors who are identified in the ad. An exception is some nonprofit organizations whose **public service announcements** **(PSAs)** are carried at no charge.

 **My Ad Campaign 1-A: Overview** (p. 6)

 Adopt U.S. Kids ad (p.7)

4. Advertising is usually persuasive in nature—designed to win converts.

5. Advertising promotes tangible **goods** (e.g., oranges, oatmeal, and olive oil),publicize intangible **services**,(e.g., bankers, beauticians, bike repair shops)andadvocate a wide variety of **ideas** (concepts based on economics, politics, etc.). In this book, the term **product** encompasses goods, services, and ideas.

6. Advertising identifies its sponsors (whereas public-relations activities often refrain from open sponsorship).

1. Advertising reaches us through a channel of communication referred to as a **medium,** such as radio advertising, TV advertising, newspaper ads, billboards, and the Internet. Personal communication about products or **word-of-mouth (WOM) advertising** is a communication medium but not an advertising medium. Advertising **media** (the plural of medium) include radio, TV, newspapers, and billboards. Other types of media include:

a. Addressable media (direct mail)

b. Interactive media (Internet)

c. Nontraditional media (shopping carts, blimps, and DVDs)

 **Check Yourself 1–1** Describe the six components that define advertising. (p. 8)

Advertising is:

1. a type of communication
2. typically directed at groups of people rather than individuals
3. paid for by sponsors
4. intended to be persuasive
5. associated with an identified sponsor
6. carried to audiences via a medium.

III. The Role of Advertising in Business (p. 8)

A. The Marketing Dimension

1. Defines advertising’s role in business

2. Business organizations perform three broad functions:

a. Operations (production/manufacturing)

1. Finance/administration
2. Marketing

3. Marketing is the one business function whose primary role is to bring in revenues.

B. What is **Marketing**? (p. 8)

1. **Marketing** is**:**

a. an organizational function and a set of processes for creating, communicating, and delivering value to customers.

b. and for managing customer relationships.

c. in ways that benefit the organization and its stakeholders.

2. Marketing is a process, a series of actions that take place sequentially, aimed at satisfying consumer needs profitably.

3. The process is typically broken down into the 4 Ps of the **marketing mix**: developing products, pricing them strategically, distributing them to customers at appropriate places, and promoting them through sales and advertising activities.

1. Advertising and the Marketing Process (p.8)

 **Exhibit 1–1** Advertising and the marketing mix (p. 9)

Advertising helps a company achieve marketing goals.

1. Advertising is one of many marketing communications activities. Others include public relations, sales promotion, personal selling, sponsorships and events, and direct marketing.

2. The marketing strategy will determine who the targets of advertising should be, where the advertising will run, and what purposes the advertising should accomplish.

 **Check Yourself 1–2** What is the ultimate goal of marketing and what role does advertising play in achieving that goal? (p.9)

The ultimate goal of the marketing process is to earn a profit for the firm by consummating the exchange of products or services with customers who need or want them. Advertising helps the organization to achieve its marketing goals.

1. Economics: The growing need for advertising (p.9)

Economics has driven the growth of advertising since its beginnings. Today business and advertising are undergoing dramatic changes. To understand the nature of these changes and why they are taking place we look at how advertising has evolved.

A. Principles of Free-Market Economics (p. 9)

 A free-market economy is based on competition. There are four fundamentals of a free-market economy:

1. *Self-interest*—People and organizations look out for their own interests, and we all have a natural desire to acquire. Competition among self-interested sellers creates a condition where there is more product availability and self-interested buyers help ensure that prices are competitive.

2. *Complete information*—Better products and lower prices result when people know what products are available at what quality and for what prices.

3. *Many buyers and sellers*—A large number of sellers ensures that if one company is not satisfying customer needs another company can try to do so. Large numbers of buyers with different needs helps companies find markets for unique products.

4. *Absence of externalities* (social costs)—Marketing activities sometimes unintentionally affect persons not involved in the transaction. In some cases, government regulates transactions to reduce such externalities. Examples include restrictions on the sale or consumption of products that can cause harm (tobacco and second-hand smoke; car fuel economy requirements).

