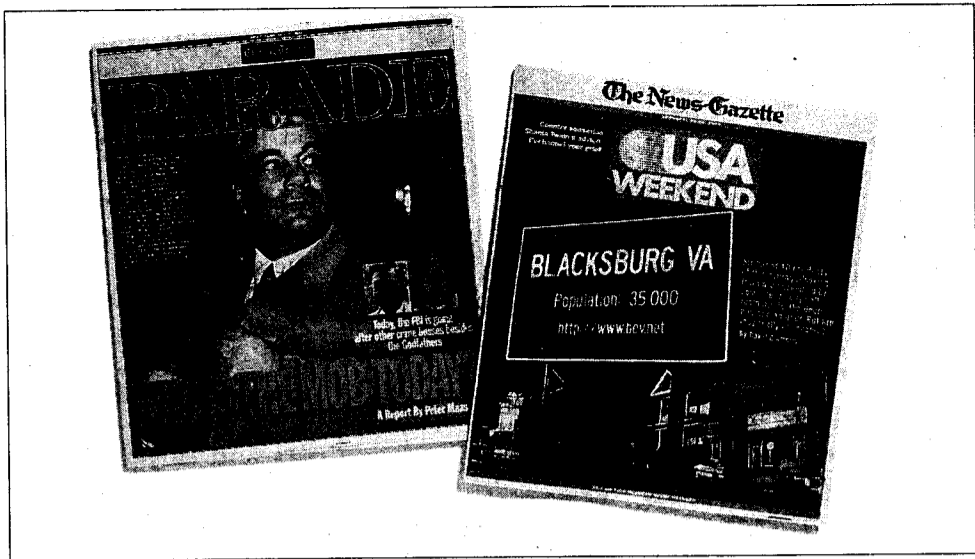


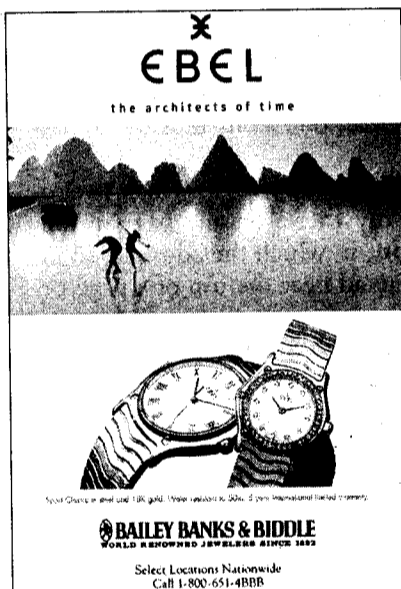
EXHIBIT 15.5

Sunday supplements such as *Parade* (<http://www.parade.com>) and *USA Weekend* (<http://www.usaweekend.com>) offer advertisers another alternative for placing newspaper ads. How do these differ from alternative press weeklies such as the *Village Voice* (<http://www.villagevoice.com>)? Does *USA Weekend*'s Web site offer any features that attract repeat visits from readers, thus increasing the life of the weekly publication?



from their inception, designed to be distributed nationally, and have a circulation of about 2.2 million and 1.8 million respectively. The *New York Times* and the *Los Angeles Times*, each with a circulation of about 1.0 million, have evolved into national newspapers.¹¹

- **Frequency of publication.** The majority of newspapers in the United States are called *dailies* because they are published each day of the week, including Sunday. There are a smaller number of *weeklies*, and these tend to serve smaller towns or rural communities. Finally, another alternative for advertisers is the Sunday supplement, which is published only on Sunday and is usually delivered along with the Sunday edition of a local newspaper. The most widely distributed Sunday supplements—*Parade* magazine and *USA Weekend*—are illustrated in Exhibit 15.5.

**EXHIBIT 15.6**

Retailers who feature a particular brand can receive co-op advertising money for media placement. <http://www.ebel.com>

Categories of Newspaper Advertising. Just as there are categories of newspapers, there are categories of newspaper advertising: display advertising, inserts, and classified advertising.

- **Display advertising.** Advertisers of goods and services rely most on display advertising. **Display advertising** in newspapers includes the standard components of a print ad—headline, body copy, and often an illustration—to set it off from the news content of the paper. An important form of display advertising is co-op advertising sponsored by manufacturers. In **co-op advertising**, a manufacturer pays part of the media bill when a local merchant features the manufacturer's brand in advertising. Co-op advertising can be done on a national scale as well. (See Exhibit 15.6.) Intel invests heavily in co-op advertising with computer manufacturers who feature the "Intel Inside" logo in their print ads.
- **Inserts.** There are two types of insert advertisements. Inserts do not appear on the printed newspaper page but rather are folded into the newspaper before distribution. An advertiser can use a **preprinted insert**, which is an advertisement delivered to the newspaper fully printed and ready for insertion into the newspaper

11. Lisa Singhania, "Newspaper Circulation Holds Steady," *Editor & Publisher*, available at <http://www.editorandpublisher.com>, accessed on April 26, 2004.



from Pizza Hut.
Huge cheese taste sealed in every bite.

We take a thin layer of dough, cover it with a luscious layer of our new six-cheese blend, then seal that cheese in with another thin layer of dough. Next, we pile on sauce, more cheese and your favorite Pizza Hut® toppings. Then we bake it to gooey perfection for six layers of flavor in every bite. You'll love the stuff we're made of.

1 Medium Specialty Pizza \$8.99 Add 12 Wings ½	1 Large Pizza Your Choice of Toppings Up to 3 Toppings or Specialty \$10.99 Add 12 Wings ½	Try New Triple Decker Pizza or Stuffed Crust Pizza \$9.99 \$12.99 FREE Toppings NO COUPON REQUIRED
FAMILY PAKS® 1 Medium 1-Topping Pizza & 1 Medium Specialty Pizza \$12.99 Add 12 Wings ½	2 Large Specialty Pizzas \$15.99 Add 12 Wings ½	

EXHIBIT 15.7

This example of a free-standing insert (FSI) from Pizza Hut shows how an ad can be delivered via a newspaper distribution system without having to become part of the paper itself. What are the production and attention-getting advantages that this insert provides?
<http://www.pizzahut.com>

whether the newspaper has local or national coverage. Advertising space is sold in newspapers by the **column inch**, which is a unit of space one inch deep by one column wide. Each column is $2\frac{1}{16}$ inches wide. Most newspapers have adopted the **standard advertising unit (SAU)** system for selling ad space, which defines unit sizes for advertisements. There are 57 defined SAU sizes for advertisements in the system, so that advertisers can prepare ads to fit one of the sizes. Many newspapers offer a volume discount to advertisers who buy more than one ad in an issue or buy multiple ads over some time period.

When an advertiser buys space on a **run-of-paper (ROP)** basis, which is also referred to as a **run-of-press basis**, the ad may appear anywhere, on any page in the paper. A higher rate is charged for **preferred position**, in which the ad is placed in a specific section of the paper. **Full position** places an ad near the top of a page or in the middle of editorial material.

Measuring Newspaper Audiences. There are several different dimensions to measuring newspaper audiences. The reach of a newspaper is reported as the newspaper's circulation. **Circulation** is the number of newspapers distributed each day (for daily newspapers) or each week (for weekly publications). **Paid circulation** reports the number of copies sold through subscriptions and newsstand distribution. **Controlled circulation** refers to the number of copies of the newspaper that are given away free. The Audit Bureau of Circulations (ABC) is an independent organization that verifies the actual circulation of newspapers.

Rates for newspaper advertising are not based solely on circulation numbers, however. The Newspaper Association of America estimates that about 2.2 people read each copy of a daily newspaper distributed in the United States. **Readership** of a newspaper is a measure of the circulation multiplied by the number of readers of a copy. This number, of course, is much higher than the circulation number and provides a total audience figure on which advertisers base advertising rates. To give

The second type of insert ad is a **free-standing insert (FSI)**, which contains cents-off coupons for a variety of products and is typically delivered with Sunday newspapers. The Pizza Hut ad in Exhibit 15.7 is part of a free-standing insert.

- **Classified advertising.** Classified advertising is newspaper advertising that appears as all-copy messages under categories such as sporting goods, employment, and automobiles. Many classified ads are taken out by individuals, but real estate firms, automobile dealers, and construction firms also buy classified advertising.

Costs and Buying Procedures for Newspaper Advertising. When an advertiser wishes to place advertising in a newspaper, the first step is to obtain a rate card from the newspaper. A **rate card** contains information on costs, closing times (when ads have to be submitted), specifications for submitting an ad, and special pages or features available in the newspaper. The rate card also summarizes the circulation for the designated market area and any circulation outside the designated area.

The cost of a newspaper ad depends on how large the advertisement is, whether it is black-and-white or color, how large the total audience is, and

Nothing attracts online shoppers to your website like newspapers.

Newspapers can help your website achieve the critical mass it needs to drive your business. According to a recent study, daily newspapers reached over 99% of those who had made a purchase on the Internet within the previous 30 days.* No other medium delivers this amount of traffic with greater velocity. So if you're looking for shoppers you'll find them browsing through newspapers. For more information call the number below. Nobody delivers the paper like we do.

Call Jack Grandcolas, VP of High Tech advertising, at 415-454-9166 or e-mail grand@nnn-naa.com

EXHIBIT 15.8

The future of newspapers will be greatly enhanced if the medium adapts to the demands of a new media environment and particularly if newspapers can become part of the integrated brand promotion process that includes new media. This ad touts just such a role for newspapers in IBP. <http://www.nnn-naa.com>

- Provide follow-up reports of news stories.
- Maintain and expand their role as the best local source for consumers to find specific information on advertised product features, availability, and prices.
- Provide the option of shopping through an online newspaper computer service.
- Offer new options to readers using new media such as online “classified” auctions similar to e-Bay.
- Become more mainstream in integrated brand promotions particularly relating to new media (see Exhibit 15.8).



Magazines. The marketing director for Schwinn Cycling & Fitness wanted to resurrect the company’s bicycle division. Schwinn had been pummeled by worthy competitors such as Trek and Specialized, and he felt certain that one of the underlying problems was that the image of the Schwinn brand was outdated. To begin solving this image problem, the marketing director first instructed the firm’s advertising agency to develop a \$10 million magazine campaign. One of Schwinn’s ads from this campaign is shown in Exhibit 15.9. The ads were placed in specialty biking magazines and were aimed at mountain-biking and race-biking enthusiasts. Schwinn created an integrated brand promotion supporting the magazine campaign with event sponsorships and interactive mall kiosks. While Schwinn is still behind the leaders in the U.S. bike market, sales climbed 18.4 percent during the restructured IBP period that featured magazine ads.

Schwinn’s emphasis on magazine advertising was part of an effort to upgrade the brand image and turned out to be an excellent strategic decision. Magazines, more than any other media option, provide advertisers with a choice of highly selective alternatives that offer a wide variety of formats and contexts. Magazines are a highly valued media choice with advertisers spending over \$32.4 billion for advertising

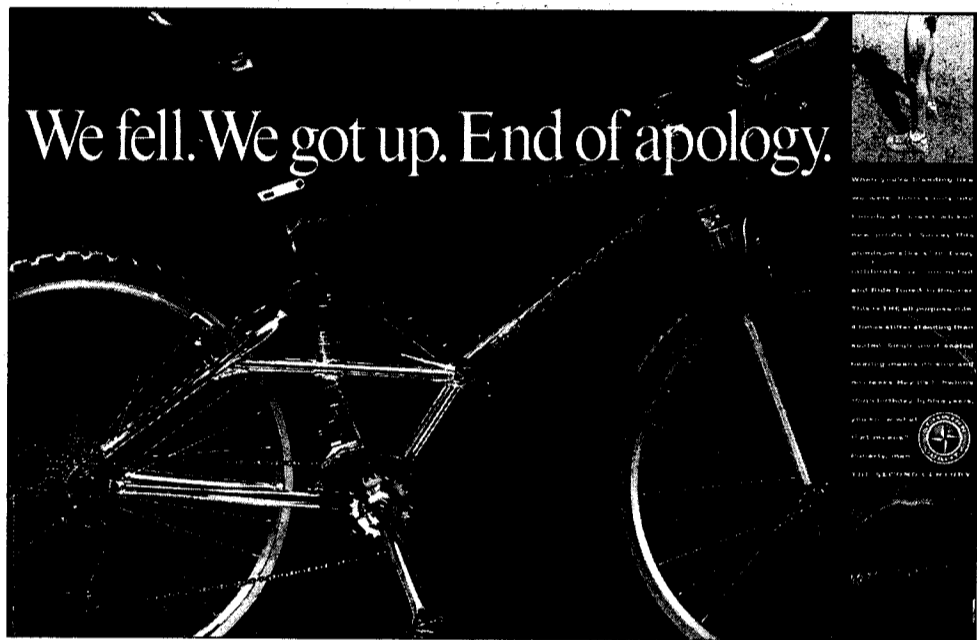
you some idea of costs, a full-page four-color ad in *USA Today* costs about \$100,000, and a full-page black-and-white ad in the *Wall Street Journal* costs about \$175,000. A full-page ad in your local newspaper is, of course, considerably less—probably around \$10,000 to \$15,000 for a good-sized city and much less for small-town newspapers. Remember, though, that few advertisers, national or local, purchase an entire page.

The Future of Newspapers. At the outset of this chapter, we talked about the fact that newspaper circulation has been in a long, sustained downward trend, and that readership is following the same pattern. To survive as a viable advertising medium, newspapers will have to evolve with the demands of both audiences and advertisers, who provide them with the majority of their revenue. Primarily, newspapers will have to exploit their role as a source for local news—something new media like the Web cannot do effectively. To compete in the future as a viable advertising medium, newspapers will have to do the following:

- Continue to provide in-depth coverage of issues that focus on the local community.
- Increase coverage of national and international news.

EXHIBIT 15.9

Schwinn Cycling & Fitness relied on magazine ads like this one to upgrade its brand image and regain lost market share from Trek and Specialized. <http://www.schwinn.com>

**EXHIBIT 15.10**

Top 10 magazines by circulation for 2003.

Rank	Publication	Circulation	% Change
1	AARP The Magazine	20,018,227	14.1
2	Reader's Digest	11,090,349	-9.2
3	TV Guide	9,026,852	-0.5
4	Better Homes & Gardens	7,611,005	0.1
5	National Geographic	6,685,685	-3.0
6	Good Housekeeping	4,603,989	-2.2
7	Family Circle	4,578,589	-2.0
8	My Generation	4,269,163	11.0
9	Ladies' Home Journal	4,100,068	0.0
10	Time	4,095,935	-0.4

Source: FactPack 2004, Advertising Age, 36.

space in the top 300 magazines annually.¹² The top 10 magazines in the United States, based on circulation, are listed in Exhibit 15.10. This list suggests the diversity of magazines as a media class. Exhibit 15.11 shows the top 10 advertisers in magazines.

Like newspapers, magazines have advantages and disadvantages, come in different types, offer various ad costs and buying procedures, and measure their audiences in specific ways. We will consider these issues now.

Advantages of Magazines. Magazines have many advantages relative to newspapers. These advantages make them more than just an ideal print medium—many analysts conclude that magazines are, in many ways, superior to even broadcast media alternatives.

12. R. Craig Endicott, "Top 300 Revenue a Record \$32.5 Billion," *Advertising Age*, September 24, 2004, S2.

EXHIBIT 15.11

Top 10 magazine advertisers for 2003 (U.S. dollars in millions).

Rank	Advertiser	Magazine Ad Spending		
		2003	2002	% Change
1	Procter & Gamble	\$582.3	\$499.0	16.7
2	General Motors	453.8	394.4	15.0
3	Altria	367.8	383.6	-4.1
4	Johnson & Johnson	306.9	257.2	19.3
5	Daimler/Chrysler	299.0	268.3	11.4
6	Ford Motor Co.	278.4	258.1	7.9
7	Time Warner	273.1	268.8	1.6
8	L'Oreal	271.7	250.2	8.6
9	Toyota	253.9	223.0	13.9
10	Pfizer	212.8	153.7	38.5

Source: Advertising Age, June 28, 2004, S-20

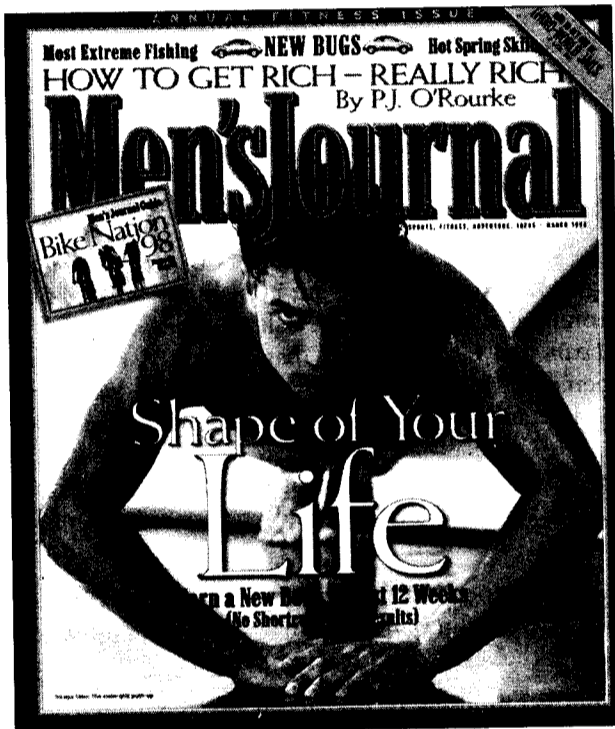
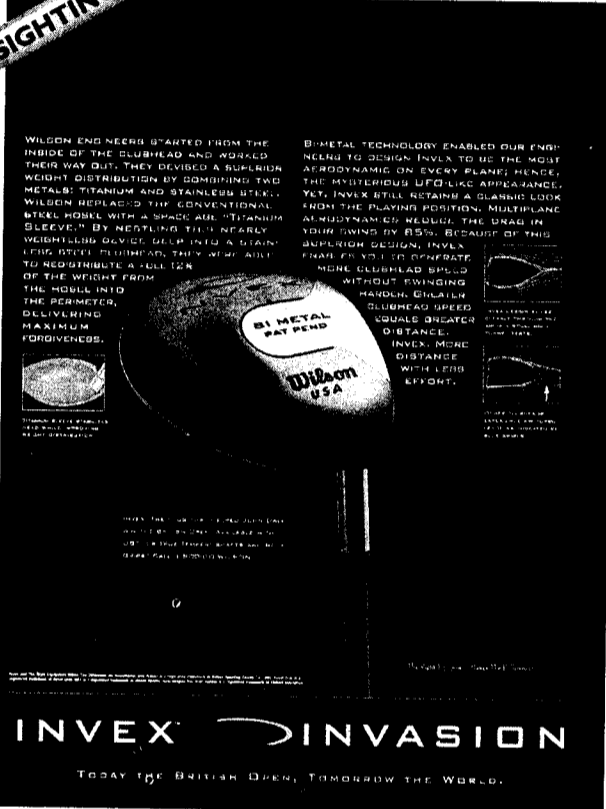


EXHIBIT 15.12

One distinct advantage of magazines over most other media options is the ability to attract and target a highly selective audience. Magazines such as Men's Journal attract an audience based on special interests and activities—in this case, readers interested in health issues and exercise.

- **Audience selectivity.** The overwhelming advantage of magazines relative to other media—print or broadcast—is the ability of magazines to attract, and therefore target, a highly selective audience. This selectivity can be based on demographics (*Woman's Day*), lifestyle (*Muscle & Fitness*), or special interests (*Men's Journal*), as shown in Exhibit 15.12. The audience segment can be narrowly defined, as is the one that reads *Modern Bride*, or it may cut across a variety of interests, as does the one for *Newsweek*. Magazines also offer geographic selectivity on a regional basis, as does *Southern Living*, or city magazines, such as *Atlanta*, which highlight happenings in major metropolitan areas. Also, large national publications have multiple editions for advertisers to choose from. *Better Homes & Gardens* has 85 different specific market editions, and *Time* offers advertisers a different edition for each of the 50 states.
- **Audience interest.** Perhaps more than any other medium, magazines attract an audience because of content. While television programming can attract audiences through interest as well, magazines have the additional advantage of voluntary exposure to the advertising. Golfers are interested in golf equipment like that shown in Exhibit 15.13 and advertised in *Golf Digest*, while auto enthusiasts find the auto accessory equipment advertised in *Car and Driver* appealing.
- **Creative opportunities.** Magazines offer a wide range of creative opportunities. Because of the ability to vary the size of an ad, use color, use white space, and play off the special interests of

e-SIGHTINGS



WILSON ENGINEERS STARTED FROM THE INSIDE OF THE CLUBHEAD AND WORKED THEIR WAY OUT. THEY DEvised A SUPERIOR WEIGHT DISTRIBUTION BY COMBINING TWO METALS: TITANIUM AND STAINLESS STEEL. WILSON REPLACED THE CONVENTIONAL STEEL HOSEL WITH A SPACE-AGE "TITANIUM SLEEVE." BY NESTLING THE NEARLY WEIGHTLESS DEVICE DEEP INTO A STAINLESS STEEL HOSEL, THEY WERE ABLE TO RECONSTRUCT A FULL 12% OF THE WEIGHT FROM THE HOSEL INTO THE PERIMETER, DELIVERING MAXIMUM FORGIVENESS.

BIMETAL TECHNOLOGY ENABLED OUR ENGINEERS TO DESIGN INVENX TO BE THE MOST AERODYNAMIC ON EVERY PLANE: HENCE, THE MYSTERIOUS UFO-LIKE APPEARANCE. YET, INVENX STILL RETAINS A CLASSIC LOOK FROM THE PLAYING POSITION. MULTIPLE PLANES OF AERODYNAMIC RESISTANCE: THE DRAG IN YOUR SWING BY 85%. BECAUSE OF THIS SUPERIOR DESIGN, INVENX CAN BE USED TO GENERATE MORE CLUBHEAD SPEED WITHOUT SWINGING HARDER. EQUALS CLUBHEAD SPEED EQUALS GREATER DISTANCE. INVENX. MORE DISTANCE WITH LESS EFFORT.

BI METAL PAT PEND
Wilson USA

INVENX INVASION
TODAY THE BRITISH OPEN. TOMORROW THE WORLD.

EXHIBIT 15.13

Magazines can attract readers with specialized content, and in so doing, they attract advertisers. This ad by Wilson (<http://www.wilsonsports.com>) appeared in *Golf Digest*. Does *Golf Digest's* site (<http://www.golfdigest.com>) follow the same monthly publication cycle as the magazine? Do advertisers benefit from the digital versions of popular magazines? What useful interactive features does *Golf Digest* offer to golf enthusiasts? What does the magazine hope to accomplish with such interactive site features?

the audience, magazines represent a favorable creative environment. Also, because the paper quality of most magazines is quite high, color reproduction can be outstanding—another creative opportunity.

These factors are precisely why Infiniti invests nearly \$60 million annually in magazines. A case in point was when the firm introduced its full size QX56 SUV. Magazines offered the perfect combination of audience selectivity and high-quality visual presentation to effectively advertise the brand.¹³ In an attempt to expand the creative environment even further, some advertisers have tried various other creative techniques: pop-up ads, scratch-and-sniff ads, ads with perfume scent strips, and even ads with small computer chips that have flashing lights and play music. The *Clarins* ad in Exhibit 15.14 shows how an advertiser can take advantage of the creative opportunities offered by magazines.

- **Long life.** Many magazines are saved issue-to-issue by their subscribers. This means that, unlike newspapers, a magazine can be reexamined over a week or a month. Some magazines are saved for long periods for future reference, such as *Architectural Digest*, *National Geographic*, and *Travel & Leisure*. In addition to multiple subscriber exposure, this long life increases the chance of pass-along readership as people visit the subscriber's home (or professional offices) and look at magazines.

Many magazines are experiencing some difficulty in growing both circulation and revenue. Business magazines in general have suffered from poor business conditions and a sporadic investment environment. Conversely, specialty magazines with narrow target audiences, such as *Maxim* and *Car and Driver*, have recently shown solid gains in circulation of up to 20 percent.¹⁴ It would appear that the main advantage of magazines—their appeal to a selective audience—is translating into market success.

Disadvantages of Magazines. The disadvantages of magazines as a media choice have to do with their being too selective in their reach and with the recent proliferation of magazines.

- **Limited reach and frequency.** The tremendous advantage of selectivity discussed in the previous section actually creates a limitation for magazines. The more narrowly defined the interest group, the less overall reach a magazine will have.

Since most magazines are published monthly or perhaps every two weeks, there is little chance for an advertiser to achieve frequent exposure using a single magazine. To overcome this limitation, advertisers often use several magazines targeted at the same audience. For example, many readers of *Better Homes & Gardens* may also be readers of *Architectural Digest*. By placing ads in both publications, an advertiser can increase both reach and frequency within a targeted audience.

13. Jean Halliday, "Auto Industry Pushes Print's Creative Limits," *Advertising Age*, March 8, 2004, 4.

14. *Ibid.*

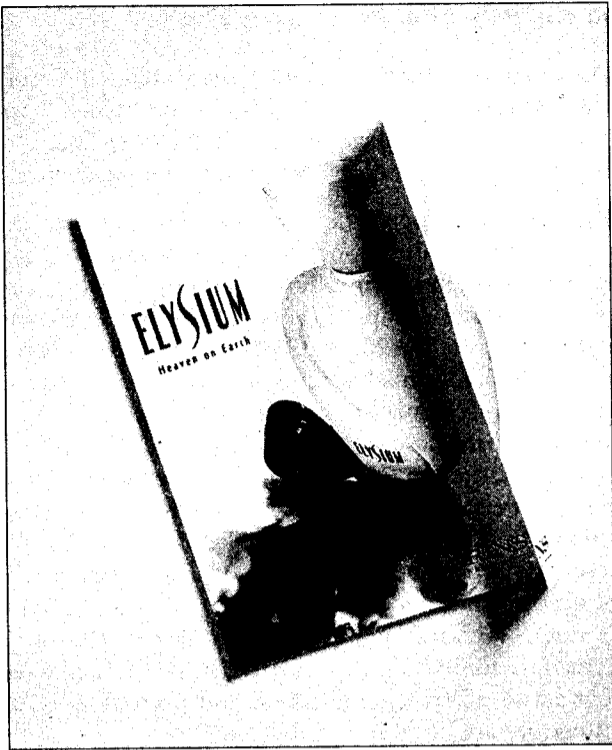


EXHIBIT 15.14

Magazines offer unique creative opportunities to advertisers. Perfume marketers such as Clarins include scent strips in the magazine ads for consumers to sample.