B. Functions and Effects of Advertising in a Free Economy (p. 10)

 **Exhibit 1–2** Functions and effects of advertising as a marketing tool (p. 10)

1. **Branding**: Identify products and differentiate them from others.

2. Communicate information about the product, its features, and its place of sale.

3. Induce customers to try new products and to suggest reuse.

4. Stimulate the distribution of a product.

4. Increase product use.

5. Build value, brand preference, and loyalty.

7. Lower the cost of sales.

 **Check Yourself 1–3** Describe the seven basic functions of advertising. (p. 12)

1. Identify products and differentiate them from others.
2. Communicate information about the product, its features, and its place of sale.
3. Induce consumers to try new products and to suggest reuse.
4. Stimulate the distribution of a product.
5. Increase product use.
6. Build value, brand preference, and loyalty.
7. Lower the overall cost of sales.
8. The Evolution of Advertising as an Economic Tool (p. 12)
* Williamsburg sign (p.12)

 For most of human history people struggled to meet basic survival needs. Exchange was limited to bartering in small, isolated communities. Limited quantities of goods and the absence of mass media meant there was no need or opportunity for advertising.

1. The **Preindustrial Age** (p. 12) extended from the beginning of recorded history to roughly the start of the nineteenth century.

 Important developments leading to modern advertising include:

a. Europe had its first paper mill by 1275.

 **Exhibit 1–3** Timetable of advertising history (p. 13)

b. In the 1440s, Johannes Gutenberg invented the printing press in Germany. The printing press is the most important development in the history of advertising because it changed the way people communicated, lived, and worked. Previously, people relied only on oral communication, and most were illiterate. People lived without substantiated, documented facts (due to their reliance on oral communication), and news rarely traveled more than 50 miles because of the difference in dialects from region to region.

c. New technology led to advertising in the form of posters, handbills, and signs, then eventually to the first mass-media newspapers.

d. 1472: First ad appeared in English, a handbill.

e. 1700s: The Western world’s population had grown, and the concentration of population in some major cities made volume advertising possible.

f. Advertising volume led to a new ad strategy to gain attention—puffery.

g. In the American colonies, the Boston Newsletter started carrying ads in 1704.

h. In 1729 Benjamin Franklin, the father of advertising art, made ads more readable by using large headlines and considerable white space. Franklin was the first American to use illustrations.

2. The **Industrializing Age** (p. 14) began in the mid-1700s in England and by the early 1800s in North America.

* 1767 Stage Waggons ad (p. 14)
1. Machinery began to replace animal power.
2. Machinery led to mass production of goods with uniform quality.
3. Large companies increased their productivity.
4. It cost individuals less to buy a product than to make it themselves.
5. Population growth and urbanization led to increased demand for goods.
6. Bulk transportation made it possible to distribute goods that were produced beyond the local market.
7. Mass consumption increased the need for mass-marketing techniques such as advertising to inform markets of the availability of goods.
8. Advertising became a vehicle for information.
9. Manufacturers placed announcement in publications called price currents to inform retail customers about supply sources and shipping schedules for the basic, unbranded products they carried.
10. Consumer advertising was up to the retailers—large mail-order catalog companies like Montgomery Ward and Sears Roebuck.
11. Ad agencies sprang up in America in 1841. In 1869, Ayer & Sons was the first agency to charge a commission based on “net cost space.”

 Ayer & Sons Uneeda Biscuit ad (p. 14)

 International Ford ad (p. 15)

1. Technological advances added to advertisers’ toolkit: photography (1839), telegraphs, telephones, typewriters, phonographs, and motion pictures aided communication.
2. 1840: Magazine advertising begins.
3. 1896: The U.S. government inaugurated free rural mail delivery, and print media flourished.
4. The United States entered the twentieth century with a national marketing system propelled by advertising.

3. The **Industrial Age** (p. 15) began around the turn of the twentieth century and lasted well into the 1970s.

1. Growth and maturation of country’s industrial base
2. Industry met the basic needs of most of the population.
3. Commodity markets became saturated.
4. New mass markets developed for new, inexpensive brands of consumer luxury and convenience goods or consumer packaged goods.
5. Nineteenth-century wholesalers controlled the marketing process for manufacturers’ unbranded commodity products.
6. Saturated markets led to competition between manufacturers.
7. Manufacturers worked to regain control by changing focus from production to sales strategy, leading to new product development.
8. Added sales force, packaged and branded products, national advertising.
9. 1920s: consumption-driven society.
10. Radio was born, offering powerful immediacy, expanded audiences, and new types of ads.
11. 1929: Before the Great Depression, the stock market crashed, and so did advertising expenditures.
12. Advertising focused on research to improve effectiveness to survive.
13. Began studying consumer attitudes and preferences.
14. Product differentiation began: quality, variety, and convenience.
15. 1942: introduction of the mass medium of television, which became the largest advertising medium in terms of revenues.
16. In the prosperous late 1940s and early 1950s, consumers tried to climb in social status by buying more and more modern goods. Ads focused on product features, market segmentation, and positioning strategy.
17. When this wore out in the 1960s, strategy changed to market segmentation—a process whereby marketers search for unique groups of people whose needs can be addressed through more specialized products.
18. 1960s

i. Advertising strategy changed from product features to brand image or personality.

ii. Me-too images killed the market segmentation era.

1. 1970s

i. Increased competition = positioning era.

ii. **Positioning strategy**—how the brand ranks against the competition.

iii. Mass media began in Europe with Procter & Gamble and Colgate-Palmolive. TV was not yet as popular, so the main vehicles of advertising were newspaper and billboards. Pan-European campaigns were nearly impossible due to cultural diversity.

4. The **Postindustrial Age** (p. 17) began around the 1980s.

a. Consciousness of limited environmental resources led to calls for energy conservation; people were asked to not run clothes washers unnecessarily, waste water on their lawns, etc.

b. **Demarketing** refers to the method any company or organization uses advertising to request consumers to refrain from use of that product for a particular reason (e.g., products not considered energy efficient, tobacco, alcohol).

c. Agencies began consolidating and going global in megamergers.

 Anti-alcohol ad (p. 17)

 Volkswagen ads (p. 18)

5. The **Global Interactive Age**: Looking at the Twenty-First Century (p. 19)

Recently the advertising industry experienced a period of retrenchment and reevaluation, but the future offers new opportunities for advertisers and agencies that can harness the interactive revolution and develop deep relationships with their customers. New media developments include transformation of television to a more specialized, **narrowcasting** medium and the introduction of DVRs (**digital video recorders**).

 Coca-Cola polar bear ad (p. 19)

**My Ad Campaign 1-B: Tool for Teamwork (p. 20)**

 ABC features popular shows online (p. 21)

* ABC TV programming on the web with embedded advertising (p. 22)

 Daum ad (p. 22)

 **Check Yourself 1–4** Identify the key developments that have taken place throughout history that have had an impact on the advertising industry. (p. 23)

 Select historical events are:

1. The invention of paper and the first European paper mill in 1275
2. Gutenberg’s printing press in the 1440s
3. The first ad in English in 1472
4. The growth of cities in the early 1700s
5. Appearance of ads in the American colonies in 1704
6. Franklin’s improvements in ad layout in 1729
7. Industrial revolution in the late 18th and early 19th centuries
8. Population growth and increase in consumer demand in the mid-1800s, the Industrializing age
9. Introduction of photography in 1839
10. Beginnings of the profession of advertising, led by Volney B. Palmer in 1841
11. Francis Ayer’s agency in 1869 first charged a commission
12. Diffusion of the telegraph, telephone, typewriter, phonograph, motion pictures, and a nationwide railroad system
13. Rural free mail delivery in 1896
14. Explosion of consumer luxury and convenience goods in period beginning around the turn of the century known as the industrial age
15. Appearance of heavy national brand advertising
16. Hopkins’ book Scientific Advertising appears in 1923
17. Appearance of radio in the 1920s
18. Stock market crash of 1929
19. Appearance of the strategy of product differentiation
20. Introduction of TV in 1941
21. Postwar prosperity of the post-war 1940s and 1950s.
22. Rosser Reeves conception of the USP (unique selling proposition)
23. Introduction in the 1960s of market segmentation strategies
24. Introduction of the positioning era in the 1970s
25. Appearance of demarketing strategies in the 1980s, the start of the postindustrial age
26. Megamergers in the advertising industry in the 1980s
27. Economic recession of the 1980s
28. Shift of budgets to sales promotion alternatives in the late 1980s
29. Shift of budgets back to advertising in the early 1990s
30. record decline in advertising activity following the 2001 recession, stock market collapse, and dot-com bust
31. explosion of new technologies in the 21st century, known as the Interactive age
32. Shift in focus of TV to narrowcasting
33. Introduction of digital video recorders and widespread use of computers
34. Society and ethics: The effects of advertising (p. 23)