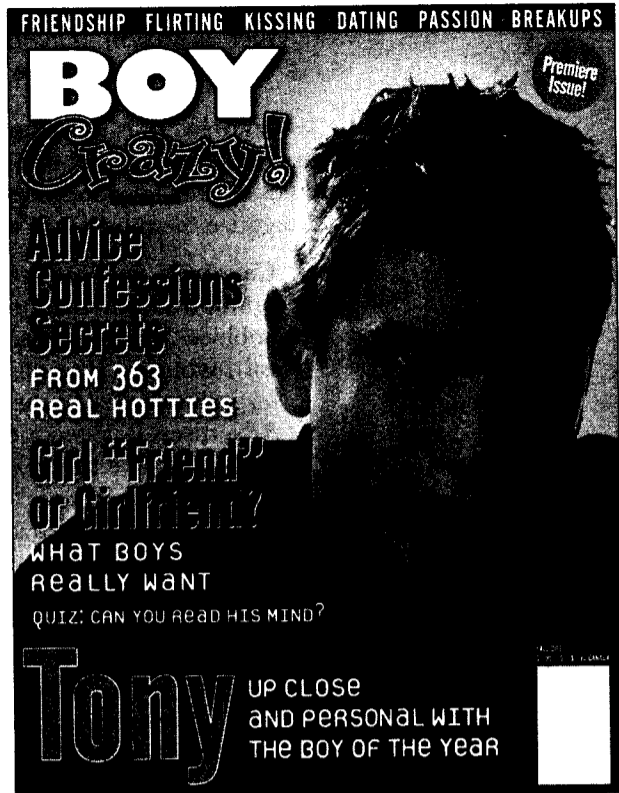


EXHIBIT 15.15

In the consumer magazine category, publishers try to appeal to target audiences' special interests. *Boy Crazy!* is one of many titles targeted to teenagers.

- **Clutter.** Magazines are not quite as cluttered as newspapers, but they still represent a fairly difficult context for message delivery. The average magazine is about half editorial and entertainment content and half advertising material, but some highly specialized magazines, like *Bride*, can have as much as 80 percent of their pages devoted to advertising. And given the narrowly defined audiences, this advertising tends to be for brands in direct competition with each other. In addition to this clutter, there is another sort of clutter that has recently begun to plague magazines. As soon as a new market segment is recognized, there is a flood of "me too" magazines. The teen magazine market suffered precisely this problem from 2000 to 2005. Traditional titles like *Seventeen* and *YM* suddenly found themselves amid a glut of teen girl magazines including *Teen*, *Teen People*, *Teen Vogue*, *Cosmo Girl*, *Elle Girl*, and *Boy Crazy!*. (See Exhibit 15.15.) This may be good in terms of coverage, but it may devalue individual ads, and the magazines in which they appear may reach fewer consumers than the advertiser expected.¹⁵
- **Long lead times.** Advertisers are required to submit their ads as much as 90 days in advance of the date of publication. If the submission date is missed, there can be as much as a full month's delay in placing the next ad. And once an ad is submitted, it cannot be changed during that 90-day period, even if some significant event alters the communications environment.
- **Cost.** While the cost per contact in magazines is not nearly as high as in some media (direct mail in particular), it is more expensive than most newspaper space, and many times the cost per contact in the broadcast media. The absolute cost

15. Jon Fine. "Teen Title Crush Leads to Circ Cuts." *Advertising Age*, July 7, 2003, 21.

for a single insertion can be prohibitive. For magazines with large circulations, such as *Modern Maturity* (20 million) and *Good Housekeeping* (5 million), the cost for a one-time four-color ad runs from \$100,000 to about \$250,000.

Categories of Magazines. The magazine medium is highly fragmented, with more than 12,000 magazine titles published annually in the United States and literally hundreds of titles introduced every year. A useful classification scheme for magazines is to categorize them by major target audience: consumer, business, and farm publications.

- **Consumer publications.** Magazines that appeal to consumer interests run the gamut from international news to sports, education, age-group information, and hobbies. These include magazines written specifically for men (like *Men's Journal*), women (*Woman's Day*), and ethnic groups (*Ebony*). Many new consumer magazines appeal to the lifestyle changes of the 2000s: *Cooking Light*, *Men's Health*. Advertisers invested more than \$26 billion in advertising in consumer magazines in 2002.¹⁶ The top five magazines in this category are listed in Exhibit 15.16.
- **Business publications.** Business magazines come in many different forms. Each major industry has a trade publication, such as *PC World* in the computer industry, that highlights events and issues in that industry. The digital age has been a huge boon to the magazine industry with dozens of new titles, like *Wired* serving the needs of Internet and Web service professionals.¹⁷ Professional publications are written for doctors, lawyers, accountants, and other professional groups. *American Family Physician* publishes articles for family practitioners and carries advertising from many pharmaceutical manufacturers. General-interest business magazines such as *Fortune* and *Forbes* cut across all trades, industries, and professions. The leading business magazine categories are listed in Exhibit 15.17.
- **Farm publications.** The three major farm publications in the United States and their approximate paid circulations are *Farm Journal* (175,000), *Successful Farming* (450,000), and *Progressive Farmer* (250,000). These magazines provide technical information about farming techniques as well as business management articles to improve farmers' profitability. In addition to national publications, regional farm magazines and publications focus on specific aspects of the industry.

Costs and Buying Procedures for Magazine Advertising. The cost for magazine space varies dramatically. As with newspapers, the size of an ad, its position in a publication, its creative execution (black-and-white or color or any special techniques), and its placement in a regular or special edition of the magazine all affect costs. The main cost, of course, is based on the magazine's circulation. A full-page four-color ad in *Reader's Digest* costs about \$226,000 (based on 11 million readers); a full-page four-color ad in *People* costs about \$200,000; a full-page ad in *Skiing* costs about \$35,000; and a full-page ad in *UpHere*, the magazine about Canada's northern frontier with a circulation of about 20,000, is only \$3,000.

Each magazine has a rate card that shows the cost for full-page, half-page, two-column, one-column, and half-column ads. A rate card also shows the cost for black-and-white, two-color, and four-color ads. Rate cards for magazines, as with newspapers, have been the standard pricing method for many years. In recent years, however, more and more publishers have been willing to negotiate rates and give deep discounts for volume purchases—discounts as large as 30 to 40 percent off the published card rate.

In addition to standard rates, there is an extra charge for a **bleed page**. On a bleed page, the background color of an ad runs to the edge of the page, replacing the standard white border. **Gatefold ads**, or ads that fold out of a magazine to display an extra-wide advertisement, also carry an extra charge. Gatefolds are often used by advertisers on the inside cover of upscale magazines. An example is the ad for dishes and flatware in Exhibit 15.18.

16. Ibid.

17. Gary Wolf, "The Magazine That Launched a Decade," *Business 2.0*, July 2003, 87–91.

Magazine Category	Total Revenue	Ad Revenue	Ad Revenue 2002-2003 % Change	Top Magazine in Classification
Women's	\$5,874.0	\$4,233.0	7.5	InStyle
Newsweeklies	5,460.0	3,388.0	0.1	People
General editorial	3,808.0	2,437.0	2.6	N.Y. Times Magazine
Home service and home	2,974.0	2,143.0	0.9	Better Homes & Gardens
Business and finance	1,739.0	1,351.0	-6.3	Forbes

Source: Advertising Age, September 20, 2004, 52. Reprinted with permission from the September 20, 2004, issue of Advertising Age. Copyright © Crain Communications Inc. 2004.

EXHIBIT 15.16

Top five consumer magazine categories, ranked by revenue, 2003 (U.S. dollars in millions).

Magazine Category	Total Revenue	Ad Revenue	Ad Revenue 2002-2003 % Change	Top Magazine in Classification
Computers/Internet	\$1,164.0	\$1,041.0	0.0	CRN
Business	336.0	211.0	-4.6	The Economist
Electronic gaming	150.0	62.0	-0.8	PC Gamer
Travel	149.0	149.0	-21.5	Travel Agent
Electronic engineering	141.0	141.0	0.0	EE Times

Source: Advertising Age, September 20, 2004, 52. Reprinted with permission from the September 20, 2004, issue of Advertising Age. Copyright © Crain Communications Inc. 2004.

EXHIBIT 15.17

Top five business magazine categories, ranked by revenue, 2003 (U.S. dollars in millions).

EXHIBIT 15.18

Gatefold ads display extra-wide advertisements, like this one for Lenox dishes. <http://www.lenox.com>

When buying space in a magazine, advertisers must decide among several placement options. A run-of-paper advertisement, as mentioned earlier, can appear anywhere in the magazine, at the discretion of the publisher. The advertiser may pay for several preferred positions, however. **First cover page** is the front cover of a magazine; **second cover page** is the inside front cover; **third cover page** is the inside back cover; and **fourth cover page** is the back cover. When advertisers prepare **double-page spreads**—advertisements that bridge two facing pages—it is important that no headlines or body copy run through the *gutter*, which is the fold between the magazine pages.

Buying procedures for magazine advertising demand that an advertiser follow several guidelines and honor several key dates. A **space contract** establishes a rate for all advertising placed in a publication by an advertiser over a specified period. A **space order**, also referred to as an *insertion order*, is a commitment by an advertiser to advertising space in a particular issue. It is accompanied by production specifications for the ad or ads that will appear in the issue. The dates that an advertiser must be aware of are as follows:

- **Closing date:** The date when production-ready advertising materials must be delivered to a publisher for an ad to appear in an issue.
- **On-sale date:** The date on which a magazine is issued to subscribers and for newsstand distribution. Most magazines put issues on sale far in advance of the cover date.
- **Cover date:** The date of publication appearing on a magazine.

Measuring Magazine Audiences. Most magazines base their published advertising rates on **guaranteed circulation**, which is a stated minimum number of copies of a particular issue that will be delivered to readers. This number guarantees for advertisers that they are achieving a certain minimum reach with an ad placement. In addition, publishers estimate **pass-along readership**, which is an additional number of people, other than the original readers, who may see a publication. Advertisers can verify circulation through the Audit Bureau of Circulations, which reports total and state-by-state circulation for magazines, as well as subscriber versus newsstand circulation. When an advertiser wants to go beyond basic circulation numbers, the syndicated magazine research services such as Simmons Market Research Bureau and Mediamark Research can provide additional information. Through personal interviews and respondent-kept diaries, these services provide advertisers with information on reader demographics, media use, and product usage.

The Future of Magazines. Magazines have had a roller-coaster history over the past 10 to 15 years. The most recent data show that circulation is, once again, in a downward trend but that ad revenues are either up slightly or down slightly depending on the year. The revenue figure is testimony to the fact that advertisers still find the advantages of magazines well suited to their current needs.

Three factors need to be considered as influences on magazines as an advertising medium in the future. First, magazines will, like other media options, have to determine how to adapt to new media options. In the late 1990s, there was a rush to online posting of magazines with more than 250 magazines offered in online versions. As discussed earlier, these electronic versions were touted as having several advantages to both the publisher and the subscriber, but it appears that neither readers nor advertisers are particularly happy with the "digizine." Consider the fact that the paid circulation for the print version of *Reader's Digest* is 11 million copies, while there are only 86,000 subscribers online.¹⁸ And, in 2003, Ziff Davis, one of the largest newspaper publishers, dropped *Yahoo! Internet Life* from its publication lineup.

18. Jon Fine, "Magazines Recorded Declines in Late 2003," *Advertising Age*, February 23, 2004, 39.

Buy this wireless notebook and get this Tablet PC free.*

Fujitsu recommends Microsoft® Windows® XP Tablet PC Edition for versatile mobile computing.

* Now get Tablet PC and notebook functionality in one system—for one low price. Featuring the Fujitsu Lifebook T3000 Tablet PC. A unique combination tablet and notebook that gives you the best of both worlds at the same price as a standard notebook. The Lifebook T3000 Tablet PC is a new standard for mobile versatility and convenience. When you need to work, enjoy yourself, holiday, simply open it up and use it like any notebook. Or when you want to relax, relax with your tablet and secure the screen and it instantly turns into a Tablet PC. Either way, it offers the best in wireless tablet technology. Available only at select Intel® Centrino® Mobile Technology. So get yours today. Go to www.fujitsu.com or call 1-800-447-7777 today for details.

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MOBILE TECHNOLOGY

EXHIBIT 15.19

While the rush to “digizines” (online versions of magazines) was pretty much a bust, magazine publishers are encouraged by the introduction of the Tablet PC as a vehicle for digital delivery of magazine content.

Magazines are not alone in the move by advertisers to use more diverse tools in their IBP efforts, and we will investigate this trend in great detail in Part Five, Integrated Brand Promotion.

Television and Radio: Strategic Planning Considerations.

When you say the word *advertising*, the average person thinks of television and radio advertising. It’s easy to understand why. Television advertising can be advertising at its very best. With the benefit of sight and sound, color and music, action and special effects, television advertising can be the most powerful advertising of all. It has some other advantages as well. In many parts of the world, particularly in the United

To date, these digizines have attracted minimal ad spending and fewer are being offered. But the recent introduction by Microsoft of the Tablet PC—a sleek and portable part laptop, part digital notepad—is encouraging some publishers to reconsider digital formats for their magazines. (See Exhibit 15.19.) *The New Yorker*, the *Financial Times*, and *Forbes* are all preparing digital versions for Tablet PC application.¹⁹

The second factor affecting the future of magazines is a robust environment for mergers and acquisitions. Recent years have seen dozens of merger and acquisition deals each year in the magazine industry. Buyers are looking for two benefits in acquiring publications: economies of scale in traditional print publication and new media outlets. In the past few years, the pursuit of these advantages has resulted in over \$2 billion a year in mergers and acquisitions. The U.S. unit of German publisher Bertelsmann alone invested \$600 million in acquiring new titles during the early part of this century.²⁰

Third, magazines, perhaps more than any other medium, seem to be caught in the move by advertisers to expand their IBP spending beyond major media and into more varied promotional efforts such as event sponsorship and interactive marketing. An analysis of the auto industry shows that across all advertisers, pages of magazine advertising declined about 15 percent in 2004.²¹

19. Tobi Elkin, “Publishers Bet on Tablet PC Content,” *Advertising Age*, January 6, 2003, 17.

20. Tom Lowry, “How Many Magazines Did We Buy Today?” *BusinessWeek*, January 22, 2001, 98–99.

21. Jean Halliday, “Auto Industry Slashes Q1 Ad Spending,” *Advertising Age*, April 5, 2004, 1, 37.

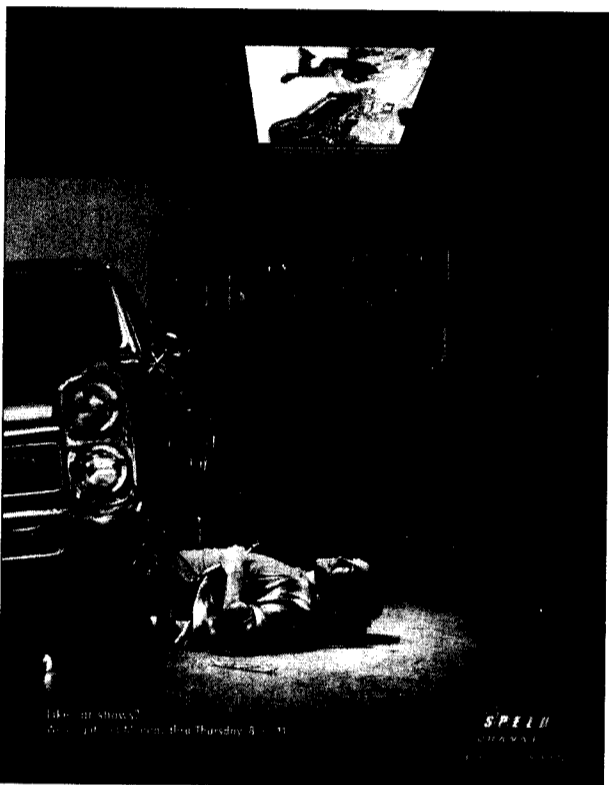


EXHIBIT 15.22

The power and success of cable comes from offering very specific programming through a wide range of cable networks. An example is the Speed Channel, which offers all forms of motor sports programming and commentary.

Local Television. Local television is the programming other than the network broadcast that independent stations and network affiliates offer local audiences. Completely independent stations broadcast old movies, sitcoms, or children's programming. Network affiliates get about 90 hours of programming a week from the major networks, but they are free to broadcast other programming beyond that provided by the network. News, movies, syndicated programs, and community-interest programs typically round out the local television fare.

Satellite/Closed-Circuit. New technology offers another version of television available to advertisers. Programming can now be transmitted to highly segmented audiences via **satellite and closed-circuit** transmission. The best known of these systems is the CNN Airport Network, which transmits news and weather programming directly to airport terminals around the world. A growing segment in this area is programming being delivered via satellite to college campuses. CTN (College Television Network) reaches 5 million college students each week through closed-circuit programming delivered by satellite to thousands of TV monitors on 720 college and university campuses.²⁵

As you can see, while all television may look the same to the average consumer, advertisers actually have five distinct options to consider. Regardless of which type of television transmission advertisers choose, television offers distinct advantages to advertisers as a way to communicate with target audiences.

Advantages of Television. Throughout the book, we have referred to the unique capability of television as an advertising medium. There must be some very

network or cable stations. Syndicated programs provide advertisers with proven programming that typically attracts a well-defined, if not enormous, audience. There are several types of television syndication. **Off-network syndication** refers to programs that were previously run in network prime time. Some of the most popular off-network syndicated shows are *Home Improvement* and *Seinfeld*. The most popular of the off-network syndication shows command significant ad dollars—\$175,000 to \$225,000 for a 30-second ad. Less popular shows are more affordable with prices set between about \$25,000 and \$60,000.²⁵ **First-run syndication** refers to programs developed specifically for sale to individual stations. The most famous first-run syndication show is *Star Trek: The Next Generation*. **Barter syndication** takes both off-network and first-run syndication shows and offers them free or at a reduced rate to local television stations, with some national advertising presold within the programs. Local stations can then sell the remainder of the time to generate revenues. This option allows national advertisers to participate in the national syndication market conveniently. Some of the most widely recognized barter syndication shows are *Jeopardy* and *Wheel of Fortune*.

25. Richard Linnett, "Host of TV Superstars Boost Bullish Syndication Market," *Advertising Age*, March 8, 2004, S4.

26. "SES Americom Distributes MTV Networks' CTN: College Television Network via AMC-3," Business PR Newswire, September 11, 2003, available at <http://www.collegiatepresswire.com>, accessed on May 1, 2004.

good reasons why advertisers such as AT&T, General Motors, and Procter & Gamble invest hundreds of millions of dollars annually in television advertising. The specific advantages of this medium are as follows:

- **Creative opportunities.** The overriding advantage of television compared to other media is, of course, the ability to send a message using both sight and sound. With recent advances in transmission and reception equipment, households now have brilliantly clear visuals and stereo-enhanced audio to further increase the impact of television advertising. In addition, special effects perfected for films such as *The Matrix* are now making their way into advertising prepared for television.
- **Coverage, reach, and repetition.** Television, in one form or another, reaches more than 98 percent of all households in the United States—an estimated 290 million people. These households represent every demographic, economic, and ethnic segment in the United States, which allows advertisers to achieve broad coverage. We have also seen that the cable television option provides reach to hundreds of millions of households throughout the world. Further, no other medium allows an advertiser to repeat a message as frequently as television.
- **Cost per contact.** For advertisers that sell to broadly defined mass markets, television offers a cost-effective way to reach millions of members of a target audience. The average prime-time television program reaches 11 million households, and top-rated shows can reach more than 20 million households. This brings an advertiser's cost-per-contact figure down to an amount unmatched by any other media option—literally fractions of a penny per contact.
- **Audience selectivity.** Television programmers are doing a better job of developing shows that attract well-defined target audiences. **Narrowcasting** is the development and delivery of specialized programming to well-defined audiences. Cable television is far and away the most selective television option. Cable provides not only well-defined programming, but also entire networks—such as MTV and ESPN—built around the concept of attracting selective audiences. The ability to narrowcast is enhanced ever further when cable is combined with other media, as the Creativity box highlights.

Disadvantages of Television. Television has great capabilities as an advertising medium, but it is not without limitations. Some of these limitations are serious enough to significantly detract from the power of television advertising.

- **Fleeting message.** One problem with the sight and sound of a television advertisement is that it is gone in an instant. The fleeting nature of a television message, as opposed to a print ad (which a receiver can contemplate), makes message impact difficult. Some advertisers invest huge amounts of money in the production of television ads to overcome this disadvantage.
- **High absolute cost.** While the cost per contact of television advertising is the best of all media, the absolute cost may be the worst. The average cost of air time for a single 30-second television spot during prime time in fall 2003 was just over \$200,000, with the most popular show, *Friends*, bringing in around \$475,000 for a 30-second spot. Other popular shows commanded impressive numbers as well: *Survivor*, \$390,000; *CSI*, \$310,000, and *ER*, \$404,000.²⁷ Remember this is prime time pricing. Off prime-time slots go for much more modest fees like \$20,000 to \$50,000 for 30 seconds. In addition, the average cost of producing a quality 30-second television spot is around \$300,000 to \$400,000. These costs make television advertising prohibitively expensive for many advertisers. Of course, large, national consumer products companies—for which television advertising is best suited anyway—find the absolute cost acceptable for the coverage, reach, and repetition advantages discussed earlier.

27. Richard Linnett, "Friends' Tops TV Price Chart," *Advertising Age*, September 15, 2003, 1, 46.

- **Poor geographic selectivity.** While programming can be developed to attract specific audiences, program transmission cannot target geographic areas nearly as well. For a national advertiser that wants to target a city market, the reach of a television broadcast is too broad. Similarly, for a local retailer that wants to use television for reaching local segments, the television transmission is likely to reach a several-hundred-mile radius—which will increase the advertiser's cost with little likelihood of drawing patrons.
- **Poor audience attitude and attentiveness.** Since the inception of television advertising, consumers have bemoaned the intrusive nature of the commercials. Just when a movie is reaching its thrilling conclusion—on come the ads. The involuntary and frequent intrusion of advertisements on television has made television

advertising the most distrusted form of advertising among consumers. In a recent survey, only 17 percent of consumers surveyed felt that television advertising affected them in their purchase of a new car compared with 48 percent who claimed that direct mail advertising was a factor in their decision.²⁸

CREATIVITY

Cable and the Web: The Perfect Combination for High Selectivity

The discussion of cable broadcast in the chapter highlights that one of the key advantages of cable is the ability to reach narrowly defined target segments. There are several other advantages of cable related to such "narrowcasting," including combining cable with Web placement to achieve an integrated brand promotion effect. Overall, the key advantages of cable include the following:

- **The expanded reach of cable.** Cable's appeal is growing among key demographic groups such as teens, who spend more time watching cable than broadcast television. Overall, cable now reaches nearly 70 percent of all U.S. households. Cable networks like TBS Superstation and ESPN have over 85 million viewers. Consumers are highly favorable toward cable as a medium. In a recent survey of consumer perceptions of quality across major media (TV, radio, magazines, and newspapers), cable ranked first in 15 of 25 ratings while broadcast television ranked first in only two categories.
- **Highly selective markets/minimal waste.** Cable is much more efficient in reaching target markets than broadcast television is. Viewers have more choices and those more precisely defined choices attract a more well-defined demographic, psychographic, and geographic audience. One of the fastest growing categories for television spending is the kids' TV program. Cable networks like Nickelodeon and the Cartoon Network are experiencing so much demand that the cost of a 30-second spot on such networks has increased 20 percent over the last few years.
- **Integrated brand promotion.** For advertisers who want to add new media options to the media mix, cable offers an interesting combination with the Internet. Cable offers many branded Web sites. In fact, cable-branded Web sites attract more than 60 percent of the audience for media-affiliated Web sites.

Along with—and perhaps as a result of—this generally bad attitude toward television advertising, consumers have developed ways of avoiding exposure. Making a trip to the refrigerator or conversing with fellow viewers are the preferred low-tech ways to avoid exposure. On the high-tech side, **channel grazing**, or using a remote control to monitor programming on other channels while an advertisement is being broadcast, is the favorite way to avoid commercials. When programs have been videotaped for later viewing, zapping and zipping are common avoidance techniques. **Zapping** is the process of eliminating ads altogether from videotaped programs. **Zipping** is the process of fast-forwarding through advertisements contained in videotaped programs.

New technology has created yet another potential method for avoiding advertising—and this development has advertisers greatly concerned. The problem centers on the so-called "V-chip." The **V-chip** is a device that can block television programming based on the program rating system. It was developed as a way for parents to block programming that they do not want their children to see. While that was the original and intended use for the

Sources: Joe Ostrow, "Cable Exec. Cites Value in Tight Market," *Advertising Age*, April 16, 2001, S26; Wayne Friedman and Jon Lafayette, "Kids' Upfront Soars as Prices Rise 15% to 20%," *Advertising Age*, April 26, 2004.

28. Jean Halliday, "Study Claims TV Advertising Doesn't Work on Car Buyers," *Advertising Age*, October 13, 2003, 8.

V-chip, the technology can be easily adapted to block advertisements as well. Two manufacturers, RCA and Panasonic, say they want to build television sets with this sort of technology. Advertisers and broadcasters, of course, are challenging the rights of these manufacturers to build such sets. The consequences of sets with V-chips that block ads could be devastating to advertising revenues.

And, of course, the biggest news and highest-tech way to avoid television advertising is with TiVo. **TiVo**, and similar devices, are digital video recorders (DVRs) that use computer hard drives to store up to 140 hours of television programming. Consumers can use the devices to skip commercials and only watch the programming itself. Indeed, the overwhelming reason consumers use DVRs is to skip commercials. A survey of DVR users revealed that 81 percent of them invested in a DVR primarily to skip commercials, and they claim to fast forward through 75 percent of the ads that appear in the programming that they watch. As of 2004, only 3.5 percent of U.S. households had DVRs, but that percentage is expected to rise rapidly as cable companies like Comcast and Time Warner will make built-in DVRs an option with set-top boxes.²⁹ Obviously, widespread use of DVRs has advertisers looking for ways to get exposure for their brands on television. Do you think it was a coincidence that the winner of NBC's *The Apprentice* drove off in a 2005 Chrysler Crossfire as a bonus prize? And have you noticed the little "plug" that is appearing more and more often at the bottom right of your screen while programming is going on? Again, a way for advertisers to communicate in an age of DVRs.

- **Clutter.** All the advantages of television as an advertising medium have created one significant disadvantage: clutter. The major television networks run about 15 minutes of advertising during each hour of prime-time programming, and cable broadcasts carry about 14 minutes of advertising per hour.³⁰ Research has found that 65 percent of a surveyed group of consumers felt that they were "constantly bombarded with too much" advertising.³¹

A communications environment cluttered with advertising can cause viewers to invoke various information overload defenses to avoid information, as we discussed in Chapter 5.

Buying Procedures for Television Advertising. Discussions in Chapter 13 as well as in this chapter have identified the costs associated with television advertising from both a production and a space standpoint. Here we will concentrate on the issue of buying time on television. Advertisers buy time for television advertising through sponsorship, participation, and spot advertising.

- **Sponsorship.** In a **sponsorship** arrangement, an advertiser agrees to pay for the production of a television program and for most (and often all) of the advertising that appears in the program. Sponsorship is not nearly as popular today as it was in the early days of network television. Contemporary sponsorship agreements have attracted big-name companies such as AT&T and IBM, who often sponsor sporting events, and Hallmark, known for its sponsorship of dramatic series.
- **Participation.** The vast majority of advertising time is purchased on a participation basis. **Participation** means that several different advertisers buy commercial time during a specific television program. No single advertiser has a responsibility for the production of the program or a commitment to the program beyond the time contracted for.
- **Spot advertising.** **Spot advertising** refers to all television advertising time purchased from and aired through local television stations. Spot advertising provides

29. Patrick Seitz, "DVRs Changing Rules of Advertising on TV," *Investor's Business Daily*, April 29, 2004, available at <http://biz.yahoo.com>, accessed May 1, 2004.

30. Andrew Green, "Clutter Crisis Countdown," *Advertising Age*, April 21, 2003, 22.

31. A 2004 Yankelovich Partners poll was cited in Gary Ruskin, "A 'Deal Spiral of Disrespect,'" *Advertising Age*, April 26, 2004, 18.

EXHIBIT 15.23

Television broadcast dayparts
(in Eastern U.S. time zone
segments)

Morning	7:00 A.M. to 9:00 A.M., Monday through Friday
Daytime	9:00 A.M. to 4:30 P.M., Monday through Friday
Early fringe	4:30 P.M. to 7:30 P.M., Monday through Friday
Prime-time access	7:30 P.M. to 8:00 P.M., Sunday through Saturday
Prime time	8:00 P.M. to 11:00 P.M., Monday through Saturday 7:00 P.M. to 11:00 P.M., Sunday
Late news	11:00 P.M. to 11:30 P.M., Monday through Friday
Late fringe	11:30 P.M. to 1:00 A.M., Monday through Friday

national advertisers the opportunity to either adjust advertising messages for different markets or intensify their media schedules in particularly competitive markets. Spot advertising is the primary manner in which local advertisers, such as car dealers, furniture stores, and restaurants, reach their target audiences with television.

A final issue with respect to buying television advertising has to do with the time periods and programs during which the advertising will run. Once an advertiser has determined that sponsorship, participation, or spot advertising (or, more likely, some combination of the last two) meets its needs, the time periods and specific programs must be chosen. Exhibit 15.23 shows the way in which television programming times are broken into **dayparts**, which represent segments of time during a television broadcast day.

Measuring Television Audiences. Television audience measurements identify the size and composition of audiences for different television programming. Advertisers choose where to buy time in television broadcasts based on these factors. These measures also set the cost for television time. The larger the audience or the more attractive the composition, the more costly the time will be.

The following are brief summaries of the information used to measure television audiences.

- **Television households.** **Television households** is an estimate of the number of households that are in a market and own a television. Since more than 98 percent of all households in the United States own a television, the number of total households and the number of television households are virtually the same, about 101 million. Markets around the world do not have the same level of television penetration.
- **Households using television.** **Households using television (HUT)**, also referred to as sets in use, is a measure of the number of households tuned to a television program during a particular time period.
- **Program rating.** A **program rating** is the percentage of television households that are in a market and are tuned to a specific program during a specific time period. Expressed as a formula, program rating is

$$\text{program rating} = \frac{\text{TV households tuned to a program}}{\text{total TV households in the market}}$$

A **ratings point** indicates that 1 percent of all the television households in an area were tuned to the program measured. If an episode of *CSI* is watched by 19.5 million households, then the program rating would be calculated as follows:

$$\text{CSI rating} = \frac{19,500,000}{95,900,000} = 20 \text{ rating}$$

The program rating is the best-known measure of television audience, and it is the basis for the rates television stations charge for advertising on different programs. Recall that it is also the way advertisers develop their media plans from the standpoint of calculating reach and frequency estimates, such as gross rating points.

- **Share of audience.** **Share of audience** provides a measure of the proportion of households that are using television during a specific time period and are tuned to a particular program. If 65 million households are using their televisions during the *CSI* time slot, the share of audience measure is:

$$\text{CSI share} = \frac{\text{TV households tuned to a program}}{\text{total TV households using TV}} = \frac{19,500,000}{65,000,000} = 30 \text{ share}$$

Controversy in Television Measurement. At the outset of the chapter, we revealed that there was some controversy in the area of measuring television audiences in that advertisers have been disputing Nielsen Media ratings particularly with respect to the size and viewing habits of 18-to-34-year-old males. While the 18-to-34-year-old male market is a key source of the controversy, another related issue has to do with technological change in the industry, like the digital video recorders discussed earlier, and their effect on actual television viewing across all audience types.³² Nielsen executives respond by saying that for the 18-to-34-year-old segment specifically and the overall market generally, their national sample and Nielsen National People Meter sample provides accurate data.³³

The Future of Television. The future of television is exciting for several reasons. First, the emerging interactive era will undoubtedly affect television as an advertising medium. Prospects include viewer participation in mystery programs and game shows in which household viewers play right along with studio contestants. Equally as important, though, is that technology is creating the ability to transmit advertising to a wide range of new devices from cell phones to personal digital assistants to pagers. Estimates are that by the year 2005, global interactive advertising will represent an \$83 billion industry.³⁴ And recall the discussion from Chapter 3 regarding the growth of broadband access. By the year 2004, about 25 percent of all adult Americans (about 48 million people) had broadband connections.³⁵ Advertisers will have to seriously consider the implications of this mode of communication and how well it will serve as a way to send persuasive communications. Most specifically, broadband connections will increase the prospect that television advertising will be transmitted via the Internet to either PCs or handheld devices.

Another major change that will affect the future of television is emerging transmission technology. **Direct broadcast by satellite (DBS)** is a program delivery system whereby television (and radio) programs are sent directly from a satellite to homes equipped with small receiving dishes. This transmission offers the prospect of hundreds of different channels. While advertisers will still be able to insert advertising in programs, the role of networks and cable stations in the advertising process will change dramatically. Recently, DBS technology has added a new capability. Rather than transmitting directly to homes, a Japanese company has developed a system to deliver programming to automobiles.

Television advertisers and their agencies also have to be prepared for high-definition television broadcasts. **High-definition television (HDTV)** promises to offer

32. David Bauder, "Network Execs Question Nielsen Accuracy," Yahoo! News, November 16, 2003, available at <http://www.news.yahoo.com>.

33. Michele Greppi, "Nielsen Says Nothing Wrong with Ratings," *Advertising Age*, November 17, 2003, 3.

34. Russ Banham, "Advertising's Future," *Critical Mass*, Fall 2000, 51-56.


35. Anick Jesdanun, "2 in 5 Web Users Have Broadband at Home," Yahoo! News, April 24, 2004, available at <http://www.news.yahoo.com>.

consumers picture and audio clarity that is a vast improvement over current technology. While HDTV equipment will certainly have the capability to reproduce images and sound with extraordinary quality, the uncertainties of visual and audio transmission may compromise the ability of the new HDTV sets to do so.

Television advertising has a high probability of migrating to the Internet. Due in large part to a firm called Unicast, the quality and accessibility of video advertising on the Web is greatly increased. Unicast technology is able to provide 30 seconds of pure video and expanded interactivity shown perfectly to every consumer every time. The company uses full-screen, broadcast-quality video to bring advertising messages online. The two-megabyte Video Commercial plays without any "freezing" or "buffering" and up to eight times faster than most broadband video units.

Finally, consolidation in the industry cannot be ignored. In 2004, Comcast made a \$51 billion bid for all the media owned by Disney. The offer was finally dropped after pressure from both Comcast and Disney shareholders. But Comcast still has acquired about \$20 billion in cable companies.³⁶ Similarly, Rupert Murdoch has been expanding the Direct TV empire of cable holdings and media holdings that generates \$30 billion in revenue from literally every corner of the earth.³⁷ And let's not forget media giants GE, Time Warner, and Disney, all of which in their own right have great broadcast media power. The issue, of course, is the extent to which these big and powerful media companies can end up controlling programming content. It is not automatically the case that big media companies shape programming in a biased way, but that is the concern of media watchdogs.

While it is hard to predict what the future will hold, one thing seems sure—television will continue to grow as an entertainment and information medium for households. The convenience, low cost, and diversity of programming make television an ideal medium for consumers. Additionally, television's expansion around the world will generate access to huge new markets. Television, despite its limitations, will continue to be an important part of the integrated communications mix of many advertisers.

 **Radio.** Radio may seem like the least glamorous and most inconspicuous of the major media. This perception does not jibe with reality. Radio plays an integral role in the media plans of some of the most astute advertisers. Because of the unique features of radio, advertisers invest about \$3.5 billion annually in radio to reach national audiences and over \$16.5 billion per year on local radio advertising.³⁸ There are good reasons why advertisers of all sorts invest in radio as a means to reach target audiences. Let's turn our attention to the different radio options available to advertisers.

Radio Categories. Radio offers an advertiser several options for reaching target audiences. The basic split of national and local radio broadcasts presents an obvious geographic choice. More specifically, though, advertisers can choose among the following categories, each with specific characteristics: networks, syndication, and AM versus FM.

- **Networks.** **Radio networks** operate much like television networks in that they deliver programming via satellite to affiliate stations across the United States. Network radio programming concentrates on news, sports, business reports, and short features. Some of the more successful radio networks that draw large audiences are ABC, CNN, and AP News Network.
- **Syndication.** **Radio syndication** provides complete programs to stations on a contract basis. Large syndicators offer stations complete 24-hour-a-day programming

36. Tom Lowery, Amy Barrett, and Ronald Grover, "A New Cable Giant," *BusinessWeek*, November 18, 2002, 108-118.

37. Catherine Young, et al., "Rupert's World," *BusinessWeek*, January 19, 2004, 53-61.

38. "100 Leading National Advertisers," *Advertising Age*, June 23, 2005, S14.



EXHIBIT 15.24

Satellite radio providers like Sirius are betting that consumers are willing to pay for commercial-free radio and get a greater variety of music and higher-quality sound.

- tion of radio until the 1970s. Today, AM radio broadcasts, even the new stereo AM transmissions, cannot match the sound quality of FM. Thus, most AM stations focus on local community broadcasting or news and talk formats that do not require high-quality audio. Talk radio has, in many ways, been the salvation of AM radio. FM radio stations transmit using frequency modulation (FM). FM radio transmission is of a much higher quality. Because of this, FM radio has attracted the wide range of music formats that most listeners prefer. Radio is, of course, now available via the Web.
- Satellite radio.** Of course the biggest news in radio is satellite radio, which is transmitted from satellites circling the earth. Currently, satellite radio costs a consumer anywhere from \$99 to \$200 to set up and then about \$10 per month for a subscription. The advantages of satellite radio have to do with variety of program, more crisp and clear sound reproduction, and, of course, *no ads on the music channels*. But by 2004, the two leading satellite radio providers, XM Satellite Radio and Sirius Satellite Radio, only had 2 million subscribers combined and both were losing money (see Exhibit 15.24). It remains to be seen whether consumers like the variety and quality offered by satellite radio or whether they will prefer to keep “free” radio and listen to ads. (See the Controversy box.)

Types of Radio Advertising. Advertisers have three basic choices in radio advertising: local spot radio advertising, network radio advertising, or national spot radio advertising. Spot radio advertising attracts 80 percent of all radio advertising dollars in a year. In **local spot radio advertising**, an advertiser places advertisements directly with individual stations rather than with a network or syndicate. Local spot radio dominates the three classes of radio advertising because there are more than 9,000 individual radio stations in the United States, giving advertisers a wide range of choices. And local spot radio reaches well-defined geographic audiences, making it the ideal choice for local retailers.

Network radio advertising is advertising placed within national network programs. Since there are few network radio programs being broadcast, only about \$600 million a year is invested by advertisers in this format.

The last option, **national spot radio advertising**, offers an advertiser the opportunity to place advertising in nationally syndicated radio programming. The leading national spot radio advertisers are listed in Exhibit 15.25. An advertiser can reach millions of listeners nationwide on over 400 radio stations by contracting with Clear Channel’s Premier Radio Networks.

packages that totally relieve a station of any programming effort. Aside from full-day programming, they also supply individual programs, such as talk shows. Large syndication organizations such as Westwood One and Satellite Music Network place advertising within programming, making syndication a good outlet for advertisers.

- AM versus FM.** AM radio stations send signals that use amplitude modulation (AM) and operate on the AM radio dial at signal designations 540 to 1600. AM was the founda-

CONTROVERSY

The Death of Radio?

In 2001, Sirius Satellite Radio launched its third satellite into space from the Soviet Union's once-secret Baikonur Cosmodrome in Kazakhstan. This is the same site where the first earth satellite was launched in 1957 and where the first human in orbit blasted off in 1961. Will this site also be known as the place where the slow death of radio began?

Right now, Sirius delivers 65 streams of commercial-free music in every radio genre and over 50 streams of news, sports, weather, talk, comedy, public radio, and children's programming. Sirius's programming is not available on conventional radio in any market in the United States. The CD-quality sound broadcasts can be accessed only through subscription (about \$10 per month). The company holds one of only two licenses issued by the Federal Communications Commission (FCC) to operate a national satellite radio system. The other is held by XM Satellite Radio.

If the advantages of subscription satellite radio are appealing to radio listeners, it could rattle the very foundation of the \$20 billion-a-year broadcast radio industry. And there are some very high-profile believers. Corporations like General Motors, DaimlerChrysler, and Clear Channel Communications as well as venture capital investors like Prime 66 Partners, Apollo, and Blackstone have sunk over \$3 billion into Sirius and XM. One industry analyst believes that satellite radio is the "next big consumer phenomenon" and that by 2007 it will be generating up to \$10 billion a year.

While all this sounds very exciting and convincing, the reality is that no satellite company has made a profit—quite to the contrary. By the end of 2004, Sirius counted about 100,000 subscribers and nearly \$100 million in revenue, but no profits. So the question remains. Will Sirius and XM grow dramatically and "kill" commercial radio as we have always known it? Or are consumers too accustomed to free radio and the death of radio is greatly exaggerated?

Sources: Bethany McLean, "Satellite Killed the Radio Star," *Fortune*, January 22, 2001, 95. Financial data taken from a Sirius company press release, "Sirius Satellite Radio Retail Market Share Increases in March," April 30, 2004, available at <http://www.sirius.com>.

Advantages of Radio. While radio may not be the most glamorous or sophisticated of the major media options, it has some distinct advantages over newspapers, magazines, and television.

- **Cost.** On both a per-contact and absolute basis, radio is often the most cost-effective medium available to an advertiser. A full minute of network radio time can cost between \$5,000 and \$10,000—an amazing bargain compared with the other media we've discussed. In addition, production costs for preparing radio ads are quite low; an ad often costs nothing to prepare if the spot is read live during a local broadcast.
- **Reach and frequency.** Radio has the widest exposure of any medium. It reaches consumers in their homes, cars, offices, and backyards, and even while they exercise. The wireless and portable features of radio provide an opportunity to reach consumers that exceeds all other media. The low cost of radio time gives advertisers the opportunity to frequently repeat messages at low absolute cost and cost per contact.
- **Target audience selectivity.** Radio can selectively target audiences on a geographic, demographic, and psychographic basis. The narrow transmission of local radio stations gives advertisers the best opportunity to reach narrowly defined geographic audiences. For a local merchant with one store, this is an ideal opportunity. Radio programming formats and different dayparts also allow target audience selectivity. CBS Radio made the decision several years ago to convert four of 13 stations to a rock 'n' roll oldies format to target 35-to-49-year-olds—in other words, the baby boomers.³⁹ Hard rock, new age, easy listening, country, classical, and talk radio formats all attract different audiences. Radio dayparts, shown in Exhibit 15.26, also attract different audiences. Morning and afternoon/evening drive times attract a male audience. Daytime attracts predominantly women; nighttime, teens.
- **Flexibility and timeliness.** Radio is the most flexible medium because of very short closing periods for submitting an ad. This means an advertiser can wait until close to an air date before submitting an ad. With this flexibility, advertisers can

39. Kevin Goldman, "CBS Radio Retunes to Music of the '70s," *Wall Street Journal*, December 30, 1993, B5.

EXHIBIT 15.25

Top 10 national spot radio advertisers (U.S. dollars in millions)

Rank	Advertiser	National Spot Radio Ad Spending		
		2003	2002	% Change
1	SBC Communications	\$144.2	\$108.7	32.7
2	Home Depot	102.5	62.8	63.2
3	Verizon	79.2	71.3	11.2
4	Time Warner	73.4	50.3	45.9
5	News Corp.	67.9	48.9	38.9
6	Safeway	50.9	15.4	229.6
7	ViaCom	45.6	47.9	-4.8
8	Walt Disney	40.5	31.8	27.6
9	ATT Wireless	38.5	43.8	-12.2
10	General Electric	36.6	22.3	64.7

Source: Advertising Age, June 24, 2004, 5-20.

EXHIBIT 15.26

Radio dayparts used for advertising scheduling.

Morning drive time	6:00 A.M. to 10:00 A.M.
Daytime	10:00 A.M. to 3:00 P.M.
Afternoon/evening drive time	3:00 P.M. to 7:00 P.M.
Nighttime	7:00 P.M. to 12:00 A.M.
Late night	12:00 A.M. to 6:00 A.M.

take advantage of special events or unique competitive opportunities in a timely fashion.

- **Creative opportunities.** While radio may be unidimensional in sensory stimulation, it can still have powerful creative impact. Recall that radio has been described as the theater of the mind. Ads such as the folksy tales of Tom Bodett for Motel 6 or the eccentric humor of Stan Freberg are memorable and can have tremendous impact on the attitude toward a brand. In addition, the musical formats that attract audiences to radio stations can also attract attention to radio ads. Research has discovered that audiences who favor certain music may be more prone to listen to an ad that uses songs they recognize and like.⁴⁰

Disadvantages of Radio. As good as radio can be, it also suffers from some severe limitations as an advertising medium. Advertising strategists must recognize these disadvantages when deciding what role radio can play in an integrated marketing communications program.

- **Poor audience attentiveness.** Just because radio reaches audiences almost everywhere doesn't mean that anyone is paying attention. Remember that radio has also been described as audio wallpaper. It provides a comfortable background distraction while a consumer does something else—hardly an ideal level of attentiveness for advertising communication. Consumers who are listening and traveling in a car often switch stations when an ad comes on and divide their attention between the radio and the road.

40. Kevin Goldman, "Hot Songs Are Wooing Younger Ears," *Wall Street Journal*, January 2, 1993, B1.

- **Creative limitations.** While the theater of the mind may be a wonderful creative opportunity, taking advantage of that opportunity can be difficult indeed. The audio-only nature of radio communication is a tremendous creative compromise. An advertiser whose product depends on demonstration or visual impact is at a loss when it comes to radio. And like its television counterpart, a radio message creates a fleeting impression that is often gone in an instant.
- **Fragmented audiences.** The large number of stations that try to attract the same audience in a market has created tremendous fragmentation. Think about your own local radio market. There are probably four or five different stations that play the kind of music you like. Or consider that in the past few years, more than 1,000 radio stations in the United States have adopted the talk-radio format. This fragmentation means that the percentage of listeners tuned to any one station is likely very small.
- **Chaotic buying procedures.** For an advertiser who wants to include radio as part of a national advertising program, the buying process can be sheer chaos. Since national networks and syndicated broadcasts do not reach every geographic market, an advertiser has to buy time in individual markets on a station-by-station basis. This could involve dozens of different negotiations and individual contracts.

Buying Procedures for Radio Advertising. While buying procedures to achieve national coverage may be chaotic, this does not mean they are completely without structure. Although the actual buying may be time-consuming and expensive if many stations are involved, the structure is actually quite straightforward. Advertising time can be purchased from networks, syndications, or local radio stations. Recall that among these options, advertisers invest most heavily in local placement. About 80 percent of annual radio advertising is placed locally. About 15 percent is allocated to national spot placement, and only 5 percent is invested in network broadcasts.

The other factor in buying radio time relates to the time period of purchase. Refer again to Exhibit 15.26. This shows the five basic daypart segments from which an advertiser can choose. The time period decision is based primarily on a demographic description of the advertiser's target audience. Recall that drive-time dayparts attract a mostly male audience, while daytime is primarily female, and nighttime is mostly teen. This information, combined with programming formats, guides an advertiser in a buying decision.

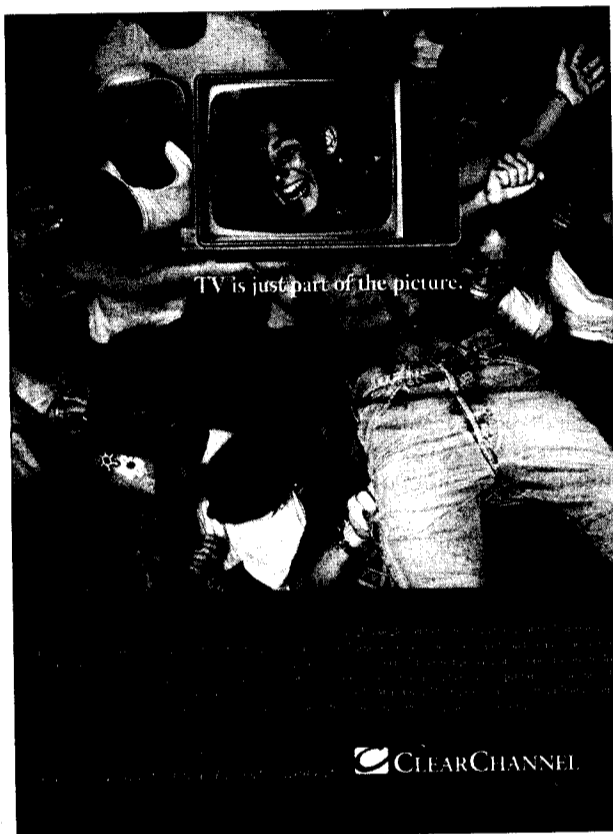
As with magazine buying, radio advertising time is purchased from rate cards issued by individual stations. Run-of-station ads—ads that the station chooses when to run—cost less than ads scheduled during a specific daypart. The price can also increase if an advertiser wants the ad read live on the air by a popular local radio personality hosting a show during a daypart.

The actual process of buying radio time is relatively simple. A media planner identifies the stations and the dayparts that will reach the target audience. Then the rates and daypart availabilities are checked to be sure they match the media-planning objectives. At this point, agreements are made regarding the number of spots to run in specified time frames.

Measuring Radio Audiences. There are two primary sources of information on radio audiences. Arbitron ratings cover 260 local radio markets. The ratings are developed through the use of diaries maintained by listeners who record when they listened to the radio and to what station they were tuned. The *Arbitron Ratings/Radio* book gives audience estimates by time period and selected demographic characteristics. Several specific measures are compiled from the Arbitron diaries:

- **Average quarter-hour persons:** The average number of listeners tuned to a station during a specified 15-minute segment of a daypart.

- **Average quarter-hour share:** The percentage of the total radio audience that was listening to a radio station during a specified quarter-hour daypart.
- **Average quarter-hour rating:** The audience during a quarter-hour daypart expressed as a percentage of the population of the measurement area. This provides an estimate of the popularity of each station in an area.
- **Cume:** The cumulative audience, which is the total number of different people who listen to a station for at least five minutes in a quarter-hour period within a specified daypart. Cume is the best estimate of the reach of a station.
- **RADAR (Radio's All Dimension Audience Research)** is the other major measure of radio audiences. Sponsored by the major radio networks, RADAR collects audience data twice a year based on interviews with radio listeners. Designated listeners are called daily for a one-week period and asked about their listening behavior. Estimates include measures of the overall audience for different network stations and audience estimates by market area. The results of the studies are reported in an annual publication, *Radio Usage and Network Radio Audiences*. Media planners can refer to published measures such as Arbitron and RADAR to identify which stations will reach target audiences at what times across various markets.

**EXHIBIT 15.27**

The radio industry is in a state of flux. While Sirius and XM are providing subscription-based satellite radio programming, Clear Channel Communications has continued to expand its ownership of traditional radio stations and now owns and operates about 1,200 stations throughout the United States.

The Future of Radio. Three factors must be considered with respect to the future of radio. First, the prospects for subscription satellite radio should not be underestimated. Satellite radio does away with radio advertising clutter and offers listeners multiple, detailed choices to match their listening preferences.⁴¹ This is a huge advantage along with the increased audio quality. The key issue, of course, is whether radio listeners will be willing to pay for an entertainment medium that has been free from its inception.

Second, radio will be affected by emerging technologies much in the same way that television will be affected. The potential for transmitting radio programming—and advertising—via the Internet is very real. As broadband technology grows, so too will the attractiveness of Internet transmission of radio programming and advertising, much like the prospects for this technology discussed earlier with respect to television.

Finally, there has been a large degree of consolidation going on in the traditional radio market. Led by Clear Channel Communications (see Exhibit 15.27), fewer big competitors are owning more and more radio stations. Through an aggressive period of acquisitions in the early 2000s, Clear Channel now owns approximately 1,200 radio stations in all regions of the United States. Consolidation provides both opportunities and liabilities for both consumers and advertisers. Opportunities for consumers relate to the consistency of quality in the radio programming available and advertisers will have an easier time buying and placing radio spots.

41. Bethany McLean, "Satellite Killed the Radio Star," *Fortune*, January 22, 2001, 95.

SUMMARY

- Detail the pros and cons of newspapers as a media class, identify newspaper categories, and describe buying and audience measurement for newspapers.

Newspapers can be categorized by target audience, geographic coverage, and frequency of publication. As a media class, newspapers provide an excellent means for reaching local audiences with informative advertising messages. Precise timing of message delivery can be achieved at modest expenditure levels. But for products that demand creative and colorful executions, this medium simply cannot deliver. Newspaper costs are typically transmitted via rate cards and are primarily a function of a paper's readership levels.

- Detail the pros and cons of magazines as a media class, identify magazine categories, and describe buying and audience measurement for magazines.

Three important magazine categories are consumer, business, and farm publications. Because of their specific editorial content, magazines can be effective in attracting distinctive groups of readers with common interests. Thus, magazines can be superb tools for reaching specific market segments. Also, magazines facilitate a wide range of creative executions. Of course, the selectivity advantage turns into a disadvantage for advertisers trying to achieve high reach levels. Costs of magazine ad space can vary dramatically because of the wide array of circulation levels achieved by different types of magazines.