A. Improves standard of living in the United States and elsewhere around the world.

B. Informs of availability of products.

C. Imbues products with personality.

D. Enables us to communicate information about ourselves through products we buy.

E. Financial support of advertising fosters the free press and the growth of nonprofit organizations.

F. Advertising has also been severely criticized over the years for its lack of honesty and ethics.

G. In the 1970s, customer movements sprang up to combat dishonesty.

* Energy Star Ratings ad (p. 24)
* **Check Yourself 1–5** What important benefits and issues has advertising contributed to our society? (p. 25)

Benefits of advertising are that it has (1) been a major factor in improving standards of living, and (2) supplied income to mass media, thereby facilitating freedom of the press and promoting more complete information.

Issues surrounding advertising include charges that it (1) struggles with issues of honesty and ethics, and (2) engages in puffery, targets children, promotes unhealthful products.

# REVIEW QUESTIONS

**1. How does advertising for the American Cancer Society compare with the standard definition of advertising? (p. 7)**

Although the American Cancer Society is a nonprofit organization and therefore does not pay for its ads (or public service announcements in this case), they are still about an idea that is structured, nonpersonal, and persuasive in nature. Hence, they satisfy all of the other requirements of the definition of advertising.

**2. What are the three major functional areas of business? Which function is closely related to advertising? (p. 8)**

Operations (production/manufacturing), finance/administration, and marketing are the three major functional areas of business. Marketing is the function that is most closely related to advertising. Advertising is a specialty area under the function of marketing.

**3. What are the four elements that compose a company’s marketing strategy and how do they affect the type of advertising a company uses? (p. 8)**

Product concept, pricing, distribution, and communication are the four elements that compose a company’s marketing strategy. The type of advertising used depends on the company’s marketing strategy.

**4. What are the four fundamental assumptions of free-market economics? (p. 9–10)**

(1) Self-interest; (2) complete information; (3) many sellers, many buyers; (4) absence of externalities (social costs)

**5. How does advertising lower the costs of sales? (p. 12)**

For the cost of reaching one prospect through personal selling, companies can reach thousands of people through media advertising. Companies that grow their businesses and increase sales can often reduce the price of products through increased economies of scale.

**6. What has been the most important influence on advertising in the postindustrial age? (p. 17)**

Several answers are possible. The increased importance of environmental awareness led to demarketing of some products such as cigarettes and energy. The collapse of communism and the end of the Cold War shifted concerns away from a defense-driven economy. American ad agencies faced increased competition from agencies in Europe and Asia. Independent agencies were snapped up by big umbrella companies such as Saatchi & Saatchi. A recession in the late 1980s led to belt-tightening and an emphasis on efficiency. Perhaps the most important influence on advertising was greater brand competition, a phenomenon spurred by globalization.

**7. What are three examples of companies or organizations that use a demarketing strategy? (p. 17)**

Cell phone companies (many feature films now begin with a message from a phone company to turn off your cell phone), energy companies, and washer and dryer manufacturers. Even cigarette manufacturers now pay for messages that tell smokers how to find resources and help for quitting smoking.

**8. In what ways are new media and technologies challenging traditional media? (p. 19)**

Cable and satellite companies are giving viewers access to more narrowly targeted programming. DVRs allow viewers to fast-forward through conventional commercials. Computers and smart phones have created new, interactive ways to reach consumers. Online advertising is competing with newspaper classified ads.

**9. As a consumer, are you likely to save money buying at a store that doesn’t advertise? Explain. (p. 10)**

No. By aiding in providing consumers with *complete information,* retail advertising helps ensure buyers know what products are available, at what quality, and at what prices. This in turn leads to greater competition and lower prices for all.

**10. What is a company’s most important asset and what must companies do to protect that asset? (p. 23)**

A firm’s most important asset is its customers and the relationship that the company has with that person or organization. This understanding is the basis for companies engaging in *relationship marketing*.

# Exploring Advertising

## 1. Collect or describe three examples of marketing communications. Explain why you would or would not consider each one to be an example of advertising.

Encourage students to use the definition of advertising provided in the chapter as a way to help them distinguish a true advertisement from related communications such as a coupon, game promotion, or public relations piece.

## 2. Bring into class or describe an advertising example of demarketing. Explain why you think the advertiser would want to slow demand for a product.

Health promotion and energy consumption represent two fertile areas for finding demarketing messages, for example, ads that encourage people to stop smoking (sponsored by both the government and the tobacco industry) and ads that either directly encourage energy conservation (government messages) or which tout energy efficiency as an important product benefit, such as automobiles (Toyota Prius) or some household appliances.

## 3. Find a print ad that exemplifies several of the seven functions and effects of advertising. Describe how the ad addresses each one.

Answers will vary depending on the ad.

## 4. Visit the Web site for the Mini at <http://miniusa.com>. Look carefully at the first page to get a sense of the information the advertiser wants you to see and experience when you first arrive. What links are you interested in exploring and why? Investigate your options for customizing your own Mini, for becoming a Mini Insider, for playing games, and for finding a dealership. Consider how aspects of the Web site help to inform you about the brand personality of the Mini. How much information about the marketing mix for the Mini can you learn from the Web site?

Answers will vary depending on student.

# IMPORTANT TERMS

|  |  |
| --- | --- |
| advertising, 7advertising strategy, 9branding, 11consumer packaged goods, 15consumers, 5demarketing, 17digital video recorders, 21externalities, 11goods, 7ideas, 8industrial age, 15industrializing age, 15market segmentation, 16marketing, 9marketing communications, 5 | marketing mix, 9marketing strategy, 9mass media, 8medium, 8narrowcasting, 21positioning, 17postindustrial age, 17preindustrial age, 12process, 9product, 8product differentiation, 16public service announcement (PSA), 7sales promotion, 19services, 8unique selling proposition, 16word-of-mouth advertising, 8 |

# ANCILLARY ACTIVITIES & EXERCISES

1. Break students into teams and have them visit <http://advertising.utexas.edu/world/>, and then click on Ads. I recommend they analyze Calvin Klein, Absolut (not covered in the textbook), or Coca-Cola. This Web site has ads from these and other companies past and present. I recommend having the students pick at least three ads from three different decades and answer the following questions:

—What type of ad is this? (Business-to-business, noncommercial, commercial, and so on.)

—How has the image of the brand changed from three decades ago to now? Has the target market changed? (This leads to some good discussions of how advertising changes with society).

I have done this exercise with great results. I have the different groups show the ads they picked and answer what has changed. This leads to a great discussion of how advertising, like society, is always evolving. This exercise also conveys the role of perception in advertising.

2. Assign students to write a short paper analyzing how the advertising efforts supporting a particular brand have evolved over the last thirty years.

3. Break students into groups and ask them how they could use advertising to bring back brands from the dead. I like to challenge the students with bringing back the Yugo brand to America. I have them present a small case to the class of how they would make this happen. Of course, answers vary; I generally look for students to change the name of the brand, its positioning, etc. I like this exercise, because a lot of times students believe advertising can fix anything. It can help, but consumers have long memories.

4. Over the years, advertising agencies have created many successful product slogans. Here are some of the most famous. This is a fun exercise that reinforces how advertisers have positioned their products/services in our heads. These slogans and others are in the Advertising Slogan Hall of Fame ([www.adslogans.co.uk/hof/](http://www.adslogans.co.uk/hof/)).