- Detail the pros and cons of television as a media class, identify television categories, and describe buying and audience measurement for television.

The four basic forms of television are network, cable, syndicated, and local television. Television's principal

advantage is obvious: Because it allows for almost limitless possibilities in creative execution, it can be an extraordinary tool for affecting consumers' perceptions of a brand. Also, it can be an efficient device for reaching huge audiences; however, the absolute costs for reaching these audiences can be staggering. Lack of audience interest and involvement certainly limit the effectiveness of commercials in this medium, and digital devices like TiVo that allow the viewer to skip commercials make TV advertising nonexistent for many. The three ways that advertisers can buy time are through sponsorship, participation, and spot advertising. As with any medium, advertising rates will vary as a function of the size and composition of the audience that is watching—yet audience measurement for television is not an exact science and its methods are often disputed.

- Detail the pros and cons of radio as a media class, identify radio categories, and describe buying and audience measurement for radio.

Advertisers can choose from three basic types of radio advertising: local spot, network radio, or national spot advertising. Radio can be a cost-effective medium, and because of the wide diversity in radio programming, it can be an excellent tool for reaching well-defined audiences. Poor listener attentiveness is problematic with radio, and the audio-only format places obvious constraints on creative execution. Satellite radio, which is subscriber-based, does away with advertising entirely on its music stations. Radio ad rates are driven by considerations such as the average number of listeners tuned to a station at specific times throughout the day. Buying and placing ads for radio is becoming easier due to ever-increasing consolidation in the industry.

KEY TERMS

general-population newspapers
business newspapers
ethnic newspapers
gay and lesbian newspapers
alternative press newspapers
display advertising
co-op advertising
preprinted insert
free-standing insert (FSI)
classified advertising
rate card
column inch
standard advertising unit (SAU)
run-of-paper (ROP) or run-of-press
preferred position
full position
circulation
paid circulation
controlled circulation
readership
bleed page
gatefold ads
first cover page
second cover page
third cover page
fourth cover page
double-page spreads
space contract
space order
closing date
on-sale date
cover date
guaranteed circulation
pass-along readership
network television
cable television
off-network syndication
first-run syndication
barter syndication
local television
satellite and closed-circuit
narrowcasting
channel grazing
zapping
zipping
V-chip
TiVo
sponsorship
participation
spot advertising
dayparts
television households
households using television (HUT)
program rating
ratings point
share of audience
direct broadcast by satellite (DBS)
high-definition television (HDTV)
radio networks
radio syndication
local spot radio advertising
network radio advertising
national spot radio advertising
average quarter-hour persons
average quarter-hour share
average quarter-hour rating
cume

QUESTIONS

1. According to the chapter opener, what demographic group is cable television aggressively targeting, and why? What is cable's strategy for reaching this group of potential viewers, and do you think it will be successful? Why or why not?
2. Magazines certainly proved to be the right media class for selling Absolut vodka. Why are magazines a natural choice for vodka advertisements? What has Absolut done with its advertising to take full advantage of this medium?
3. Why have "digazines" fallen out of favor with publishers after receiving so much enthusiasm during the 1990s? Does the digazine have a future, and what advantages does the medium offer versus traditional printed magazines?
4. Peruse several recent editions of your town's newspaper and select three examples of co-op advertising. What objectives do you believe the manufacturers and retailers are attempting to achieve in each of the three ads you've selected?
5. Place your local newspaper and an issue of your favorite magazine side by side and carefully review the content of each. From the standpoint of a prospective advertiser, which of the two publications has a more dramatic problem with clutter? Identify tactics being used by advertisers in each publication to break through the clutter and get their brands noticed.
6. The costs involved in preparing and placing ads in television programming such as the Super Bowl broadcast can be simply incredible. How is it that advertisers such as Pepsi and Nissan can justify the incredible costs that come with this media vehicle?
7. Think about the television viewing behavior you've observed in your household. Of the five means for avoiding TV ad exposure discussed in this chapter, which have you observed in your household? What other avoidance tactics do your friends and family use?
8. The choice between print and broadcast media is often portrayed as a choice between high- and low-involvement media. What makes one medium inherently more involving than another? How will the characteristics of an ad's message affect the decision to employ an involving versus an uninvolved medium?
9. For an advertiser that seeks to achieve nationwide reach, can radio be a good buy? What frustrations are likely to be encountered in using radio for this purpose?
10. What are the potential liabilities and risks to consumers and advertisers of the consolidation of radio station ownership by a few, large media companies?

EXPERIENTIAL EXERCISES

1. Look up the following four sites on the Internet and evaluate which medium (radio, television, magazines, or newspaper) you think is best suited for advertising the brands. Justify your choices based on an evaluation of these brands, and based on the pros and cons of each medium discussed in the chapter.

K2 Snowboards: <http://www.k2snowboards.com>

Cover Girl: <http://www.covergirl.com>

Metro-Goldwyn-Mayer: <http://www.mgm.com>

Southgate House: <http://www.southgatehouse.com>
2. This chapter discusses the cost and buying procedures of four different types of media. Select a favorite magazine, newspaper, radio station, or television station and look over its media cost and buying procedures. (You can obtain rate cards at the company's Internet site or by contacting someone in the sales department.) Using this chapter's cost and buying information as your guide, gather specific ad rate information from the publication or station you selected. How do the rates and specifications of your selection compare with what is listed in the text? If the rates or buying procedures for your selected medium seem different from the ones listed in the text, explain why you think they varied. Do you think the advertising costs are justified for the medium you selected? Explain.

EXPERIENCING THE INTERNET

15-1 Alternative Press

While newspapers across the United States have been suffering a decline in circulation and readership, alternative press weeklies such as the *Village Voice* and *L.A. Weekly* have been growing. In the past, national advertisers often avoided these smaller papers due to their relatively small circulation. In recent years, however, hundreds of alternative press papers formed a network to give advertisers opportunities to transact national advertising buys across the country. This network provides them with an affordable, national reach.

Alternative Weekly Network: <http://www.awn.org>

1. Do alternative press papers provide advertisers with useful segmentation? What kinds of advertisers are likely to be interested in reaching the audience that alternative weeklies provide? Explain.
2. Search around the Alternative Weekly Network site for its demographics information, and read over some of the facts and figures. How is the average alternative-weekly reader depicted? Name an advertiser you think might not wish to target an alternative press audience, and give your reason.
3. Explain the benefits the Alternative Weekly Network provides to national advertisers. How does the service work?

15-2 Making Media Decisions

All media have inherent capabilities and limitations that advertisers must take into account when building a media plan. Even the most creative ad can't achieve sales and communications objectives if placement misses the target audience. These sites represent four major media, each having its unique pros and cons. Visit the sites and rank the usefulness of the media companies to advertisers based on the criteria listed in the questions below.

Fox: <http://www.fox.com>

Chicago Tribune: <http://www.chicagotribune.com>

KROQ: <http://www.kroq.com>

Spin: <http://www.spin.com>

1. Which medium is normally considered the best in terms of audience selectivity? What attributes give it this advantage over other media?
2. Which medium is normally considered the most accessible to the widest range of advertisers? What attributes give it this advantage over other media?
3. Which medium is normally considered the best at providing creative opportunities for an advertiser to express a brand's value? What attributes give it this advantage over other media?
4. Which medium is normally considered to have the greatest frequency and reach? What attributes give it this advantage over other media?

CHAPTER 16

After reading and thinking about this chapter, you will be able to do the following:



Understand the basic components and operation of the Internet.



Identify the nature of the Internet as a medium available for communicating advertising and promotion messages



Describe the different types of search engines used to surf the Web.



Describe the different advertising options on the Web.



Discuss the issues involved in establishing a site on the World Wide Web.

CHAPTER 14
Media Strategy and
Planning for
Advertising and IBP

CHAPTER 15
Media Planning: Print,
Television, and Radio

CHAPTER 16
Media Planning:
Advertising and IBP
on the Internet

SIMON KNOWS MUSIC.

When it comes to finding music on the Web, Simon knows the score. From CDs to changers, artists to audio speakers, Simon helps you to compare prices, products, and album reviews. Simon doesn't sell anything. He searches thousands of online stores and millions of products for the music and audio equipment you want to buy—all from one place. Simon is smart, free, and totally plugged in. And, he can help you get connected too, at mySimon.com.

mySimon.com
The best in comparison shopping.



Introductory Scenario: No Wires Means New Rules. The Internet has been a wild ride since 1999. First a boom. Then the dot.bomb. Now we appear to be firmly into another boom—and it may be permanent. Despite terrorism, recession, and skepticism from the large list of high-profile Internet sites that went from dot.darlings to dot.nots—including eToys, Garden.com, and Pets.com—the Internet has grown at an astounding rate. By 2003, networked business-to-business Internet transactions stood at \$2.4 trillion—fifty percent greater than estimates. Growth in consumer e-commerce was just as spectacular, reaching \$95 billion in 2003—and that was before you and I started buying music online!¹ And the rebound is just as strong with respect to advertising, with online ad revenues approaching \$7.5 billion in 2003, up over 20 percent from 2002.²

But despite this strength and the value of the Internet as we know it today, there is a very good chance that we are really witnessing just the very beginning of the boom in the Internet. Why? One word—wireless. But not the wireless that is now commonly referred to as WiFi. **WiFi** became widely popular in 2004 because it

allowed Internet access connections that reach out about 300 feet. So everyone from coffee drinkers at Starbucks to emergency workers at disaster sites could have wireless access to information through their laptops. No, the new wireless revolution makes WiFi look like child's play for all kinds of applications including the use of the Internet for advertising and promotion. Over the next few years WiFi will yield to three innovative technologies that will push wireless networking into every facet of life from cars to homes to offices to the beach. These technologies are³

- **WiMax.** WiMax is similar to WiFi in that both create "hot spots" around a central antenna within which people can wirelessly tap into the Net with a properly equipped laptop. One major difference—while WiFi creates a hotspot of perhaps 300 feet, WiMax has a range of 25–30 miles!
- **Mobile-Fi.** Mobile-Fi is similar to WiMax in that it has a multi-mile access but adds the capability of accessing the Net while the user is moving in a car or a train.
- **Ultrabroadband.** Ultrabroadband is a technology that will allow people to move extremely large files quickly over short distances. On the road, a driver could download a large file from an on-board PC to a handheld computer. Or, at home, you could do a wireless upload of your favorite concert from your PC to your TV.

FIND THE KID WITH GLASSES



Your search should be easy. That's why we created a search experience where the emphasis is on finding, not searching. We obviously can't read your mind, but by using *Roomba* technology and natural language, Jeeves is able to better understand your keyword, phrase or question. That means a more refined search so you'll get to the relevant results you need a whole lot quicker. Searching is good. Finding is better. Ask Jeeves to find it.

An easier, more intuitive search. **AskJeeves** TO FIND IT.

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EXHIBIT 16.1

In the next decade, new technologies like WiMax will provide wireless access to the Net that extends up to 30 miles. This will open up more ways for consumers to tap into their favorite information sources, like AskJeeves, and more ways for advertisers to reach those surfers.

Scientists at Intel, Alcatel, and Motorola are working on these technologies primarily as modes of communications for the high-speed transmission of data. But, in the practical application, these technologies will allow advertisers to communicate with audiences as Net surfers access the Internet through WiMax or Mobile-Fi. We are all just now getting accustomed to WiFi and the convenience it provides. These new

1. Timothy J. Mullaney et al, "The E-Biz Surprise," *BusinessWeek*, May 12, 2003, 60–68. Using a different methodology, the U.S. Department of Commerce (<http://www.census.gov.estats>) estimates a somewhat lower \$54 billion for 2003.
2. PriceWaterhouseCoopers, "IAB Internet Advertising Report," April 2004, 5.
3. Heather Green, "No Wires. No Rules," *BusinessWeek*, April 26, 2004, 95–97.

technologies are going to make it that much easier to Ask Jeeves any questions you want from any place you want! (See Exhibit 16.1.)

The Role of the Internet in the Advertising Process. As the Internet has developed as a legitimate option for advertisers, many firms like Pepsi (<http://www.pepsiworld.com>) and BMW (<http://www.bmw.com>) have been highly successful in folding the Internet into their integrated brand promotion strategies. A trip to these sites shows that these firms funnel a lot of information and promotion through their Web sites. But what about the Internet *overall* as a medium? What can and what will likely be the role of the Internet in a promotional effort? A few “truths” have made themselves evident to this point.

First, the Internet will *not* be replacing all other forms of advertising. Nor is it even likely that many advertisers will use the Internet as the main method of communicating with a target audience. But, like Pepsi and BMW, advertisers are discovering ways to use the Internet as a key component of integrated brand promotions. The music company Arista, which represents artists like Pink, Dido, and Sarah McLoughlin, uses Internet access like AOL’s Music Discovery Network to deliver digital music streams of popular artists. Exposure through the Web has become a primary method of promoting both new artists and new singles.⁴

Second, yes, things are changing dramatically regarding all aspects of the Internet. The introductory scenario highlighted the new opportunities that wireless will provide. And auction sites like eBay have provided huge opportunities for small business all over the world. As a signal of this rapid change, consider this fact. In the last edition of this book, published in 2003, this chapter on the Internet referred to and cited about 100 different Web sites. As we prepared this current discussion of the Internet and advertising, we found that over 60 percent of those links did not exist! Those were sites that were all prominent and useful to the role and purpose of the Internet and advertising!

In the current view of the Internet and advertising, we will spend most of our time in this chapter focusing on two fundamental issues: the structure of the Internet and the potential of the Internet as an advertising medium. Through these analyses, we will come to a better understanding of how to use the Internet as part of an effective overall advertising and integrated brand promotion effort. First, we will consider a short history of the evolution of the Internet. Then, we’ll have an overview of cyberspace and some of the basics of the way the Internet works. Next, we will consider the different types of advertising that can be used and some of the technical aspects of the process. Finally, we will look at the issues involved in establishing a Web site and developing a brand in the “e-community.”

The (R)evolution of the Internet. Technology changes everything—or at least it has the power and potential to change everything. When it’s communications technology, such as the Internet, it can change something very fundamental about human existence. The Internet-connected consumer is connected to other consumers in real time, and with connection comes community, empowerment, even liberation.

Is the proliferation of the Internet an evolution in communication or a revolution? While revolutions are more common than they used to be, we have witnessed the Internet go through some growing pains. Still, what can be truly revolutionary about the Internet is its ability to alter the basic nature of communication within a commercial channel. And, despite the recent and ongoing shakeout of Internet sites talked about earlier, if you want an e-evolutionary perspective on the Internet and advertising, consider the short history of communication in this channel.⁵

4. Tobi Elkin, “Record Labels Turning to Web to Boost Sales,” *Advertising Age*, June 9, 2003, 16.

5. Gene Koprowski, “A Brief History of Web Advertising,” *Critical Mass*, Fall 1999, 8–14.

In 1994, advertisers began working with Prodigy and CompuServe, which were the first Internet service providers (ISPs). These advertisers had the idea that they would send standard television commercials online. Well, the technology was not in place back then for that to work. That technological fact sent the advertisers and the ISPs back to the drawing board. With the emergence of more commercial ISPs such as America Online and Earthlink, the new Web browsers were worth exploring as a way to send commercial messages. The first Web browser was Mosaic, the precursor to Netscape 1.0, and the first ads began appearing in *HotWired* magazine (the online version of *Wired* magazine) in October 1994. The magazine boasted 12 advertisers including MCI, AT&T, Sprint, Volvo, and ClubMed, and each one paid \$30,000 for a 12-week run of online banner ads with no guarantee of the number or profile of the viewers.

Well, things have certainly changed since those early days. Now, the Internet is being accessed worldwide by just under 1 billion users.⁶ Advertising revenues on the Internet were estimated at about \$7.5 billion in 2004 and estimated to grow to over \$14 billion by 2007.⁷ The medium is used by all forms of companies, large and small, bricks and mortar, virtual, e-commerce, not-for-profit, you name it. Further, the medium is home to tens of thousands of personal Web sites, and the value of the Internet to individual consumers is growing daily. Let's turn our attention to some of the technical aspects of the Internet and then we'll explore the Internet as a strategic advertising and IBP option for advertisers.

An Overview of Cyberspace. We refer to the Internet casually because it has become so prominent in the technological landscape. But just what is this thing called the Internet? The **Internet** is a global collection of computer networks linking both public and private computer systems. It was originally designed by the U.S. military to be a decentralized, highly redundant, and thus reliable communications system in the event of a national emergency. Even if some of the military's computers crashed, the Internet would continue to perform. Today the Internet comprises a combination of computers from government, educational, military, and commercial sources. In the beginning, the number of computers connected to the Internet would nearly double every year, from 2 million in 1994 to 5 million in 1995 to about 10 million in 1996. But beginning in 1998, Internet use accelerated with around 90 million people being connected in the United States and Canada and 155 million people worldwide. Exhibit 16.2 shows that Internet access around the world has continued its accelerated rate of increase with about 1.3 billion users estimated worldwide as of 2006—a tenfold increase in just an eight-year period.⁸

Do not overlook the potential that still remains for Internet communications. The 1.3 billion Internet users represent only about 20 percent of the world's population. Further, countries with large populations, such as Russia and China, have only recently begun to provide widespread access to the Internet. Like many communication technologies, the Internet started rather upscale, but is now broadening to middle- and lower-income consumers with the advent of more affordable PCs and Web TV. Wireless technology will spread the application even further and faster to poor countries that cannot afford the infrastructure needed for wired connections.

1 The Basic Parts. While many of you are no doubt frequent and savvy Web users, you may never have had the chance to explore the foundations of the Internet. Let's take some time to look at the basic parts of the Internet that allow all of us to surf and

6. ClickZ, "Population Explosion," May 10, 2004, available at <http://www.clickz.com>, accessed May 23, 2004.

7. "2003 Marketing Fact Book," *Marketing News*, July 7, 2003, 21. Data provided by Jupitermedia Corp.

8. Estimate provided by Computer Industry Almanac at <http://www.clickz.com>, accessed May 23, 2004.

FIGURE 16.3

Estimates of Internet users worldwide as of 2004.

Country	Number Online	Percent of Total Population
Europe		
Austria	4.6 million	56.7%
Belgium	5.0 million	48.5
Czech Republic	3.5 million	33.6
Denmark	3.7 million	68.5
France	26.3 million	43.7
Germany	41.8 million	50.7
Hungary	3.0 million	30.0
Italy	28.6 million	49.3
Netherlands	10.3 million	63.9
Norway	3.1 million	68.8
Spain	16.6 million	41.2
Brazil	23.1 million	12.6
Mexico	11.1 million	10.5
China	95.8 million	9.3
Japan	77.9 million	61.2
Russia	22.3 million	15.4
United Kingdom	34.1 million	56.8
United States	185.9 million	64.1
World Total	945.0 million	6.7%

Source: Clickz data, <http://www.clickz.com/stats>.

that give advertisers the opportunity to use the Web as another tool in the promotional mix. There are four main components of the Internet: electronic mail, IRC, Usenet, and the World Wide Web. **Electronic mail (e-mail)** allows people to send messages to one another. In 2000, more than 1.5 trillion e-mails were sent from within the United States, which may explain the proliferation of services, technologies, and devices that support electronic messaging and the advertising associated with them—an example of which is seen in Exhibit 16.3. **Internet Relay Chat (IRC)** makes it possible for people to “talk” electronically in real time with each other, despite their geographical separation. For people with common interests, **Usenet** provides a forum for sharing knowledge in a public “cyberspace” that is separate from their e-mail program. Finally, with the **World Wide Web (WWW)**, people can access an immense “web” of information in a graphical environment through the use of programs called Web browsers (such as Netscape and Internet Explorer). Many Web sites are still listed with the prefix `http://`, which stands for *hypertext transfer protocol*, or rules of interaction between the Web browser and the Web server that are used to deal with hypertext. Currently, many Web browsers assume that the file will be in hypertext, so they don’t require users to type out the prefix.

To use the Internet, the user’s personal computer must be connected to the network in some way. The most common way to access the Internet is by using a modem to call a *host computer*, which then provides the *client computer* access to the Internet. The four most common access options are through a commercial online service, such as America Online or Earthlink; a corporate gateway, such as AT&T’s WorldNet Service; a local Internet service provider; or an educational institution. In



The 24/7, come-as-you-are convenience of Internet access is being fostered by new technology and new devices.
<http://www.pocketmail.com>

addition to using one of these networks, a personal computer needs software to communicate and move around while online, such as a Web browser or an e-mail application. For example, if you're interested in the graphic-oriented World Wide Web, then software such as Netscape Navigator or Microsoft Internet Explorer is needed. Or, if you're interested only in e-mail, then a program such as Eudora (<http://www.eudora.com>) will suffice. A new option for novice users and those not in need of computing capability is Web TV. With a simple keyboard and Internet connection, the user's television provides access to the World Wide Web. The user can then surf Web sites and send and receive e-mail. It's not exactly computing, but it is a connection to the Web.

While much of the vocabulary of the Web is common knowledge or intuitive, some of the language of the Web is, well, a mystery. The short glossary in Exhibit 16.4 defines some of the terms you have heard dozens of times, but may not be exactly sure what they really meant.



Internet Media. Internet media for advertising consist of e-mail (including electronic mailing lists), Usenet, and the World Wide Web.

E-Mail. E-mail is frequently used by advertisers to reach potential and existing customers. A variety of companies collect e-mail addresses and profiles that allow advertisers to direct e-mail to a specific group. Widespread, targeted e-mail advertising is just now materializing through organizations like Advertising.com (<http://www.advertising.com>) due to significant consumer resistance to advertisers' direct mailing to personal e-mail addresses (see Exhibit 16.5). Advertising.com will target, prepare, and deliver e-mails to highly specific audiences for advertisers. As techniques and guidelines are better established for direct e-mail advertising, it may become more accepted in the future. Many believe it's only a matter of time, because, historically, advertisers have rarely worried about being too intrusive. A case in point is the emergence of opt-in e-mail, also referred to as permission based e-mail. **Opt-in e-mail** is a list of Web site visitors who have given their permission to receive commercial e-mail about topics and products that interest them. If you have purchased a product online, it is likely you were asked to check a box acknowledging that you would like to receive future information about the company and its products. Service providers like optininc.com (<http://www.optininc.com>) help firms like OfficeMax, American Express, and Exxon manage their opt-in e-mail promotions.

People who wish to discuss specific topics through the Internet often join **electronic mailing lists**. Thousands of mailing lists are available on an incredible variety of topics. A message sent to the list's e-mail address is then re-sent to everybody on the mailing list. Organizations such as L-Soft International (<http://www.lsoft.com>) offer software for managing electronic mailing lists; this software can be downloaded for a few thousand dollars (see Exhibit 16.6). It is currently considered in very bad taste to openly sell products via topical electronic mailing lists, particularly when there is no apparent connection between the mailing list's topic and the advertised product. Product information shared through these mailing lists is similar to traditional word-of-mouth communications and is, at the moment, still in the hands of users.

Usenet. As we saw earlier, Usenet is a collection of discussion groups in cyberspace. People can read messages pertaining to a given topic, post new messages, and answer messages. For advertisers, this is an important source of consumers who care about certain topics. For example, the Usenet group alt.beer is an excellent place for a new microbrewery to promote its product. Advertisers can also use Usenet as a

Term	Definition
applet	A Java program that can be inserted into an HTML page (see definition for HTML below).
banner ad	An advertisement, typically rectangular, used to catch a consumer's eye on a Web page. Banner ads serve as a gateway to send a consumer to an expanded Web page where more extensive information is provided for a firm or a product. Many include an electronic commerce capability whereby a product or service can be ordered through the banner itself.
bandwidth	The capacity for transmitting information through an Internet connection. Internet connections are available through phone lines, cable, or various wireless options.
baud	A measure of data transmission speed, typically referring to a modem.
button	Small clickable square or circle running down the side of a Web site leading to an ad.
clicks	Number of times users click on a banner ad.
click-through	The process of a Web site visitor clicking on a banner ad and being sent to a marketer's home page for further information. Ad banner click-through rates average about 1 percent.
cookie	A piece of information sent by a Web server to a Web browser that tracks Web page activity. Because they identify users and their browsing habits, cookies are at the center of Web privacy issues.
CPC	Cost per click, the price advertisers pay for a banner ad based on the number of clicks the ad registers from Web site visitors.
CPM	Cost per thousand impressions, the long-standing measure of advertising rates used in traditional media and now carried over as a standard for the Internet.
domain name	The unique name of a Web site chosen by a marketer. There are twelve designations for domain names after the unique name chosen by the marketer: .com and .net refer to business and commercial sites; .org refers to an institution or nonprofit organization; .gov identifies government Web sites; .edu refers to academic institutions; .aero for the air transport industry; .biz for businesses; .coop for cooperatives; .info, unrestricted by organizational type; .museum for museums; .name for individuals; .pro for accountants, lawyers, and other professionals.
e-mail	Text messages exchanged via computer, Web TV, and various wireless devices such as Palm Pilots and cell phones.
hit	Used to measure the "traffic" at a Web site. Hits are measured by each time a file server sends a file to a browser. Hits may represent multiple requests by the same visitor and do not provide a measure of the number of people who visit a site (see "unique users" below).
HTML	An acronym that stands for <i>hypertext markup language</i> , which is used to display and link documents to the Web.
interstitial	Pop-up ads that appear when a Web user clicks on a designated (or not designated) area of a Web page.
intranet	An online network <i>internal</i> to a company that can be used by employees. Intranets are even showing up in some households.
link	The clickable connection between two Web sites.
opt-in email	A list of Internet users who sign up for commercial e-mail and give permission to have messages relayed to them via their e-mail addresses.
page views	The number of times a Web site visitor requests a page containing an ad. This measure serves as an indication of the number of times the ad was potentially viewed. Page views is analogous to gross impressions in traditional media.
rich media	Special technology effects used in Internet ads that provide enhanced audio and visual presentation. An example is streaming video.
spam	"Junk" e-mail sent to consumers who haven't requested the information. Not an acronym, the Internet term is said to have derived from a Monty Python skit about a restaurant where everything comes with Spam—the Hormel lunch meat, that is.
sponsorship	Site content paid for by an advertiser.
unique visitors	The number of different individuals who visit a Web site in a specified period of time.
views	Number of times a banner ad is downloaded.

EXERCISES

A glossary of basic Internet terminology.

**You sell sombreros for lizards?
We can find your customers.**



Introducing the Internet's most precise ad delivery system.

With nearly 100 million active Internet users, you need a way to reach your target audience. Our system uses advanced targeting technology to deliver your message to the right people, at the right time, and in the right place. This means more sales and a higher return on investment.

Our system is designed to be easy to use and integrate with your existing marketing efforts. You can target your ads by geographic location, interests, and demographics. This means you can reach the people who are most likely to buy your products or services.

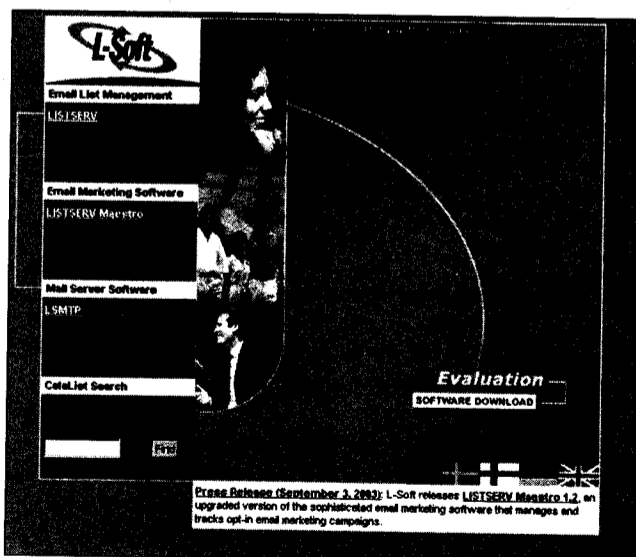
Get more sales and a higher return on investment with our system. Contact us today for a free demo and more information.

Call 1-800-555-1234 or visit us online at www.advertising.com

SUPERIOR TECHNOLOGY. SUPERIOR PERFORMANCE.

EXHIBIT 14.5

Several new service firms have emerged to help marketers place highly targeted e-mail messages on the Internet that serve as customized one-on-one advertising. <http://www.advertising.com>



L-Soft

Small List Management
LISTSERV

Email Marketing Software
LISTSERV Maestro

Mail Server Software
LSMT

Catalist Search

Evaluation
SOFTWARE DOWNLOAD

Press Release (September 3, 2003): L-Soft releases LISTSERV Maestro 1.2, an upgraded version of the sophisticated email marketing software that manages and tracks opt-in email marketing campaigns.

EXHIBIT 14.6

Similar to e-mail messaging, firms can buy complete listservs, lists of e-mail groups, from companies like L-Soft for a few thousand dollars.

source of unobtrusive research, getting the latest opinions on their products and services. Television shows such as *American Idol* often monitor Usenet groups to find out what people think about the show. Usenet is also used as a publicity vehicle for goods and services. Usenet represents a relatively self-segmented word-of-mouth channel.

Uninvited commercial messages sent to electronic mailing lists, Usenet groups, or some other compilation of e-mail addresses is a notorious practice known as **spam**. Estimates showed that 10.4 million spam e-mails were being sent every *minute* worldwide before restrictive legislation was enacted.⁹ As we saw in Chapter 4 in the discussion of social and legal issues, few promotional techniques have drawn as much wrath from consumers and regulators alike as spam. In December 2003, federal anti-spam legislation was signed into law and in May of 2004 the first spammer was convicted. A New York state man accused of stealing Internet accounts to send hundreds of millions of spam messages was sentenced to up to seven years in prison.¹⁰ So spam is not only annoying, now it is illegal and punishable with prison time. But before we close the discussion on spam, here is an interesting note: As annoying as spam seems to be to Web users, it appears to be effective. Those mass e-mailings can get a 5 to 7 percent response compared with 1 to 3 percent for offline direct marketing efforts.¹¹ So before we write off mass e-mails, we had better consider the results, not just the public reaction.

The World Wide Web. Finally, the World Wide Web (WWW) is a "web" of information available to most Internet users, and its graphical environment makes navigation simple and exciting. Of all the options available for Internet advertisers, the WWW holds the greatest potential. It allows for detailed and full-color graphics,

audio transmission, delivery of in-depth messages, 24-hour availability, and two-way information exchanges between the marketer and customer. For some people, spending time on the Web is replacing time spent viewing other media, such as print, radio, and television. There is one great difference between the Web and other cyberadvertising vehicles: The consumer actively searches for the marketer's home page. Of course, Web advertisers are attempting to make their pages much easier to find and, in reality, harder to avoid.

To learn how a firm can make highly effective use of all the Internet media, see the IBP box describing how RCA records put together a Web-based strategy to create a buzz around Christina Aguilera's debut album.

**Surfing the World Wide Web.**

Using software such as Netscape, consumers can simply input the addresses of Web sites they wish to visit and directly access the information available there. However, the Web is a library with no card

9. Stephen Baker, "The Taming of the Internet," *BusinessWeek*, December 15, 2003, 78; Tobi Elkin, "Spam: Annoying but Effective," *Advertising Age*, September 22, 2003, 40.

10. "Buffalo Spammer Found Guilty," *TechWeb News*, May 28, 2004, available at <http://www.informationweek.com>, accessed May 31, 2004.

11. Elkin, "Spam: Annoying but Effective," 40.

Chatting a Star up the Charts

When executives at RCA records started plotting the advertising strategy for Christina Aguilera's debut album, they knew the Internet would play a crucial role in the introductory campaign. They understood that the teen target audience was skeptical and not receptive to traditional media. Or, in the words of one Internet marketing strategist, "They have their B.S. detectors on 11." With that knowledge, RCA put into motion an Internet-based advertising/word-of-mouth strategy to create an Internet buzz around Aguilera and her new album. The strategy was executed in four stages by Electric Artists, an Internet marketing firm that specializes in music marketing.

- **Stage 1:** To monitor what teens already knew about Aguilera and what they were saying, Electric Artists began monitoring popular teen sites such as <http://www.alloy.com> and <http://www.gurl.com> as well as sites created for other teen stars such as the Backstreet Boys and Britney Spears. The firm compiled some important information about fans' reactions to Aguilera's single "Genie in a Bottle" and also learned that there was a budding rivalry between Aguilera fans and Spears fans.
- **Stage 2:** Electric sent a team of cybersurfers to popular sites to start chatting up Aguilera, her single, her past, and the rumor of her new album. The surfers posted messages on sites or e-mailed individual fans with comments like "Does anyone remember Christina Aguilera—she sang the song from *Mulan* called 'Reflection'? I heard she has a new song out called 'Genie in a Bottle' and a new album is supposed to be out this summer." Electric strategists point out, "It's kids marketing to each other."
- **Stage 3:** The promotional strategy ascended to a new level as Electric shifted the emphasis of its Internet communication from Aguilera's single to the album itself. One challenge included motivating fans to go from a \$1.98 purchase to a \$16.00 purchase. Another hurdle was to convince big music retailers such as Amazon.com and CDNow that Aguilera deserved prominent visibility on their Web sites. To complement these strategies, Electric ensured that the album cover and album name were highly memorable to parents who were shopping for their teenagers. This included lots of major magazine and entertainment television media coverage that parents, particularly mothers, would come in contact with.
- **Stage 4:** To retain the momentum gained from the initial Internet effort, Electric continued to strengthen and broaden Aguilera's fan base using a variety of additional Internet strategies. The continually updated Web site offers teen audiences access to concert and TV appearances, chats, fan club information, merchandise, and e-mail. Electric also continues to monitor teen interest in competitors such as Mariah Carey and Whitney Houston to stay connected to the broader teen music scene.

The result of this Internet-based campaign was a number one album and eventually the Best New Artist award at the 2000 Grammy Awards. The story of Christina Aguilera shows that the power of Internet advertising lies in its ability to specifically target and communicate in very specific language to an audience. That is the distinguishing feature of the Internet as an advertising media alternative. The Aguilera story demonstrates that Internet advertising is much more than just banner ads. Currently, major record labels still find the Internet, particularly with the ability to use rich media like streaming video, to be a powerful way to promote new artists and new material.

Sources: Erin White, "Chatting a Singer up the Pop Charts," *Wall Street Journal*, December 5, 1999, B1, B4; Christopher John Farley and David E. Thigpen, "Christina Aguilera: Building a 21st Century Star," *Time*, March 6, 2000, 70–71; Tobi Elkin, "Record Labels Turning to Web to Boost Sales," *Advertising Age*, June 9, 2003, 16.

catalog. There is no central authority that lists all possible sites accessible via the Internet. This condition leads to **surfing**—gliding from page to page. Users can seek and find different sites in a variety of ways: through search engines, through direct links with other sites, and by word of mouth.

A **search engine** allows an Internet user to type in a few keywords, and the search engine then finds all sites that contain the keywords. Search engines all have the same basic user interface but differ in how they perform the search and in the amount of the WWW accessed. There are four distinct styles of search engines: hierarchical, collection, concept, and robot. There are also the special cases of portals, Web community sites, and mega-search engines.



EXHIBIT 16.7

Big Internet sites like Yahoo! offer Internet users a hierarchical search engine to seek out information on the Internet. Notice also that sites like Yahoo! and Lycos provide all sorts of links for travel, games, chat, e-mail, and news and information.
<http://www.yahoo.com>;
<http://www.lycos.com>;
<http://www.excite.com>

Hierarchical Search Engines. Most of you are familiar with Yahoo!, which is an example of a search engine with a hierarchical, subject-oriented system (see Exhibit 16.7). In a **hierarchical search engine**, all sites fit into categories. For example, Nike is indexed as Business and Economy/Shopping and Services/Apparel/Footwear/Athletic Shoes/Brand Names. Users are thus able to find and select a category as well as all the relevant Yahoo! sites. Going to Business and Economy/Shopping and Services/Sports/Snowboarding/Snowboards, for instance, gives a list of nearly 60 companies that sell snowboards on the Web. By checking these sites, a person could find a snowboard company and buy a snowboard over the Web. Although hierarchical sites like Yahoo! are great for doing general searches, they do have some significant limitations. For example, Yahoo!'s database of Web sites contains only submissions. That is, Yahoo! does not actually perform a search of the Web for sites, but contains only sites that users tell it about. Because of this, Yahoo! omits a significant portion of the vast information available on the Web.

Collection Search Engines. A second type of search engine is exemplified by AltaVista. **Collection search engines** use a **spider**, which is an

automated program that crawls around the Web and collects information. As of mid-2000, the collection of Web pages indexed by AltaVista stood at over 3 million. With AltaVista, a person can perform a text search on all of these sites, resulting in access to literally tens of billions of words.

Concept Search Engines. Excite is a concept search engine. With a **concept search engine**, a concept rather than a word or phrase is the basis for the search. Using the alpine skiing example, the top sites with the concept "alpine skiing" are listed in an Excite search. This is a very efficient way of searching, producing relatively focused results compared to AltaVista and with the added ability of using the results of a search to further modify the search. The downside is that concept search engines such as Excite lack the comprehensiveness of collection search engines. Ask Jeeves (<http://www.ask.com>), another concept search engine, allows users to conduct searches using natural-language questions such as, "Who was the fourteenth president of the United States?" (Answer: Franklin Pierce, 1853–1857.)

Robot Search Engines. The newest technique, **robot search engines**, employs **robots** ("bots") to do the work for the consumer by roaming the Internet in search of information fitting certain user-specified criteria. For example, shopping robots specialize in finding the best deals for your music needs (see Exhibit 16.8), insurance needs (<http://www.insweb.com>), or traveling needs (<http://www.travelocity.com>). Web retailers concerned that such robots will result in an electronic marketplace governed entirely by price rather than brand loyalty have designed their sites to either refuse the robot admission to the site or confuse the robot. Still, some analysts believe that future e-commerce will be governed by "shopbots" and that loyalty will shift to the shopbot sites rather than retail brand names. We will explore this issue in great detail in Chapter 19 on direct marketing and e-commerce.

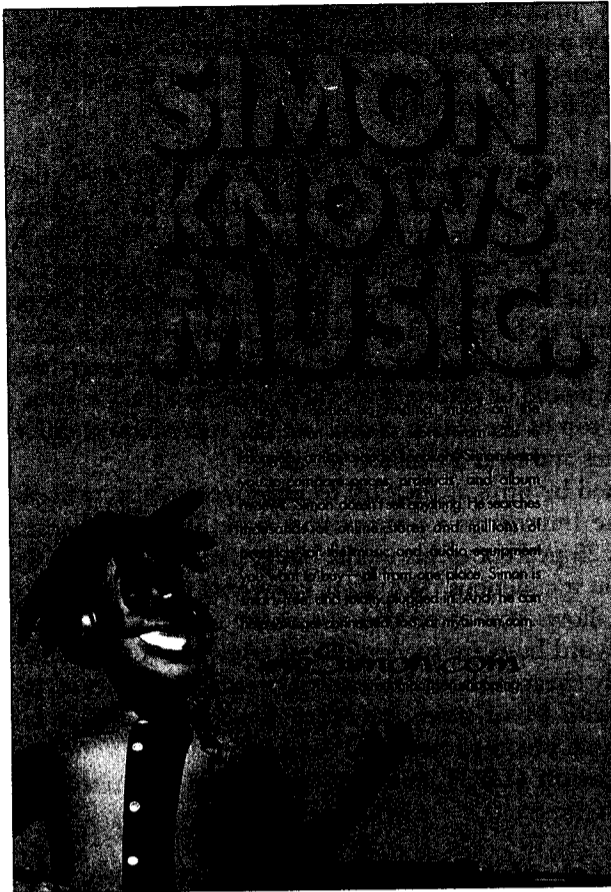


EXHIBIT 16.8

One way to search the Internet is with “shopbots” or “bots.” These automated Internet search engines take directions on what to search for and then deliver it automatically back to the user. <http://www.mysimon.com>

EXHIBIT 16.9

Community portals like *Latina.com* offer the opportunity to visit a site that matches surfers' interests for information on a variety of topics from politics to culture to entertainment. What is teen site *Alloy* (<http://www.alloy.com>) doing to make sure it wins the community portal war? Are the search functions and navigational features of *Alloy.com* designed to direct surfers to particular sites? Does it offer search access to the World Wide Web?

Portals. Portal has assumed the position as the most overused, misused, abused, and confused term in Internet vocabulary. A **portal** is a starting point for Web access and search. Portals can be vertical (serving a specialized market or industries, such as Chemdex [<http://www.chemdex.org>] for the chemical industry), horizontal (providing access and links across industries, such as Verticalnet [<http://www.verticalnet.com>] with its 53 different business trade communities), or ethnic (<http://www.latina.com>; see Exhibit 16.9) or community-based. Several of the large search engines, such as Yahoo! and Google, are focusing their attention on becoming portals for Internet exploring. In addition to providing its own content, AOL serves as a convenient and well-organized entrance to the Web. From AOL a Web surfer can jump to many locations highlighted by AOL, particularly commercial sites who are partnering with AOL and have paid a fee for preferred placement on the site.

The portal wars are already hot, with each portal trying to provide access and incentive for using their service as a gateway to the Internet or commerce. Each is trying to top the other in monthly traffic and advertising revenue. This battle is going to only get hotter in the near term as portals vie for superiority and dominance in the wireless Web, or WiFi as it is called. As we saw at the outset of the chapter, WiFi is a radio signal that beams Internet connections out about 300 feet from a transmitter. A WiFi-accessible area is called a **hot spot**. Any computer equipped with a WiFi receptor can log on to the Internet. In 2003, 18 million people had

wireless Web browsing capability. In 2005, over 90 percent of new laptops sold were WiFi ready.¹² Recall the chapter introduction where the proposition was offered that that wireless Web access appears to be emerging as a key aspect of Web use and one that advertisers have to access for opportunity.

Paid Search. The biggest news in Internet searching is not how it gets done but how much it costs. "**Paid**" search is the process by which companies pay Web search engines and portals to place ads in or near relevant search results. Paid search has grown astronomically is expected to reach \$8 billion by 2008.¹³ The catalyst for growth in paid search has been the success of Google, which pushed the concept from its beginning. Google's search technology fine-tunes the Web user's search to more relevant and specific Web sites. For example, if an astronomy buff enters the word "saturn" in a search, results would be returned for the planet, not the car company. Google has jumped to the top of the search engine world, representing about 48 percent of all Internet inquiries and over \$1 billion in sales.¹⁴

Paid search is extremely valued by firms as they try to improve the effectiveness and efficiency of their use of the Internet as a promotional tool. Steve St. Andre, president of Ford Direct, spends 25 percent of his media budget on paid search and says, "Our goal is to drive online transactions. We want keywords to convert into leads and then sales. . . . Search allows you to rethink the entire advertising model and immediately see which keyword buys are successful and which aren't."¹⁵ And paid search is considered relatively cheap—about 35 cents per verified click achieved through the search, compared with \$1 or more for other direct marketing techniques.¹⁶ But, strategy in paid search is complicated and competitive. Keep your eye out for **search engine optimization (SEO)** courses as consultants and more and more firms join in on paid search.

Personal Web Sites and Blogs. Many people have created their own Web pages that list their favorite sites. This is a fabulous way of finding new and interesting sites—as well as feeding a person's narcissism. For example, the Web site for this book, <http://oguinn.swcollege.com>, is a resource for information about advertising, including links to a wide range of industry resources. Since this page is maintained, updated, and checked regularly, it is a good resource for someone interested in advertising. Although most people find Web pages via Internet resources (over 80 percent of respondents in one survey found Web pages through search engines or other Web pages), sites can also be discovered through traditional word-of-mouth communications. Internet enthusiasts tend to share their experiences on the Web through discussions in coffeehouses, by reading and writing articles, and via other non-Web venues. There are also mega-search engines that combine several search engines at once (for example, <http://www.dogpile.com>).

The newest personal use of the Web is the blog. On a Web site, a **blog**, a short form for Weblog, is a personal journal that is frequently updated and intended for public access. Blogs generally represent the personality of the author or the Web site and its purpose. Topics include brief philosophical musings, favorite hobbies and music, political leanings, commentary on Internet and other social issues, and links to other sites the author favors. The essential characteristics of the blog are its journal form, typically a new entry each day, and its informal style. The author of a blog is often referred to as a **blogger**. People who post new journal entries to their blog may often say they blogged today, they blogged it to their site, or that they still have to blog.

12. Heather Green et al., "WiFi World," *BusinessWeek*, April 28, 2003, 86–92.

13. Tobi Elkin, "Paid Search's Appeal Escalates," *Advertising Age*, October 13, 2003, 62.

14. Melanie Warner, "What Can Your Company Learn from Google?" *Business 2.0*, June 2004, 100–106.

15. Tobi Elkin, "Paid Search's Appeal Escalates," *Advertising Age*, October 13, 2003, 62.

16. Ben Elgin and Timothy J. Mullaney, "Search Engines are Picking Up Steam," *BusinessWeek*, March 24, 2003, 86–87.

While blogs may sound all underground and grassroots-y, nothing could be further from the truth. Search engines Google and Yahoo! are battling for the favor of bloggers and their blogs. Google's Blogger.com is designed to make it easier for novices to create and update their personal blogs for free. Estimates put users of Blogger.com at about 1 million members, 200,000 active blogs and growing rapidly.¹⁷ And big corporations like Procter & Gamble are finding that some of their brands, like Swiffer (a long plastic stick with a swatch of dust-attracting cloth attached to the end), are featured on customer blogs.¹⁸

Advertising on the Internet. A brief history of advertising on the Internet defines the volatility of the Internet industry. In 1995, \$54.7 million was spent advertising on the Internet. Spending in 1996 was around \$300 million. In 1997 it jumped to just around \$1 billion, in 1998 it was somewhere around \$2 billion, and the year 2000 logged in at just over \$8 billion. Then the boom turned to bust and the dot.bomb hit. In 2001 advertising revenues dropped to just over \$7.1 billion and in 2002 another billion went out of the ad market and revenues came in at just over \$6 billion (see Exhibit 16.10). By 2003, a recovery was in process and revenues spiked back to \$7.25 billion and are estimated to grow to about \$14 billion by 2007.¹⁹ It is somewhat humorous to note that at the height of the dot.com "bubble" it was estimated that Internet advertising would reach \$30 billion by 2004—an astronomical growth rate that was never achieved.²⁰ It remains to be seen whether the upward trend begun in 2003 can be sustained.

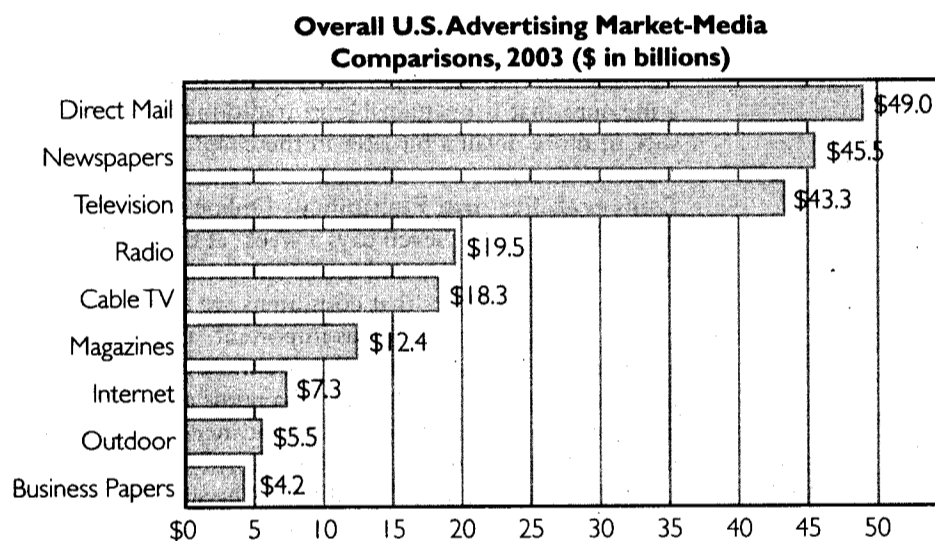


EXHIBIT 16.10

Internet advertising revenues grew dramatically through the year 2000 and then made an abrupt downturn. By 2003, a recovery was taking place with spending reaching \$7.3 billion. Here is a comparison of advertising spending for the Internet and other major media.

17. Michael Liedtke, "Google's Blog Feature Steps Up Yahoo Fight," Associated Press, May 10, 2004, available at <http://www.biz.yahoo.com/ap/>, accessed May 10, 2004.

18. Nancy Einhart, "Clean Sweep of the Market," *Business 2.0*, March 2003, 56.

19. PriceWaterhouseCoopers, "IAB Internet Advertising Report," April 2004, 5; "2003 Marketing Fact Book," *Advertising Age*, July 7, 2003, 21.

20. This estimate was made by the Internet Advertising Bureau, "Total Ad Spend for 2000 Reached US\$8.2 bn," April 22, 2001.

A wide range of issues are associated with using the Internet for advertising purposes. This section begins by exploring the advantages of Internet advertising. Then we'll look at who is advertising on the Internet, the costs associated with Internet advertising, and the different types of Internet advertising.

The Advantages of Internet Advertising. Internet advertising has emerged as a legitimate advertising option for advertisers—and it is not just because the Web represents a new and different technological option. Several unique characteristics of Internet advertising offer advantages over traditional forms.

Target Market Selectivity. The Web offers advertisers a new and precise way to target market segments. Not only are the segments precisely defined (you can place an ad on the numismatist [coin collecting] society page, for example), but the Internet allows forms of targeting that truly enhance traditional segmentation schemes such as demographics, geographics, and psychographics. Advertisers can focus on specific interest areas, but they can also target based on geographic regions (including global), time of day, computer platform, or browser. A great example of a highly targeted site is e.Harmony.com (<http://www.charmony.com>), an electronic matchmaking/dating service. The site claims to be the fastest growing relationship site on the Web and offers free personality profiles to visitors. When American Airlines enlisted the help of TM Advertising to track the Web behavior of the readers of *Wall Street Journal* (<http://www.wsj.com>) online travel columns and then “follow” those surfers around with American Airlines ads at various other sections, response to the online advertising increased 115 percent.²¹

Tracking. The Internet allows advertisers to track how users interact with their brands and learn what interests current and potential customers. Banner ads and Web sites also provide the opportunity to measure the response to an ad by means of hits, a measure that is unattainable in traditional media. We'll discuss tracking and measure in more detail a bit later in the chapter.

Deliverability and Flexibility. Online advertising and Web site content is delivered 24 hours a day, seven days a week, at the convenience of the receiver. Whenever receivers are logged on and active, advertising is there and ready to greet them. Current research estimates that consumers are exposed to about 800 marketing messages online per usage day.²² Just as important, a campaign can be tracked on a daily basis and updated, changed, or replaced almost immediately. This is a dramatic difference from traditional media, where changing a campaign might be delayed for weeks, given media schedules and the time needed for production of ads in traditional media. GMbuy.com (<http://www.globalbuypower.com>) is a perfect example of this kind of deliverability and flexibility. The site allows consumers considering a GM car or truck to visit the site at any time to dig for information about GM vehicles. And, as mentioned earlier, as Web delivery goes wireless, there will be even more flexibility and deliverability for Web communications.

Interactivity. A lofty and often unattainable goal for a marketer is to engage a prospective customer with the brand and the firm. This can be done with Internet advertising in a way that just cannot be accomplished in traditional media. A consumer can go to a company Web site or click through from a banner ad and take a tour of the brand's features and values. A **click-through** is a measure of the number of page elements (hyperlinks) that have actually been requested (that is, “clicked

21. Kris Oser, “Targeting Web Behavior Pays, America Airlines Study Finds,” *Advertising Age*, May 17, 2004, 8.

22. “2003 Marketing Fact Book,” *Marketing News*, July 7, 2003, 21. Data provided by Jupitermedia Corp.

through” from the banner ad to the link). Software is a perfect example of this sort of advantage of the Web. Let’s say you are looking for software to do your taxes. You can log on to H&R Block tax consulting (<http://www.hrblock.com>) and you will find all the software, tax forms, and online information you need to prepare your taxes. Then you can actually file your taxes with both the IRS and your state tax agency! And this sort of interactivity is not reserved for big national companies. Try this as an exercise. Find a sign company in your local phone directory. It is likely that one will have a Web site where you can design your own sign, order it, and ask for it to be delivered. You have complete interaction with the firm and its product without ever leaving your computer.