1. “Diamonds are forever” (DeBeers)

2. “\_\_\_ kills bugs dead.” (Raid)

3. “Just do it.” (Nike)

4. “Fly the friendly skies.” (United Airlines)

5. “Good to the last drop” (Maxwell House Coffee)

6. “Breakfast of champions.” (Wheaties)

7. “When it rains, it pours” (Morton Salt)

8. “Reach out and touch someone” (AT&T)

9. “The ultimate driving machine.” (BMW)

10. “Let your fingers do the walking.” (Yellow Pages)

11. “Think different” (Apple Computer)

12. “We love to see you smile” (McDonalds)

13. “We bring good things to life” (General Electric)

14. “Don’t leave home without it” (American Express)

15. “Nothing says lovin’ like somethin’ from the oven” (Pillsbury Foods)

5. Have students keep an advertising notebook and collect various ads throughout the semester that represent the different types of advertising discussed throughout the course. Each ad should be identified by when and where it appeared and to whom the ad is targeted.

6. As an early project, break the class into groups of three or four and have each student design a business card for the others in the group. This familiarizes students with some of the fundamentals of advertising, such as gathering and arranging information for better communication. They’ll get to know each other sooner, making the classroom a more enjoyable, team environment.

7. Have students identify an advertisement that they particularly like or dislike, and have them write a brief statement explaining why. If it is a TV or radio commercial, instruct them to write a description of the spot prior to their statement. Have some of the students share their ads and critiques with the class. Encourage students to participate and point out that what appeals to one person may not appeal to another, which is why ads are written with a target audience in mind.

8. Assign students to take sides in advertising controversies (advertising to children; cigarette advertising, etc.) and schedule a debate in class. After each debate, poll the class on which side had the greater merits.

# DEBATABLE ISSUE

## Should Freedom of Speech Apply to Advertising?

The First Amendment of the Constitution protects the rights of marketers to advertise. However, the Supreme Court has ruled that the absolute prohibition of commercial speech shown to be “false, deceptive and misleading” is not a violation of the First Amendment.

“Section 5 of the Federal Trade Commission Act holds ‘unfair or deceptive actions or practices . . . (to be) unlawful.’ Deception is a term that is susceptible to reasonable definition through case law. Unfortunately for marketers, the FTC has chosen to define ‘unfair’ in ways which are not supported either by law or common experience, but which happen to fit the social views of the policymakers then in power.”1

Some feel that commercial speech should be entitled to the same First Amendment protection as noncommercial speech, news reporting, and political commentary. Others feel a different standard should be applied to commercial speech.

## PRO

Freedom of speech should apply to advertising because:

* Freedom of expression is a basic value that should apply to all forms of speech, including commercial speech.
* Freedom of speech among advertisers would spur greater competition among companies, thereby lowering prices and increasing the variety of goods available. While this may require consumers to become more cautious and knowledgeable, they have more to gain than to lose.
* Advertising is a valuable source of information, persuasion, and new ideas. It acts as a valuable aid to public decision-making. No matter how tasteless and excessive it may be, advertising provides information about who is selling what product and at what price.
* Businesses believe businesses should have the same rights as individuals. Restricting businesses’ freedom of expression is discriminatory. Businesses believe there are already too many costly government restrictions with which businesses must contend.

## CON

Freedom of speech should not apply to advertising because:

* The daily newspaper and television news broadcasts are filled with stories of companies who have made fraudulent claims in their advertising. It is unfair for the business community to place the burden of responsibility on the consumer to know about a product’s limitations and effects.
* The government has a responsibility to regulate false, misleading, deceptive, and unfair advertising because it undermines the effective functioning of the marketplace by injuring both consumers and competitors.
* Business should have the right to advertise its products in a way that is meaningful to the lives of those it seeks to influence. If consumers find a company’s advertising undesirable, they will turn to its competitors, thereby making it in the self-interest of advertisers to be truthful. Even today, consumer groups act as a strong force to check and balance business.
* It is easy for advertisers to run false and deceptive advertising. By the time their practices have been exposed, countless consumers have suffered millions of dollars worth of damages even without supposed freedom of speech rights for businesses.
* Most people approve of the distinction made between commercial and noncommercial speech. If people didn’t approve, they would let their legislators know so that laws could be enacted for change.

## Questions

1. On balance, which side of the issue is strongest? Why?

2. In your opinion, does the Federal Trade Commission fail to go far enough in attempting to control advertising?

**Source:** 1. Elhanan C. Stone, “Should Freedom of Speech Apply to Advertising? Two Opposing Viewpoints,” *Marketing Communications,* September 1979, p. 42.