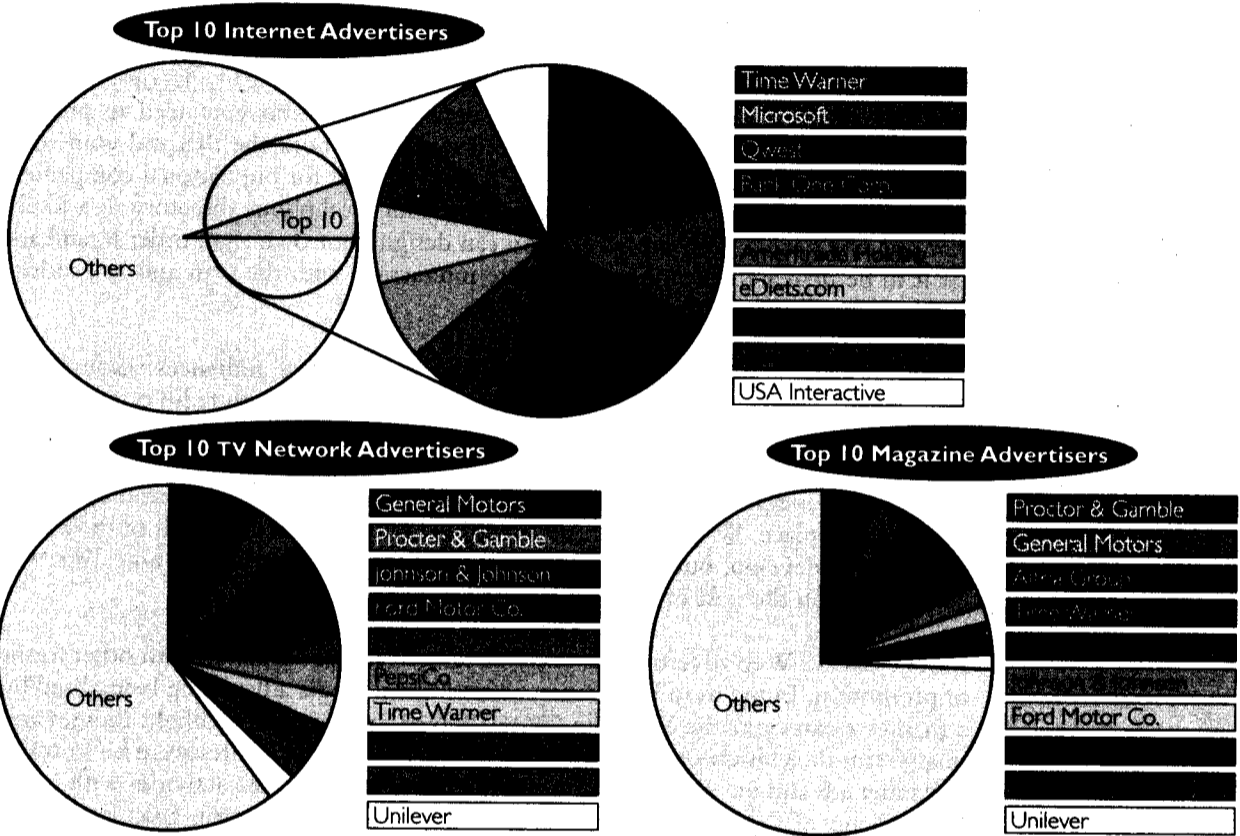
Cost. While the cost-per-thousand numbers on reaching audiences through the Web are still relatively high (see the next section) compared with radio or television, they compare very favorably with magazines, newspapers, and direct marketing. And the cost for producing a Web ad, including both banner ads and Web sites, is relatively low. Banner ads are very cheap at a few hundred or few thousand dollars to produce and place. Web sites can be expensive, tens or even hundreds of thousands of dollars to develop, but the cost may be fixed for a long period of time. We will cover more on the cost of Web advertising shortly.

Integration. Web advertising is easily integrated and coordinated with other forms of promotion. In the most basic sense, all traditional media advertising being used by a marketer can carry the Web site URL. Web banner ads can highlight themes and images from television or print campaigns. Special events or contests can be featured in banner ads and on Web sites. Overall, the integration of Web activities with other components of the marketing mix is one of the easiest integration tasks in the IBP process. This is due to the flexibility and deliverability of Web advertising discussed earlier. A great example of integrating consumer Web behavior with another part of the promotional process, personal selling, is the strategy used by Mazda Corp. It used to be that the salespeople hated the Web because shoppers would come to the showrooms armed with “cost” data on every vehicle obtained from various Web sites. Rather than battle consumers, Mazda embraced the fact that car shoppers surf the Web and search out pricing information. Now, visitors to Mazda showrooms can access Web data from onsite Internet kiosks. Rather than interfering with the personal selling process, one dealership owner claims that the Internet access right at the dealership “helps build trust and close sales faster.”²³

Who Advertises on the Internet? Exhibit 16.11 demonstrates that advertising on the Web, compared with television and magazines, for example, is highly concentrated among a very few advertisers with similar business-model profiles. You can see that the big users of the Web are Internet companies themselves. This will have to change if the WWW is to really challenge traditional media.

The Cost of Internet Advertising. On a cost-per-thousand (CPM) basis, the cost of Web ads for the most part compares favorably with ads placed in traditional media. Exhibit 16.12 shows the comparison of absolute cost and CPM for ads placed in traditional media and on the Web. The real attraction of the Internet is not found in raw numbers and CPMs, but rather in terms of highly desirable, highly segmentable, and highly motivated audiences (see Exhibit 16.13). The Internet is ideally suited for niche marketing—that is, for reaching only those consumers most likely to buy what the marketer is selling. This aspect of the Internet as an advertising option has always been

23. Bob Parks, “Let’s Remake a Dealership,” *Business 2.0*, June 2004, 65–67.



Source: Ad Age Special Report, "100 Leading National Advertisers," June 23, 2003, 5-24.

EXHIBIT 14.11

A comparison of top advertisers on the Web, on television, and in magazines.

EXHIBIT 14.12

The cost per thousand (CPM) for banner ads has been falling steadily over the past several years. However, compared with television or radio broadcasts, banner ad CPM is still relatively high. Notice, however, that the absolute cost in dollars of placing banner ads and other Internet-based communications can be much lower than traditional media.

	Absolute Cost	Cost per Thousand (CPM)
Traditional Media		
Local TV (30-second spot)	\$4,000 to \$45,000	\$12 to \$15
National TV (30-second spot)	80,000 to 600,000	10 to 20
Cable TV (30-second spot)	5,000 to 10,000	3 to 8
Radio (30-second spot)	200 to 1,000	1 to 5
Newspaper (top-10 markets)	40,000 to 80,000	80 to 120
Magazines (regional coverage)	40,000 to 100,000	50 to 120
Direct mail (inserts)	10,000 to 20,000	15 to 40
Billboards	5,000 to 25,000	—
Internet Media		
Banner ads	\$1,000 to \$5,000	\$5 to \$50
Rich media	1,000 to 10,000	40 to 50
E-mail newsletters	1,000 to 5,000	25 to 200
Sponsorship	Variable based on duration	30 to 75
Pop-up/pop-under	500 to 2,000	2 to 50

Sources: Forrester Research, <http://www.forrester.com>; Jennifer Rewick, "Choices, Choices," *Wall Street Journal*, April 23, 2001, R12.



COMMENT 16.13

One of the key advantages of the Internet is that Web sites can be targeted to the very specific information needs of narrowly defined segments.
<http://www.healthgrades.com>

its great attraction: the ability to identify segments and deliver almost-customized (or in the case of e-mail, actually customized) messages directly to them—one by one.

The current Internet audience is relatively affluent, so they do have the means to buy. In cases where there is an active search for product or service information on the Internet, there is also a pre-disposed and motivated audience. This makes the Internet fairly special among advertising-supported vehicles. On the other hand, there are enormous audience measurement problems; we don't really know with much certainty who sees or notices Internet advertising. So advertisers don't know exactly what they are buying. This bothers them. Further, there is some evidence that audience tolerance for Web advertising is actually declining. Recent studies find that Web surfers are even less tolerant of advertising than are average consumers. The number of Web users who say they actively avoid the ads is up, and the number who say they notice ads is down.²⁴ This is consistent with the experience of advertising history in general: As advertising becomes more common, fewer ads are noticed, fewer are accepted, and fewer make any impact at all. Each ad thus becomes less powerful as ads become more common, familiar, and annoying. Advertising has always had a way of being a victim of its own success. What's more, Internet advertising comes into an already crowded and highly cluttered media and information environment.

Regardless of the lack of effective measurement and evaluation of reach, the narrow audience composition, and the unknown impact of Web advertising, companies seem to be afraid of being left behind. Apparently, there is some prestige attached to advertising on the WWW, or at least a feeling of inadequacy to not be there. In addition, most advertisers want to have a well-established Web image in the future, so getting involved now makes sense, even if the best strategy for doing so is unclear. Keeping on eye on the future seems like a good idea, too. By 2005, it is expected that there will be 77 million Internet users under age 18. This means that a new generation of Net surfers and users will be emerging and will be searching the Web with ease.²⁵

Types of Internet Advertising. There are several ways for advertisers to place advertising messages on the Web. The most widely known of these options is the banner ad, which includes several variations. But more complex and elaborate variations on Internet advertising include pop-up ads, e-mail communication, streaming video and audio, corporate Web sites, and virtual malls. We will consider the features and advantages of each of these types of Internet advertising options.

Banner Ads. Banner ads, which account for about 50 percent of all online advertising revenue, are paid placements of advertising on other sites that contain editorial material.²⁶ A variation on the banner that you may encounter is the **skyscraper**, a

24. Stephen Baker, "Pop-up Ads Better Start Pleasing," *BusinessWeek*, December 8, 2003, 40.

25. Bernadette Burke, "Meeting Generation Y," *nua Internet Surveys*, July 19, 1999, available at <http://www.nua.net/surveys/>.

26. Heather Green and Ben Elgin, "Do E-Ads Have a Future?" *BusinessWeek e.biz*, January 22, 2001, 46-49.

tall, skinny banner ad that is a variation on the traditional top-of-the-screen rectangle. A feature of banner ads is that consumers not only see the ad but also can make a quick trip to the marketer's home page by clicking on the ad (this is the "click-through" defined earlier). Thus, the challenge of creating and placing banner ads is not only to catch people's attention but also to entice them to visit the marketer's home page and stay for a while. Many high-traffic Web sites that provide information content have started to rely on advertisers to support their services. General consumer sites such as Yahoo! and HotWired have banner advertisements as part of their revenue-generation scheme.

A more targeted option is to place banner ads on sites that attract specific market niches. For example, a banner ad for running shoes would be placed on a site that offers information related to running. This option is emerging as a way for advertisers to focus more tightly on their target audiences. Currently, advertisers consider WWW users to be a focused segment of their own. However, as the Web continues to blossom, advertisers will begin to realize that, even across the entire Web, there are sites that draw specific subgroups of Web users. These niche users have particular interests that may represent important opportunities for the right marketer.

A pricing evaluation service for banner ads is offered by Interactive Traffic. The I-Traffic Index computes a site's advertising value based on traffic, placement and size of ads, ad rates, and evaluations of the site's quality.²⁷ Firms such as Forrester Research (see Exhibit 16.14) assess the costs of banner ads on a variety of sites and provide an estimate to advertisers of the audience delivered. Complicating the matter now is the fact that consumer resistance to banner ads is increasing. First, most online consumers do not click on Web banner ads. For example, one survey found that only 1 percent of surfers click on banner ads.²⁸ Second, many consumers resent banner ads, which they see as intrusive and annoying; banner ads increase Web page load times due to their complex graphics and animation. (Thus, banner advertisements should be designed with downloading time in mind.) Supporting this trend are fixes called *ad blockers*, which allow consumers to screen out banner ads. And recall the discussion of paid search. Many firms are diverting money from banner ads, with poor hit and click-through rates, to paid search investments with Google and Overture where tracking the effect of the paid search is much more precise.

There is currently wide debate about the value and even the future of banner ads. On the plus side, banner ads now account for a large percentage of online spending by companies trying to use the Web as part of their integrated brand promotion strategy. In addition, a study of recall for banner ads shows that recall for a single ad banner exposure is about 12 percent, which compares favorably with the 10 percent recall for a single exposure to a television ad.

On the negative side of the argument, eMarketer estimates that 99.9 percent of all banner ads don't get clicked. In addition, eMarketer's data suggests that 49 percent of Web surfers don't even look at a banner ad while they surf, and that in order to develop any brand recognition a consumer would have to be exposed to a banner ad 27 times—not a

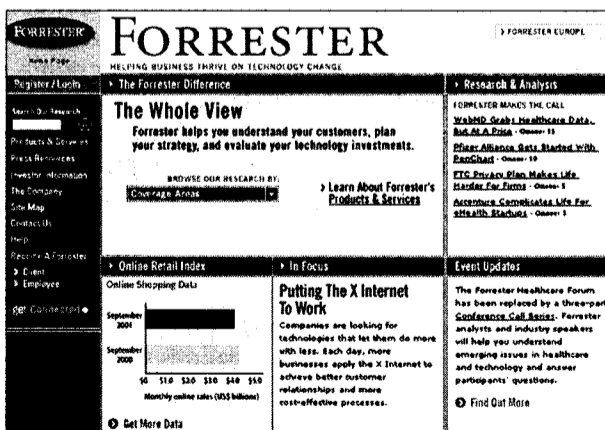


EXHIBIT 16.14

New service and research organizations can track advertising cost and audience delivered for various Web sites. <http://www.forrester.com>

good combination of statistics. The current thinking is that most users of banner advertising will shift their Web spending from banners to strategic partnerships and sponsorships.²⁹

27. K. Cleland, "SRDS, I Join Interactive Frenzy," *Advertising Age*, October 16, 1995, 22.

28. *The Economist*, September 26, 1998.

29. "Consumer Attitudes toward Web Marketing," eMarketing Report, July 7, 1999, available at <http://www.emarketing.com>, accessed March 22, 2000.

Sponsorship. Sponsorship occurs when a firm pays to maintain a section of a site. In some instances a firm may also provide content for a site along with sponsorship. If you go to Yahoo!'s home page (<http://www.yahoo.com>) you'll find that the Yahoo! Movies section and Yahoo! Marketplace section are almost always "sponsored by" a major movie studio and a brokerage house respectively. The Weather Channel Web site (<http://www.weather.com>) is also a site that attracts sponsors. Public service or not-for-profit Web sites often try to recruit local sponsors. In the context of more animated banner ads and paid search, it appears that sponsorships are becoming less and less popular.

Pop-Up/Pop-Under Ads. The only thing surfers hate more than banner ads is pop-up Internet ads. The idea is borrowed from TV. A **pop-up ad** is an Internet advertisement that opens in a separate window while a Web page is loading. The more times people click on these ads, the more money can be charged for the privilege of advertising. If the future of banner ads is uncertain, then the future of pop-ups must be doomed—a recent study found that 62 percent of surfers said that pop-ups interfered with their use of a Web page.³⁰ But, like spam, pop-ups are relatively effective with 2 percent of Web visitors clicking on the pop-up—that's double the click-through

rate for banner ads.³¹ But many service providers are offering "blockers" that greatly reduce an advertiser's ability to get a pop-up onto a user's screen.

A subcategory of pop-up ads is the *interstitial*, also called "splash screen." These appear on a site after a page has been requested but before it has loaded, and stay onscreen long enough for the message to be registered. So a surfer who wants to go to a certain site has to wade through an ad page first, just as a television viewer must watch a commercial before seeing a favorite show. It is often not merely a word from a sponsor, but an invitation to link to another related site.

Pop-under ads are ads that are present "under" the Web user's active window and are visible only once the surfer closes that window. It is debatable as to whether pop-ups or pop-under ads are the greater nuisance. Regardless, if the click-through rate is not identifiable or if paid search begins to completely dominate online advertising investment (as it appears it may), then the pop-up and pop-under ad may end up being a bit of curious Internet history (please!).

E-Mail Communication. As mentioned earlier, e-mail communication may be the Internet's most

advantageous application. Through e-mail, the Internet is the only mass medium capable of customizing a message for thousands or even millions of receivers. The message is delivered in a unique way, one at a time, which no other medium is capable of doing. The growth estimates for e-mail advertising have been greatly reduced given the attitude toward unwanted e-mail and the anti-spam legislation. E-mail advertising does have some promise though. As discussed earlier, when Web users agree to receive e-mails from organizations, this is called opt-in e-mail or **permission marketing**. Some Web firms, such as Inetgiant.com (see Exhibit 16.15), specialize in

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ADVERTISING TO THE WORLD

Auto-mail 75 Million Targeted Opt-In Prospects Every Month
Using The World's Most Astonishing "Set And Forget" Technology!

Got Questions???
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No software to download, no specific expertise required. All from our servers!
Put your website promotion on autopilot!

inetgiant.com will help you get the most out of your website. Do You Think You can make more MONEY if you only had more Prospects? Our System can increase your sales by 1200% monthly launch your Cash Flow into OMBEST!

100% SPAM FREE
Our service is SPAM FREE as we use only unique targeted opt-in email lists and we mailing people that asked for your ad!! Easily and quickly send an ad from your browser to our own opt-in email lists with 1-click! No special software required!

All mail is sent from our own servers.

100% Automated!!!
Powerful and easy to use!

You do not need set up any special software or anything else!

More targeted traffic to your site!

We can automatically generate ANY Business!

Order today - get a **50% rebate**
Usual price \$45 per month

Order today for only **\$16.99** per month

I Agree to your Terms and Conditions

Type your ad on your browser and click "Send". You are done!!!

Send up to 2,500,000 targeted emails every day!
Send Out Email to our own opt-in list!
1-Click emailing is done with your Web browser!
Top quality opt-in email lists that are 100% guaranteed delivered!
Powerful, easy user-friendly interface!
You will never be accused of spamming!
You can use our built email service once every day!
You can use our system to market all of your products and services!
No SPAM complaints!
No trouble with your ISP!
No more paying \$100's for a single email blast!
No special software needed!
Instant account creation!
Messages sent instantly!
Fast and Reliable server!
Automated Email Validators!
Increase your Sales by 1200% overnight. Guaranteed!
More Features Coming Soon!

Amazing Web Site Promotion in Mass Email
A system of online advertising for targeted prospects includes automatic mailings. Subscribers of targeted advertising requests can be included in groups for people interested in new business opportunities, products, or services. There is no software, nor any specific expertise needed. Inetgiant.com will increase your web traffic beyond belief!
Mass Email for Targeted Advertising
Our online advertising is 100% spam-free, as we are only using targeted opt-in email lists. This program only contacts people who ask for your web site promotion. Increase web traffic by sending 2.5+ million emails per day. The fastest, most powerful web site promotion is finally here!
Reasons for Choosing Us
Businesses don't automatically gain profit and internet traffic. Assistance with mass email gives the attention of your next potential client base. Simple prospects become loyal clients with our targeted advertising. Your ad will reach only those prospects who have asked to be included in opt-in email lists for people interested in new business opportunities, products and services. Each ad is sent to several thousand members that will be emailed each time you hit the "Send" button. We work with several online companies to provide you with multiple targeted advertising leads every day.
800-List are discussion groups of mutual interest through which subscribers can exchange information. Whenever you send a message to a 800-List, it is distributed to all the members. We individually notify each subscriber for you to ensure top quality online advertising. Our 800-List increase web traffic by accurately delivering to the right prospects' members every time. All it takes is one click through our incredible online Master, and you will be reaching a 100% opt-in audience that has one of the highest response rates anywhere on the Internet!

EXHIBIT 16.15

E-mail as an advertising alternative can meet with some heavy resistance from Web users. One way to avoid the resistance is to use a permission marketing firm. These firms have lists of consumers who "opt in," or agree to have e-mail sent to them by commercial sources.
<http://www.inetgiant.com>

30. nua Internet Surveys, May 3, 2001, <http://www.nua.ie>, accessed May 28, 2001.

31. Stephen Baker, "Pop-Up Ads Had Better Start Pleasing," *BusinessWeek*, December 8, 2003, 40.

developing what are called "opt-in" lists of Web users who have agreed to accept commercial e-mails.

The data on permission-based e-mailing versus spamming are compelling. Sixty-six percent of Web users who give their permission to have e-mail sent to them indicate that they are either eager or curious to read the e-mail. This compares with only 15 percent of Web users who receive e-mail through spamming.³² And e-mail advertisers are turning to some traditional message strategies such as humor to make the e-mail messages more palatable and interesting. BitMagic, an Amsterdam-based Web advertising specialty firm, has Web users download software containing a joke, cartoon, or game along with the e-mail message.³³

Through e-mail and electronic mailing lists, advertisers can encourage viral marketing. **Viral marketing** is the process of consumers marketing to consumers over the Internet through word of mouth transmitted through e-mails and electronic mailing lists. Hotmail (<http://www.hotmail.com>) is the king of viral marketing. Every e-mail by every Hotmail subscriber used to conclude with the tagline "Get your private, free e-mail at <http://www.hotmail.com>." That viral marketing program helped sign up 12 million subscribers, with 150,000 being added every day.³⁴

Streaming Video and Audio. **Streaming video and audio** is merely the process of inserting TV- and radio-like ads into music and video clips that marketers send to Web users as they visit content networks. Firms such as RealNetworks, NetRadio, and MusicVision insert ads for advertisers. The future of such ads will depend on the ability to deliver bandwidth to accommodate the transmission and consumer access to high-speed Internet connections. The advantage, aside from being more interesting than a banner or a pop-up, is that streaming audio and video can realize click-through rates of 3.5 percent—hundreds of times greater than banner click-throughs.³⁵ There is also academic literature that supports the proposition that adding animation to Internet ads increases click-through rates, recall, and favorable attitudes toward Web ads.³⁶ One firm that experienced great success with streaming video over the Net is Adidas. When Adidas launched an online version of its television ad "Impossible is Nothing," which featured a fantasy bout between Muhammad Ali and his daughter Laila, the two-week Net placement attracted 5 million streams, or viewings. More importantly, the streams drew a large part of its audience from the 12–24-year-old consumer that is highly prized by sport-shoe sellers.³⁷ Similarly, when American Express launched its Superman and Jerry Seinfeld "Webisodes," the firm found much greater receptivity to the four-minute Web video than to its typical 30-second television spot.³⁸

Corporate Home Pages. A **corporate home page** is simply the Web site where a business provides current and potential customers with information about the firm and usually its brands in great detail. The best corporate home pages not only provide corporate and brand information but also offer other content of interest to site visitors. The Saturn site (<http://www.saturn.com>) in Exhibit 16.16 allows people to find out about the line of Saturn cars, pricing, specifications, and the closest dealers. This product-oriented site also allows consumers to request brochures, communicate their comments and questions to the Saturn corporation, and find a dealer when they are ready to make a purchase. A corporate site that falls toward the lifestyle end of the spectrum is the Crayola site (<http://www.crayola.com>) displayed

32. Ibid.

33. Kathryn Kranhold, "Internet Advertisers Use Humor in Effort to Entice Web Surfers," *Wall Street Journal*, August 17, 1999, B9.

34. Steve Jurvetson, "Turning Customers into a Sales Force," *Business 2.0*, March 2000, 231.

35. Green and Elgin, "Do E-Ads Have a Future?" 48.

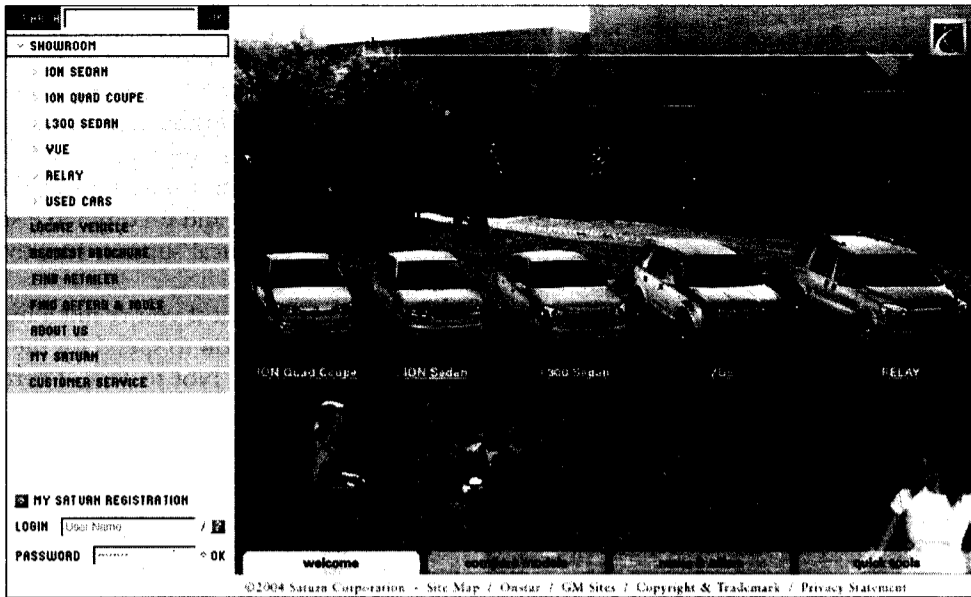
36. S. Shyam Sundar and Sriram Kalyanaraman, "Arousal, Memory, and Impression Formation Effects of Animation Speed in Web Advertising," *Journal of Advertising*, vol. 33, no.1 (Spring 2004), 7–17.

37. Kris Oser, "Adidas Mines Possibilities with Web Effort," *Advertising Age*, May 3, 2004, 79.

38. Brian Steinberg, "Have You Ever Noticed How Web Ads Are More Creative?" *Wall Street Journal*, March 30, 2004, B3.

EXHIBIT 16.16

Some corporate Web sites are developed to be purely information sites. The Saturn site provides extensive product information for the full line of Saturn vehicles. <http://www.saturn.com>



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e-SIGHTINGS

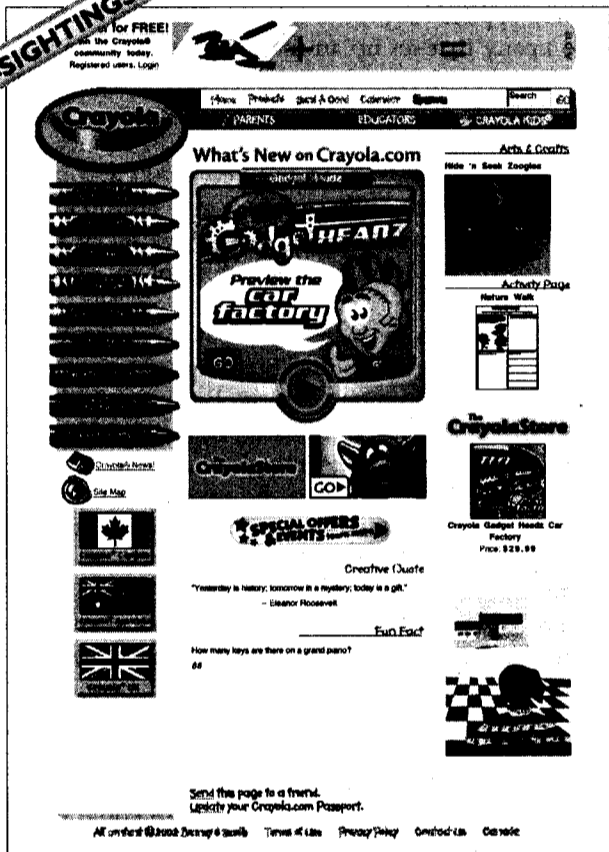


EXHIBIT 16.17

In contrast to purely information sites, other Web sites are more "lifestyle" sites. The Crayola site (<http://www.crayola.com>) offers parents, educators, and kids all sorts of interesting, entertaining, and educational options. Compare the Crayola site to the Good Humor-Breyer's Popsicle site (<http://www.popsicle.com>), and evaluate which one does a better job of focusing on the needs of parents and children.

in Exhibit 16.17. Rather than focusing on its rather famous product, the company decided to focus on the needs of the parents and children who use Crayola crayons. Visitors can do such things as read bedtime stories, search for local child-care providers, discover hints on getting kids to help with housework, and browse movie reviews for family-oriented flicks. And, of course, there is a link to areas where kids can create art with computerized Crayolas (the crayons on the left side of the page).

Virtual Malls. A variation on the corporate Web site is a Web site placed inside a virtual mall. A **virtual mall** is a gateway to a group of Internet storefronts that provide access to mall sites by simply clicking on a category of store, as shown on the Mall Internet site (<http://www.mall-internet.com>). Notice that this site is set up to lead shoppers to product categories. Also notice that when a click is made to a product category, Mall Internet offers "featured store" click-throughs that lead to corporate Web sites and home pages. Having this additional presence gives stores such as the Shaper Image, Shoes.com, and Target more exposure.

Establishing a Site on the World Wide Web.

While setting up a Web site can be done fairly easily, setting up a commercially viable one is a lot harder and a lot more expensive. The top commercial sites can cost \$1 million to develop, about \$4.9 million for the initial launch, and about \$500,000 to over a million dollars

a year to maintain.³⁹ Setting up an attractive site costs so much because of the need for specialized designers to create the site and, most important, to constantly update the site. The basic hardware for a site can be a personal computer, and the software to run the site ranges from free to several thousand dollars, depending on the number of extras needed. A site anticipating considerable traffic will need to plan for higher-capacity connections—and hence, a bigger phone bill. And, many analysts warn that setting up and running a Web and e-commerce site can have several hidden costs like transaction fees and technical support fees that can drive up the cost of running and maintaining a site.⁴⁰

But what if you're not a big IPO Internet firm with several million to spend for the first year of operating of a Web site? Not to fear. There are actually some very inexpensive ways of setting up a site and finding hosts to maintain it if you are a small or medium-size business and want an Internet presence. Companies like 1&1 (<http://www.1and1.com>) offer a wide range of services to the small business including hosting at extremely low cost. These small-business service firms offer hosting that includes maintenance of domain names, Web site connectivity, e-mail accounts, and some limited e-commerce applications for as little as \$9.99 per month. One company that set up an inexpensive site (and still maintains a very simple structure) that is experiencing great success is BackcountryStore.com (<http://www.backcountrystore.com>). The two founders, former ski bums, started with \$2,000 in the year 2000 and now run the second-largest online outdoor gear organization, behind REI.⁴¹ So, while there are ways to spend millions to develop and maintain a site, it is not an absolute necessity.

We also need to keep in mind that using the Web as a key component of a brand-building strategy is not reserved just for consumer brands. Business products advertisers—large firms like Caterpillar (<http://www.cat.com>) or small firms like PrintingForLess.com (<http://www.printingforless.com>)—are discovering the power of the Web in providing both customer service and brand building (see Exhibit 16.18). Plus, there is no more efficient or speedy way to reach a global market. The Global Issues box explains the vast and still emerging potential of the Web for global commerce and brand building.

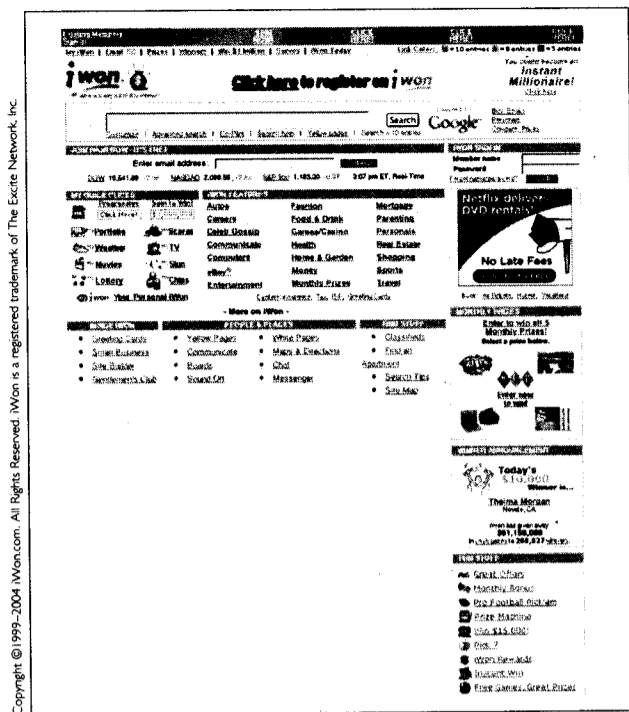
The Web is not just effective in serving household consumers. Business product and service firms of all sorts can use the Web to provide customer service and build brand awareness. From large multinational corporations like Caterpillar (<http://www.cat.com>) to smaller firms like PrintingForLess.com (<http://www.printingforless.com>), the Web is highly effective in providing customer contact, customer service, and brand building.

Getting Surfers to Come Back. Once a site is set up, getting those who spend considerable time on the Internet to spend time at the site and to come back often is a primary concern. When a site is able to attract visitors over and over again and keep them for a long time, it is said to be a **sticky site** or have features that are "sticky." A site with pages and pages showing the product and its specifications may have no appeal beyond attracting a single visit. Even a quick tour of various home

39. Beth Snyder Bulik, "Procter & Gamble's Great Web Experiment," *Business 2.0*, November 28, 2000, 48–50.

40. Lynn Ward, "Hidden Costs of Building an E-Commerce Site," available at <http://www.ecommercetimes.com>, accessed April 28, 2003.

41. Duff McDonald, "A Website as Big (and Cheap) as the Great Outdoors," *Business 2.0*, October 2003, 70–71.



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EXHIBIT 16.19

One of the biggest challenges facing Web marketers is making a site “sticky.” A sticky site gets consumers to stay a long time and come back often. Notice that at the iwon.com site, you not only have a chance to win big money on a daily basis and bigger money on a monthly basis, but you also have access to all sorts of options such as checking sports scores, sending greeting cards, or visiting a chat room. <http://www.iwon.com>

stay at a site and get them to come back. One site that does a good job of using devices such as these is the U.S. Army. Its Web site, <http://www.goarmy.com>, has 1.3 million people registered to play the Army’s Web-based computer game.⁴²

A well-developed site can keep customers coming back for more. A good example is the New Jersey Devils Web page (<http://www.newjerseydevils.com>). Visitors can do more than just read about how their favorite NHL team did the night before. They can read in-depth interviews with players, coaches, and even team trainers. Visitors compete for fan-of-the-month awards, while younger fans get a chance to be sportswriters. Tickets, schedules, and team merchandise are readily available as well as a direct link to the NHL’s main Web site. These features give people multiple reasons to continue to visit the site. Such an approach to Web-presence design has been referred to as **rational branding** and stresses the need for a brand’s Web site to provide some unique informational resource to justify visiting it. Some firms provide advertisers with all the tools they need to develop a sticky site. One such firm is Ingenux (<http://www.ingenux.com>), which provides design and features for Web sites to attract visitors and keep them coming back. And as Web design technology has become widely known, many, many firms are available locally to serve firms.

One crucial Web site feature (regardless of whether consumers are searching for specific information or browsing the Web) is the presence of multiple navigational tools; the more navigational tools available, the more the visitor will like the site. Navigational tools help guide the visitor around the site; examples include home and section icons, a search engine that is specific to the site, and a site index. Just as consumers need a cable guide to help them enjoy their cable services, so too do consumers need resources to help them realize and enjoy all the possibilities of the site.

Success in getting repeat visitors depends on substance, ease of use, and entertainment value. Web users are discriminating in that while pretty pictures are interesting, sites that have high user loyalty offer something more. This can be brand information and ongoing technical support, or it can be general news about a brand category, original writing, or the latest information about just about anything. That’s

pages reveals countless, boring corporate Web pages. Often Web sites merely include rich product descriptions that simply mimic printed brochures. Although such Web sites might satisfy the needs of consumers searching for specific product information, they are unlikely to attract and capture the interest of surfers long enough to get them to come back. The whole idea is to satisfy visitors and get them to come back.

To make a site sticky, a marketer should incorporate engaging, interactive features into the site. For the major hosting sites and portals, recurring information such as the weather, late-breaking news, sports scores, and stock quotes are key to attracting visitors daily or even several times a day. In an effort to break into the world of portals, iwon.com (<http://www.iwon.com>) offers all sorts of links to current information—as well as the chance to win \$10,000 a day or \$1 million each month for using the site—pretty much an all-out assault on trying to get surfers to come back (see Exhibit 16.19). For home pages or Web sites, entertaining features such as online games or videos can also get surfers to

42. Thomas Mucha, “Operation Sign ‘Em Up,” *Business 2.0*, April 2003, 44.

precisely what King Arthur Flour company did when it made the most mundane of commodities, baking flour, the feature of an energized Web site called the Baking Circle (<http://www.bakingcircle.com>).

At this site, members swap recipes, post messages, and upload pictures of baked goods (honest). Is the site popular? Even in our carb-conscious society, the Baking Circle has 100,000 online members.⁴³

GLOBAL ISSUES

The Next Net Wave

It's no secret that the instant you establish a Web site, you have become a "global" company. Any computer user from any part of the globe can access your site and navigate through all the features and information opportunities you care to provide. But as much as we know about the Web as a global medium, it is still hard to appreciate the vast potential that is still available for cultivating a global customer base.

When Internet global opportunities are considered, there is no great opportunity than China. Currently about 100 million Chinese users have piled on to the Net. That makes China second only to the United States as the county with the most Internet subscribers. But it is expected that China will not be No. 2 for very long: Piper Jaffery and Co. estimates that China will pass the United States by 2006. Since 100 million subscribers represent only 10 percent of the Chinese population, whereas nearly 70 percent of the U.S. population is already online, China has huge opportunity for future growth.

The growth is being fueled by several factors. First, Chinese consumers like the Internet for the same reasons Americans do—there is a lot of information and entertainment available. Second, a strong economy is letting more Chinese households buy PCs for access to the Internet. And third, the Internet offers the opportunity for the average Chinese citizen to skirt the Chinese government's tight censorship rules.

Here's a look at the firms currently serving the Chinese market with specific Internet services:

- Sina is the most popular portal in the country with 95 million registered visitors. It has links to online gaming and Yahoo! Auctions.
- Soho sends Internet content to its customers' cellular phones in the form of short text messages.
- Netease is a traditional portal earning revenue through online advertising, text messages, and games.
- Shanda is China's first indigenous online gaming company.
- Tom Online is a new portal that is a spinoff of China's largest traditional media group and will focus on cutting-edge wireless services.

Source: Bruce Einhorn, "The Net's Second Superpower," *BusinessWeek*, March 15, 2004, 54–56.

Purchasing Keywords and Developing a Domain Name.

Online search engines such as Yahoo! sell keywords. A marketer can purchase a keyword such that its banner appears whenever users select that word for a search. For example, when a user searches for a keyword such as "inn" on the search engine Google, he or she will see an ad from a directory for bed-and-breakfast inns. Keyword sponsorship on Google, for example, costs around five cents per impression (\$50 CPM), but has been dropping recently due to competitive pressures. These search engines let advertisers pay a flat monthly fee or a per-impression fee (based on how many people see the ad). Thus, getting a popular word may result in a considerable number of impressions and a higher bill.

Purchasing keywords helps consumers find your site while they search for information. But before purchasing a keyword, a marketer must decide on a domain name first, which establishes the basis for a keyword. A **domain name** is the unique URL through which a Web location is established. If you are The Gap or Sony, your domain name is your corporate name and consumers know how to search for your location. But for thousands of Web startups that provide specialized Web products and services, the domain name

issue is a dilemma. You want the name to be descriptive but unique, and intuitive but distinctive. That was the strategy used by Dennis Scheyer, a consultant, when he recommended that GoToTix.com, a ticketing and entertainment site, stick with its original name. The name was intuitive and easy to remember. But the firm insisted on running a consumer contest to rename the company. Scheyer said of the names

43. Vicki Powers, "Flour Power," *Business 2.0*, June 2004, 80–81.

EXHIBIT 16.20

Firms like VeriSign (<http://www.verisign.com>) are in the business of registering names so surfers have direct access to company Web sites—a process made considerably more complicated by the introduction of TLDs (top-level domains) such as .biz and .name.

that made the final cut, “One sounded like a breakfast cereal you wouldn’t eat. One sounded like a cough medicine. And one sounded like a prophylactic.” In the end, the firm chose Acteva.com (we suspect this is Scheyer’s cough medicine entry) because “Act conveys activity. E signifies E-commerce and ‘va’ has that international flavor.” The company has morphed beyond just tickets and now provides online registration and tracking for all sorts of events from fundraisers to corporate meetings (<http://www.acteva.com>).⁴⁴ Companies like VeriSign help companies identify, register, and manage Internet names and keywords in both domestic and global markets (see Exhibit 16.20).

The newest issue in domain names is the issuance of new top-level domains. The **top-level domain (TLD)** is the suffix that follows the Web site name. Until late 2000, there were only five TLDs—.com, .edu, .org, .gov, and .net. The Internet Corporation for Assigned Names and Numbers (ICANN) is a nonprofit formed in 1998 to coordinate technical management of the domain name system. You can visit their Web site <http://www.icann.org> and learn about the TLD extensions available and the new country-specific TLDs (e.g., .us and .uk).

The whole idea behind releasing new TLDs, like .tv and .us, is, of course, to relieve the pressure on the original five top-level domains. But there is the prospect of a degree of confusion among consumers as similar or identical prefixes are paired with the new suffixes.

Promoting Web Sites. Building a Web site is only the first step; the next is promoting it. Throughout the text, you have seen advertising by companies promoting their Web sites. Several agencies, including BBDO, Wieden & Kennedy, and Ogilvy One, specialize in promoting Web sites. The quickest and lowest-cost way to promote a Web site is to notify Usenet groups. The other key method is to register the site with search engines such as Yahoo! and AltaVista. With Yahoo!, because it is a hierarchical search engine, it is important to pick keywords that are commonly chosen, yet describe and differentiate that site. Other places to register are with the growing Yellow Pages on the Internet (for example, Verizon’s SuperPages, <http://www.bigyellow.com>) and with

44. Laurie Freeman, “Domain-Name Dilemma Worsens,” *Advertising Age*, November 8, 1999, 100.

appropriate electronic mailing lists. It is also important to send out press releases to Internet news sites. E-mail as a form of direct mail is another method to promote the site.

Security and Privacy Issues. Any Web user can download text, images, and graphics from the World Wide Web. Although advertisers place trademark and copyright disclaimers on their online displays, advertisers on the Web have to be willing to accept the consequence that their trademarks and logos can easily be copied without authorization. Currently, there is no viable policing of this practice by users. Thus far, advertisers have taken legal action only against users who have taken proprietary materials and blatantly used them in a fashion that is detrimental to the brand or infringes on the exclusivity of the marketer's own site. This may change.

In Chapter 4 we discussed privacy as an ethical and regulatory issue. At this point, we can consider privacy from a strategic-management standpoint. As we saw in Chapter

4, privacy is a very complex and sensitive topic. Discussions at the highest levels focus on the extent to which regulations should be mandated for gathering and disseminating information about Web use. The concern among advertisers is not just the regulatory aspects of the issue. In addition, consumers are expressing concerns about using the Internet for fear of invasion of privacy—clearly a strategic-management issue. A recent survey found that a whopping 78 percent of consumers surveyed were either very or somewhat concerned that a company would use their personal information to send them unwanted information. This is up from 65 percent two years earlier.⁴⁵

At the center of this debate is the Web research and profiling firm DoubleClick (<http://www.doubleclick.com>). DoubleClick is in the business of helping companies, like FedEx, MTV, and Digitas, identify and understand customer groups to better develop and target marketing, advertising, and promotional efforts (see Exhibit 16.21). Using DoubleClick's proprietary services like DARTmail and ClearEDGE, a company such as 3Com can keep track of the buying habits and traffic patterns of the 30 million people who visit the 3Com Web site each week. But as we learned in Chapter 4, this sort of profiling has come under intense scrutiny. In response, research firms such as Double Click and Avenue A have issued extensive and detailed privacy statements and even appointed chief privacy officers as a way to assure consumers (and regulators) that consumer profile information is used strictly to improve customer service and not to dig into (or sell) information about consumers' private affairs.⁴⁶ This would seem to be the right approach, because consumers claim that with some assurance of privacy, their concerns about surfing or shopping the Web are greatly diminished.⁴⁷ With respect to consumer privacy, the Coalition for Advertising Supported Information and Entertainment (CASIE) has suggested five goals for advertisers, which we've reproduced in Exhibit 16.22. Striving for these goals will certainly contribute to the loyalty and confidence that consumers possess for a brand. Privacy is a legitimate concern for Internet users, and will likely continue to be one for civil libertarians and regulators as well. But one analyst assessed the privacy issue as a situation where, with the excep-

EXHIBIT 16.21

One firm deeply involved in the Internet privacy controversy is DoubleClick. Some critics worry that with sophisticated programs like DARTmail and ClearEDGE DoubleClick may profile and target individuals in such a way so as to create a privacy issue. In an effort to ensure surfers that the firm is not trying to find out and use personal and private information, Double Click has adopted a extensive privacy policy and appointed a chief privacy officer. <http://www.doubleclick.com>

45. Heather Green et al., "It's Time for Rules in Wonderland," *BusinessWeek*, March 20, 2000, 82–96.

46. "DoubleClick Appoints Chief Privacy Officer and Privacy Advisory Board Chairman," company press release, March 8, 2000, available at <http://biz.yahoo.com>, accessed March 17, 2000.

47. Green et al., "It's Time for Rules in Wonderland," 84.

EXHIBIT 16.12

CASIE—the Coalition for Advertising Supported Information and Entertainment—has issued a set of goals for advertisers on the Internet.

1. We believe it is important to educate consumers about how they can use interactive technology to save time and customize product and service information to meet their individual needs. By choosing to share pertinent data about themselves, consumers can be provided the product information most relevant to them and can help marketers service them more economically and effectively.
2. We believe any interactive electronic communication from a marketer ought to disclose the marketer's identity.
3. We believe that marketers need to respect privacy in the use of "personal information" about individual consumers collected via interactive technology. "Personal information" is data not otherwise available via public sources. In our view, personal information ought to be used by a marketer to determine how it can effectively respond to a consumer's needs.
4. We believe that if the marketer seeks personal information via interactive electronic communication, it ought to inform the consumer whether the information will be shared with others. We also believe that before a marketer shares such personal information with others, the consumer ought to be offered an option to request that personal information not be shared. Upon receiving such a request, the marketer ought to keep such personal information confidential and not share it.
5. We believe consumers ought to have the ability to obtain a summary of what personal information about them is on record with a marketer that has solicited them via interactive electronic communication. In addition, a consumer ought to be offered the opportunity to correct personal information, request that such information be removed from the marketer's database (unless the marketer needs to retain it for generally accepted and customary accounting and business purposes), or request that the marketer no longer solicit the customer.

Source: Coalition for Advertising Supported Information and Entertainment, <http://www.casie.com/guide1/priv.html>, accessed June 6, 2004.

tion of DoubleClick, there have been almost no instances where a company has suffered financial loss from a privacy controversy. "A lot of companies take a PR hit, but it is uncertain if that seriously damages their reputation or their customers' good will," said the founder of a consumer advocacy firm.⁴⁸ And it is not clear that consumers themselves (as opposed to critics or watchdog groups) really do care much about privacy. A survey of consumers found that only 6 percent of consumers always read a site's privacy policy and only another 15 percent "sometimes" read the policy.⁴⁹

But a whole new level of concern and controversy may be finding its way into the privacy discussions. As more and more consumers access the Internet through WiFi and in the near future through WiMax, these methods of accessing the Internet are often subject to easy monitoring. In addition, in-home or in-firm wireless systems are easy to hack without the proper security hardware that creates restrictions. It's as easy as sitting in a car with a laptop with an antenna. That's how thieves allegedly snatched credit-card numbers of customers shopping at a Lowe's home improvement store. To protect WiFi systems, firms need to install encryption software known as WiFi Protected Access or develop a "virtual private network" that creates a secure pathway by requiring passwords for access.⁵⁰

Measuring the Effectiveness of Internet Advertising.

The information a Web site typically gets when a user connects with a site is the IP address of

48. Ann Harrison, "Privacy? Who Cares," *Business 2.0*, June 12, 2001, 48–49.

49. "Business 2.0 Snapshot," *Business 2.0*, January 23, 2001, 17.

50. Roger O. Crockett, "For Now, Wi-Fi Is a Hacker's Delight," *BusinessWeek*, January 19, 2004, 79.

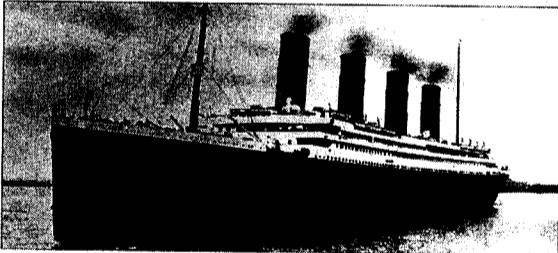
the Internet site that is requesting the page, what page is requested, and the time of the request. This is the minimum amount of information available to a Web site. If a site is an opt-in site and requires registration, then additional information (for example, e-mail address, zip code, gender, age, or household income) is typically requested directly from the user. Attempts at registration (and easy audience assessment) have been largely rejected by consumers because of the privacy concern, but plenty of service providers, such as Nielsen//NetRatings (<http://www.nielsen-netratings.com>), are available to guide marketers through Web measurement options (see Exhibit 16.23).

Several terms are used in Web audience measurement. We will consider the most meaningful of these measurement factors. **Hits** represent the number of elements requested from a given page and consequently provide almost no indication of actual Web traffic. For instance, when a user requests a page with four graphical images, it counts as five hits. Thus by inflating the number of images, a site can quickly pull up its hit count. Consider what might happen at the *Seventeen* magazine site (<http://www.seventeen.com>). The *Seventeen* site may get three million hits a day, placing it among the top Web sites. However, this total of three million hits translates into perhaps only 80,000 people daily. Thus, hits do not translate into the number of people visiting a site. Another measure of site effectiveness is the extent to which a site will motivate visitors to **click through** and request information from the ad as we have discussed before. Most analysts feel that the click-through number (and percentage) is the best measure of the effectiveness Web advertising. If an ad is good enough to motivate a visitor to click on it and follow the link to more information, then that is verification that the ad was viewed and was motivating (more on this later).

Pages (or page views) are defined as the pages (actually the number of HTML files) sent to the requesting site. However, if a downloaded page occupies several screens, there is no indication that the requester examined the entire page. Also, it "doesn't tell you much about how many visitors it has: 100,000 page views in a week could be 10 people reading 10,000 pages, or 100,000 people reading one page, or any variation in between."⁵¹ **Visits** are the number of occasions in which a user X interacted with site Y after time Z has elapsed. Usually Z is set to some standard time such as 30 minutes. If the user has not interacted with the site until after 30 minutes has passed, this would be counted as a new visit. **Users** (also known as unique visitors) are the number of different "people" visiting a site (a new user is determined from the user's registration with the site) during a specified period of time. Besides the address, page, and time, a Web site can find out the referring link address. This allows a Web site to discover what links people are taking to the site. Thus, a site can analyze which links do in

fact bring people to the site. This can be helpful in Internet advertising planning. The problem is that what is really counted are similar unique IP numbers. Many Internet service providers use a dynamic IP number, which is different every time a

**WITH A LITTLE BAD INFORMATION YOU
COULD ACTUALLY GO DOWN IN HISTORY.**



Keep your Internet strategies afloat with high-quality Internet audience research from Nielsen//NetRatings.

Bad information. It can lead to bad decisions and big losses. Especially when it comes to Internet e-commerce, content or advertising strategies. To help you make the right decisions, Nielsen//NetRatings is dedicated to Information Quality.

Our secret? We capture comprehensive Internet user activity in real time from our representative panel of more than 38,000 Internet users: sites visited, ads viewed, media players used, purchasing activity and user connection speeds. It's a great way to know what's really happening on the Internet. How do we do it? Proprietary Internet measurement technology from NetRatings coupled with 50 years of proven research methods from Nielsen Media Research.

What's more, because we collect data in real time from our entire panel, nobody can provide it to you faster. Even overnight analysis is not a problem.

Another Nielsen//NetRatings advantage: our unique in-depth analysis. Nielsen//NetRatings team of analysts pinpoint emerging Internet trends, hot sectors and companies in weekly, monthly and quarterly reports based on our rich database of user behavior.

Whenever you need high quality information and analysis to keep your head above water, count on Nielsen//NetRatings. In fact, call 1-866-634-1222 now for a free copy of our latest E-commerce Trends Report.

Nielsen//NetRatings
Your decisions are only as good as your data.

EXHIBIT 16.23

Because of the technology of the Web, tracking the behavior of Web site visitors is relatively easy. Firms like Nielsen//NetRatings help marketers measure the behavior of Web visitors. <http://www.nielsen-netratings.com>

51. Scott Rosenberg, "Reach for the Hits," Salon.com, February 5, 1999, <http://archive.salon.com/21st/rose/1999/02/05straight.html>. This article focuses exclusively on measurement issues. See also Alan L. Baldinger, "Integrated Communication and Measurement: The Case for Multiple Measures," in Esther Thorson and Jeri Moore, eds., *Integrated Communications* (Mahwah, N.J.: Lawrence Erlbaum Associates, 1996), 271-283.

given user logs in through the service, so “you might show up as 30 different unique visitors to a site you visited daily for a month.”⁵²

Log analysis software is measurement software that not only provides information on hits, pages, visits, and users, but also lets a site track audience traffic within the site. A site could determine which pages are popular and expand on them. It is also possible to track the behavior of people as they go through the site, thus providing inferential information on what people find appealing and unappealing. An example of this software is MaxInfo’s WebC, which allows marketers to track what information is viewed, when it is viewed, how often it is viewed, and where users go within a site. An advertiser can then modify the content and structure accordingly. It can also help marketers understand how buyers make purchase decisions in general. It still isn’t possible, however, to know what people actually do with Web site information.⁵³

Plenty of companies offer measurement services for interactive media. Yet there is no industry standard for measuring the effectiveness of one interactive ad placement over another. There also is no standard for comparing Internet with traditional media placements. Moreover, demographic information on who is using the WWW is severely limited to consumers who have signed up for opt-in programs and, for example, allow targeted e-mails to be sent to them. Until these limitations are overcome, many marketers will remain hesitant about spending substantial dollars for advertising on the World Wide Web. Here is a list of companies providing measurement and evaluation services:

- **Arbitron** (<http://www.arbitron.com>). One of the oldest advertising measurement firms and better known for its traditional media (especially radio and television) measures, Arbitron provides usage and lifestyle data on Internet usage but specializes in providing data on Internet broadcasting.
- **Audit Bureau of Circulations** (<http://www.abcinteractiveaudits.com>). The Audit Bureau has been for many years the main print circulation auditing organization. Recently, the firm has established ABC Interactive (ABCi), which offers independent measurement of online activity to ensure that Web site traffic and ad delivery metrics are accurately reported.
- **eMarketer** (<http://www.emarketer.com>). One of the newer entrants in the advertising measurement area, eMarketer accumulates data from various research sources and provides summary statistics.
- **Jupiter Research** (<http://www.jupiterresearch.com>). This firm provides a wide range of data analysis, research, and advice for firms using the Internet for both promotion and e-commerce.
- **Nielsen//NetRatings** (<http://www.nielsenratings.com>). Probably the highest profile of the data providers, Nielsen has ruled the ratings game for many years. Nielsen relies on its traditional method of finding consumers who are willing to have their media behavior (in this case Internet use) monitored by a device attached to the consumers’ computers.
- **Ranking.com** (<http://www.ranking.com>). Performs market research upon a statistically, geographically, and demographically significant number of Internet surfers. By recording these surfers’ Web site visits, the company calculates the ranking for the top 900,000 (and growing every month) most visited Web sites. This is one of the very few free Web-data-research sites.
- **Simmons Market Research Bureau-SMRB** (<http://www.smr.com>). Simmons measures the media and purchase behaviors of consumers and offers data on more than 8,000 brands across over 460 product categories. Included in these analyses is information on Web use and product purchase.

52. Rosenberg, “Reach for the Hits.”

53. Ibid.

The Caching Complication in Internet Measurement. To conserve resources on the Web, computers employ a system known as caching. **Caching** is a memory function in Web and computer technology. Once a page is downloaded, the cache on the computer saves that page so it can be immediately accessed later. Suppose a person first goes to a Web site's home page. After clicking on a link to go somewhere else, the user decides to go back to the home page. Instead of asking the Web site again for that home page, the user's computer will have stored it in anticipation of the user wanting it again. And commercial online services such as America Online cache heavily trafficked sites on their computers so users get quicker response times when they request that page. Caching, whether on the user's computer or on the site's, conserves Internet resources, commonly called **bandwidth**, because the user is not needlessly requesting the same material twice. However, this complicates matters in measuring activity at the site because once a computer has cached a page, the Web site has no idea whether the user spent considerable time at the page in one visit, returned to the page several times, or immediately moved on.

Caching may result in fewer apparent page requests to a Web site than have actually occurred. Moreover, if a person hits the reload button, a Web site will register more traffic than there actually is. Technological solutions can reduce the amount of caching, thus allowing sites better data on how often a page is viewed, but it comes with the cost of additional bandwidth for the site and a slower response time for the person viewing the site. While cache-busting technology (technology that allows sites to look inside users' computer caches to determine the true number of pages) does exist, its widespread use seems unlikely in the near future. What is possible is that because caching allows a look at whether the site is handling traffic effectively or not, firms can measure the performance of their sites in terms of capacity and expandability.

Internet Measurement and Payment. Internet marketers pay for ads in several ways but they all, in one way or another, depend on the measurement of activity related to Web site visits where banner ads or sponsorships appear. Many pay in terms of impressions. It's supposed to mean the number of times a page with your ad on it is viewed; in reality these are roughly equivalent to hits, or opportunities to view. Often these are priced as flat fees—so many dollars for so many impressions. Others price with pay-per-click, which is in all reality the same as impressions. Others pay in click-throughs. "The overall average for click-throughs for all Web advertising, as we have seen, is an astoundingly low 0.1 percent."⁵⁴ That's one person out of a thousand who bothers to click on a banner ad to seek more information! These rates, down from about 2 percent, are driving down prices on banner ad placement costs—as you might expect. Others will buy on cost per lead (documented business leads) or cost per actual sale (very rare). A net rate refers to the 15 percent discounted rate given to advertising agencies, although direct deals with portals and browsers are very common. Also recall the discussion earlier in the chapter about paid search. Paid search is a completely different way of paying for and tracking the behavior of Web site visitors.

Managing the Brand in an E-Community. A final strategic issue to be considered is the concept of creating a brand community, or e-community, for a brand by using the Internet. The Internet, in addition to providing a new means for advertisers to communicate to consumers, also provides consumers a new and efficient way to communicate with one another. In fact, the social aspect of the Internet is

54. Gary Khermouch and Tom Lowry, "The Future of Advertising," *BusinessWeek*, March 26, 2001.

one of the most important reasons for its success. Via Usenet newsgroups, e-mail, IRC, blogs, and even Web pages, consumers have a new way to interact and form communities. Sometimes communities are formed online among users of a particular brand. These online brand communities behave much like a community in the traditional sense, such as a small town or ethnic neighborhood. They have their own cultures, rituals, and traditions. Members create detailed Web pages devoted to the brand. Members even feel a sense of duty or moral responsibility to other members of the community. For example, among many Volkswagen drivers, it is a common courtesy to pull over to help another VW broken down on the side of the road. Harley-Davidson riders feel a similar sense of affinity and desire to help others who use the same brand when they are in trouble.

In most respects, such communities are a good thing. One of the reasons members of these communities like to get together is to share their experiences in using the brand. They can share what they like about the brand and what it means to them, or suggest places to go to buy replacement parts or have the product serviced. However, advertisers need to be careful not to alienate members or turn them off to the brand. These consumers can also share their dislikes about recent changes in the brand and its advertising, rejecting them if severe enough. Since the Internet makes it easier for members of these communities to interact, brand communities are likely to proliferate in coming years. Consequently, dealing effectively with these communities will be one of the challenges facing advertisers. Several firms, such as Collabrio Technologies' MyEvents.com (<http://www.myevents.com>), have emerged to facilitate the community interaction process by providing shared access to a site that promotes communication

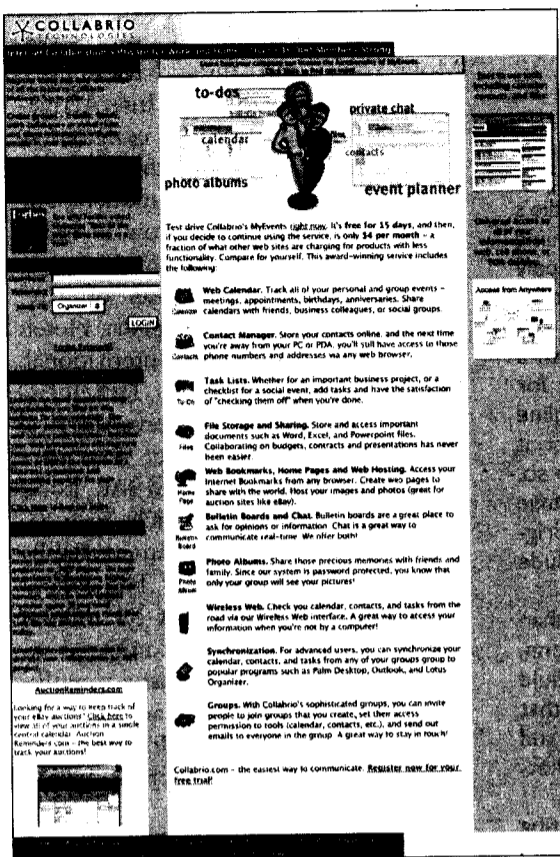


EXHIBIT 16.24

Building an e-community with great loyalty to a site is a tall task. Today's typical computer users have islands of disparate information located everywhere, from on their computer and home bulletin board to in their electronic organizer. Collabrio Corporation provides these users with a free, central place to manage and organize their lives and to share information with any group of people—their friends or family, their investment or book club, or even their co-workers.

between members. (See Exhibit 16.24.) Harley Davidson is a company whose site tries to accomplish e-community interaction. Notice at the Harley Web site, <http://www.harleydavidson.com>, that the events around the country are a highlight for riders. Another technique is to create a community around the brand in a portal-like manner—that is, drawing consumers to a brand site with content and features that include lifestyle and entertainment information much like what the big portals provide. One firm that has always tried to develop community with its Web site is teen apparel seller Candie's. Visit <http://www.candies.com> and read the Creativity box to see how the Candie's site is as community oriented as it is sales oriented.

The Future of Advertising and IBP and the Internet. When it comes to the Internet, talking about the future is usually futile. The future seems to come with every new issue of *BusinessWeek*, *Fortune*, *Wired*, or *Business 2.0*. But the future of the Internet and advertising and IBP seems unavoidably linked to two influences: technology and strategic IBP.

From a technological standpoint, two technologies—wireless communication and Web-launched video—will have the biggest impact. (See Exhibit 16.25.) The AOL/Time Warner merger in 2001 signaled the future direction for the Web and

Web advertising. Time Warner brought to this merger all of its movie studio properties as well as an emerging Internet movie business and digital delivery of Warner

Bros. movies on demand. Time Warner also has Time Warner cable television. What AOL brought to the merger, of course, was AOL's online services, including Netscape, CompuServe, MovieFone, and Instant Messenger. Now another media giant, InterActive-Corp, is putting together a conglomerate of Internet companies that can promote and sell each other's products. The collection of Web sellers now included in IAC/InterActiveCorp (<http://www.usainteractive.com>) consists of IAC Travel, which includes Expedia, Hotels.com, Hotwire, Interval International, and TV Travel Shop; HSN; Ticketmaster, which oversees ReserveAmerica; Match.com; LendingTree; Precision Response Corporation; and IAC Local and Media Services, which includes Citysearch, Evite, Entertainment Publications, and TripAdvisor.⁵⁵ The collection of sites attracts about 50 million visitors a month (small compared to Yahoo!'s 250 million visitors a month), but visitors to IAC sites are there to buy, not just browse. This Internet promotion empire reached over \$10 billion in sales in 2003.⁵⁶

Mergers and partnerships of broadcast and Internet firms is one side of the story. On the other side, advertisers and advertising agencies are preparing for new opportunities with "broadcast Web." For example, *Forbes* and Sears, Roebuck have tested new technology that can instantly connect TV sets to specific Internet sites. With this technology, TV watchers can click on an icon during a television program and be connected to Web sites pertaining to the nature of the programming—sports, entertainment, news, and so

forth.⁵⁷ Not only does this technology merge the Net with television programming, but it can also provide advertisers with general demographic and preference data to its registered users without resorting to names or e-mail addresses—the crux of the privacy concerns we have discussed. In the words of one agency executive, "This will



Skipping Sales in Favor of Community

Candie's, a teen-focused, hip shoe and apparel maker, knew that the world was going online and it felt that it needed to keep up. But the New York-based company faced a problem. As a wholesaler, Candie's was hesitant to bypass retailers and go direct to consumers with online sales. First, such a strategy could damage relationships in the supply chain. Second, the firm was ill-equipped to even handle a direct-to-consumer selling effort.

Instead of establishing a sales site, the firm decided to establish a brand community portal. Candies.com was designed to be a site for teenage girls with a host of e-community features—free e-mail, online chat, Web page hosting, entertainment news, and the like. But it wanted to go further than traditional e-community options. To do so, Candie's also became a publisher of sorts. In a deal with *Rolling Stone* magazine, the site also publishes music news and CD reviews. The original agreement with *Rolling Stone* has now been extended to include television and film entertainment reviews.

Of course, the whole idea behind the content-based, rather than sales-based, focus of the site is to keep girls coming back. David Conn, vice president of marketing for Candie's, explains, "We felt if we could build a site that became a prime gather point for our customer, that gave them a platform and entertained them, we could data-mine and learn a lot about our market, which is really important when marketing to fickle teenage girls."

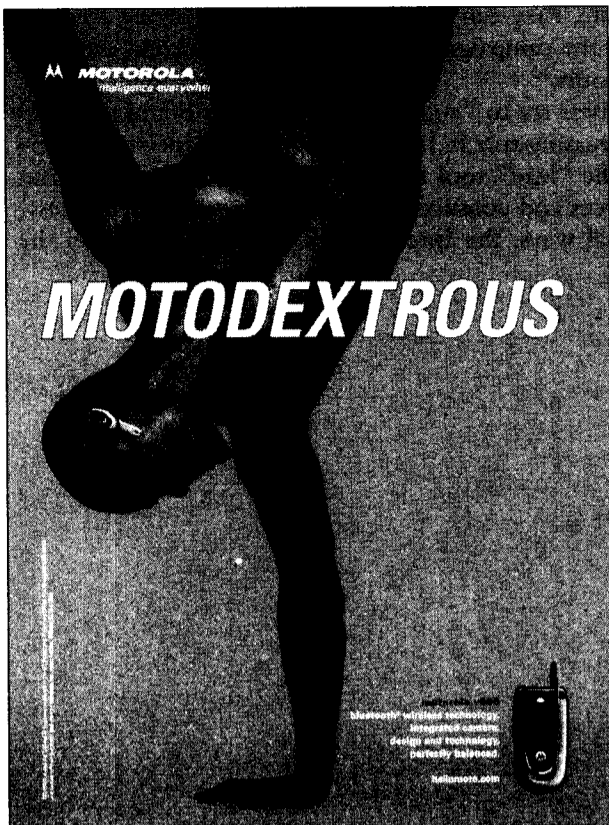
Aside from being primarily community oriented, another interesting feature of the Candie's Web strategy is that it flies in the face of the lessons learned by the ill-fated Levi's online strategy. Levi's began its online effort with what was described at the time as an attempt to create "a platform for kids to see what other kids are doing." But, after a short time, Levi's abandoned the "no sales" strategy in favor of a more e-commerce-oriented site. It would seem that Candie's is heading down the same path. But the Candie's site is more broad-based and elaborate and includes partnership content that Levi's did not. So it remains to be seen whether the Candie's strategy will survive. So far, so good, but go to <http://www.candies.com> and see if the strategy is still working!

Sources: Joe Ashbrook Nickell, "501 Blues," *Business 2.0*, January 2000, 53; Joe Ashbrook Nickell, "Teen Scene Maker," *Business 2.0*, March 2000, 108–110.

55. Ronald Grover et al., "From Media Mogul to Web Warlord," *BusinessWeek*, May 19, 2003, 46.

56. Timothy J. Mullaney and Ronald Grover, "The Web Mogul," *BusinessWeek*, October 13, 2003, 62–70.

57. Diane Mermigas, "Net Technology Connects Data with Marketers," *Advertising Age*, January 17, 2000, 2.

**EXHIBIT 16.25**

Whatever direction the dynamic nature of Web advertising and IBP takes, it will no doubt be influenced by wireless technology and high speed (broadband) access. As more consumers access the Web through their laptops or cell phones, advertisers have more and more ways of sending messages and communicating about their brands.

With respect to the strategic use of the Internet, we are seeing some very clever and effective integrated brand promotions that rely on the Web, but are not dominated by it. For example, when Mazda wanted to reposition its brand and appeal more broadly to a younger market, understanding the Web behavior of 24-to-36-year-old males was critical. But it wasn't just the knowledge that this target segment was Web savvy when it came to buying cars. The dealership itself and the salespeople had to be changed as well. Mazda's strategy—drive traffic to the dealership through the Web, redesign the dealerships' physical appearance (coffeeshops and hip waiting rooms), make sure the salespeople are as Web-savvy as the shopper. The resulting of combining the promotional tools of the Web and salespeople has been impressive—sales at Web-savvy Mazda dealerships are up 32 percent and profits are up 50 percent.⁶²

A less elaborate but equally effective IBP that features the Web is using television advertising to drive traffic to the Web site. Mitsubishi had enormous success with its "seewhathappensnext.com" campaign. The firm ran action-packed television ads that ended just before the climax of the scene. As the scene came to a stop, the television screen went black except for the words "seewhathappensnext.com." When

revolutionize advertising on the Web because it establishes accountability and connection. I know that every one of our clients that has been shown this technology has been blown away."⁵⁸ And there may be some good reasons to get excited. In an Arbitron Internet Information Services/Edison Media research study, "streamies" (the nickname for Webcast viewers and online radio listeners) were twice as likely as general online users to click on banner ads or buy from a Web site, with 40 percent reporting that they had made a purchase online.⁵⁹

Does this mean that in the near future every television ad is really a Web ad? Well, maybe it won't be that extreme, but the technology is available to provide direct links to Web sites for information and purchasing through television ads—a huge opportunity and potential for advertisers. And, as more Web users have access to broadband, that number in the United States is now 40 percent, and more complex data can be streamed to users.⁶⁰ The possibilities are attracting all the big players—Microsoft, ABC, CBS, and Warner Brothers Online, to name just a few. They all see video streaming as another piece of this Web broadcast puzzle.⁶¹ Of course, this next step in the evolution of the Internet and its potential as an advertising alternative depends on the consumer's willingness to allow the communication to occur. Some things never change.

58. Ibid.

59. Amanda Beeler, "Marketers Find Lucrative Audience in 'Streamies,'" *Advertising Age*, February 21, 2000, 48.

60. Anick Jesdanun, "2 in 5 Web Users Have Broadband at Home," AP Internet News, April 18, 2004, available at <http://www.news.yahoo.com>, accessed April 18, 2004.

61. Dana Blankenhorn, "Where TV, Net Link," *Advertising Age*, January 17, 2000, S20.

62. Parks, "Let's Remake a Dealership."

TV viewers arrive at the Web site, they can watch the conclusion of the scene in streaming video. Mazda debuted the campaign during the SuperBowl and the Web site drew 11 million hits in six hours.⁶³

It seems likely that as advertisers try to "engage" consumers in brand messages that the Internet will play an increasing role in IBP campaigns. Will Internet advertising and promotion become the "lead" tool in IBP campaigns? Not likely. But expect that as technology advances and consumers become accustomed to accessing information in nontraditional ways, the Internet will be a valued tool in the IBP kit.

63. Jean Halliday, "Bowl Ads Spark Web Upticks," *Advertising Age*, February 9, 2004, 48.

SUMMARY

- Understand the basic components and operation of the Internet.

There are four main components of the Internet: electronic mail, IRC, Usenet, and the World Wide Web. Electronic mail (e-mail) allows people to send messages to one another using the Internet. Internet Relay Chat (IRC) makes it possible for people to “talk” electronically in real time with each other, despite their geographical separation. For people with common interests, Usenet provides a forum for people with common interests to share knowledge in a public “cyberspace” that is separate from their e-mail program. The World Wide Web (WWW) allows people to access an immense “web” of information in a graphical environment through the use of programs called Web browsers (such as Netscape and Internet Explorer).

- Identify the nature of the Internet as a medium available for communicating advertising and promotion messages.

E-mail allows users to communicate much as they do using standard mail. People who wish to discuss specific topics through the Internet often join electronic mailing lists. Thousands of mailing lists are available on an incredible variety of topics. A message sent to the list’s e-mail address is then re-sent to everybody on the mailing list. Usenet is a collection of discussion groups in cyberspace. People can read messages pertaining to a given topic, post new messages, and answer messages. The World Wide Web (WWW) is the “web” of information available to most Internet users, and its graphical environment makes navigation simple and exciting. Of all the options available for Internet marketers, the WWW holds the greatest potential as an advertising medium.

- Describe the different types of search engines used to surf the Web.

In a hierarchical search engine, such as Yahoo!, all sites fit into categories. Collection search engines, such as AltaVista, use a spider, which is an automated program that crawls around the Web and collects information.

With a concept search engine, a concept rather than a word or phrase is the basis for the search. The top sites that match the concept are listed in order after a search. The newest technique, robot search engines, employs robots (“bots”) to do the “legwork” for the consumer by roaming the Internet in search of information fitting certain user-specified criteria. A portal is a starting point or gateway for Web access and search. Companies like Google and Yahoo! seek to become the most popular gateways to the Web, especially as trends such as WiFi, paid search, and blogs stimulate higher Internet usage and make the medium more profitable for advertising.

- Describe the different advertising options on the Web.

The Internet’s unique advantages and abilities make it an attractive option for advertisers, and there are several ways to place advertising messages on the Web. Banner ads are paid placements of advertising on other sites that contain editorial material. Sponsorship allows advertisers to have their brands associated with popular Web sites. A pop-up/pop-under ad is an Internet advertisement that appears as a Web site page is loading or after a page has loaded. E-mail can be used to customize a message for thousands or even millions of receivers. Streaming video and audio enables advertisers to insert TV- and radio-like ads into highly interactive content. A corporate home page is a Web site where a marketer provides current and potential customers information about the firm in great detail. A variation on the corporate Web site is the virtual mall, which is a gateway to a group of Internet storefronts that provide access to mall sites by simply clicking on a category of store.

- Discuss the issues involved in establishing a site on the World Wide Web.

There are three key issues to successfully establishing and maintaining a site on the World Wide Web: getting surfers to come back by creating a “sticky” site; purchasing keywords and developing a domain name; and promoting the Web site.

KEY TERMS

WiFi	spider	viral marketing
WiMax	concept search engine	streaming video and audio
Mobile-Fi	robot search engine	corporate home page
Ultrabroadband	robots	virtual mall
Internet	portal	sticky site
electronic mail (e-mail)	hot spot	rational branding
Internet Relay Chat (IRC)	paid search	domain name
Usenet	search engine optimization (SEO)	top-level domain (TLD)
World Wide Web (WWW)	blog	hits
opt-in e-mail	blogger	pages
electronic mailing lists	click-through	visits
spam	banner ads	users
surfing	skyscraper	log analysis software
search engine	sponsorship	caching
hierarchical search engine	pop-up/pop-under ad	bandwidth
collection search engine	permission marketing	

QUESTIONS

1. Despite its ups and downs over the past decade, the Internet is experiencing a strong recovery. Why is there reason to believe that the current Internet boom could be permanent?
2. What may have driven advertisers to embrace the Internet early on in its development despite considerable uncertainty about audience size, audience composition, and cost-effectiveness?
3. Since it no longer appears that the Internet will replace all other forms of advertising as some analysts had once hastily predicted, what is likely to be its role in the advertising process?
4. How can an understanding of search engines and how they operate benefit an organization initiating an ad campaign on the WWW?
5. What unique characteristics of Internet advertising offer advantages over traditional forms?
6. Explain the two basic strategies for developing corporate home pages, exemplified in this chapter by Saturn and Crayola.
7. Niche marketing will certainly be facilitated by the WWW. What is it about the WWW that makes it such a powerful tool for niche marketing?
8. Visit some of the corporate home pages described in this chapter, or think about corporate home pages you have visited previously. Of those you have encountered, which would you single out as being most effective in giving the visitor a reason to come back? What conclusions would you draw regarding the best ways to motivate repeat visits to a Web site?
9. The Internet was obviously not conceived or designed to be an advertising medium. Thus, some of its characteristics have proven perplexing to advertisers. If advertising professionals had the chance to redesign the Internet, what single change would you expect they would want to make to enhance its value from an advertising perspective?
10. What are *blogs*, and what are some of their personal and commercial uses?

EXPERIENTIAL EXERCISES

1. Pick one of your favorite hobbies, pastimes, or areas of interest—music, sports, literature, investing—you decide. Travel to three or four prominent Web sites featuring your interest area. What similarities and differences can you detect between sites with respect to the advertising or sponsorship at the site? What site features are designed to keep surfers coming back? Do you think they are effective? Explain.

2. Visit portal sites like Google, Yahoo, or Ask Jeeves that use *paid search* for sponsored links and banner advertising. Search for items related to popular products or personal interests. What sponsored links or banner ads

appeared along side of your search results? How do those sponsored links or banner ads correlate to your search topic, if at all? Next, click on some of the sponsored links or banner ads that were produced along with your search results, and describe what happens. Did you get transferred to a product Web site? Were you taken to an online promotion such as a sweepstakes? What purpose did the company have in prompting your click-throughs, and what incentives were you given to oblige the advertiser with your time and effort? Finally, describe the different experiences you had clicking through different banner ads and rate their effectiveness from a consumer perspective.

EXPERIENCING THE INTERNET

16.1 Establishing a Site on the World Wide Web

When CBS needed to establish a Web site to help build the brand of its wildly popular *Survivor* series, it turned to Xceed, a strategic consulting and digital solutions firm known for its expertise with highly interactive e-business solutions. CBS aimed to capitalize on the suspense and interest associated with the program and to capture it in an interactive format that would keep fans coming back to the site.

Survivor: <http://www.cbs.com>

Xceed: <http://www.xceed.com>

1. Visit the CBS site and search for the *Survivor* Web page. What makes this site “sticky,” and how does it capitalize on the program’s interesting features?
2. What is *rational branding*? Does the *Survivor* site make full use of this concept? Have you ever visited the *Survivor* site before? If so, how did you use it?
3. Visit Xceed’s site and research its list of clients. Visit one of the Web sites it has produced for another client, and compare and contrast that site’s features with those of the *Survivor* site. Do you think this site is as effective as the *Survivor* site? Why?

16.2 E-Mail Advertising and Marketing

Advertising and marketing through e-mail is one of the most promising and useful Internet developments in recent years. The popularity of electronic messaging has led to the proliferation of e-mail-based tools that help advertisers reach extremely targeted audiences around the globe at a very low cost. XactMail is one of many Internet firms leading the way in harnessing the power of messaging-based advertising.

XactMail—Permission E-Mail:

<http://www.xactmail.com>

Coalition Against Unsolicited Commercial E-Mail:

<http://www.campaign.org>

1. What services does XactMail offer, and what is *opt-in e-mail*?
2. How does the text define *spam*, and how does spam relate to XactMail? Does XactMail run the risk of being blacklisted by the Coalition Against Unsolicited Commercial E-mail? Why or why not?
3. What are the benefits of e-mail-based advertising to advertisers? How do most businesses allow consumers to avoid getting electronic junk mail?
4. Do you ever receive electronic ads or promotions in your mailbox? How do you respond to them?

From Principles to Practice

AN INTEGRATED BRAND PROMOTION CASE

PART 4

Cincinnati Bell

Cincinnati Bell Wireless: The Launch Campaign

As noted in Part 2 of this case history, one of the most laudable aspects of the launch campaign designed and executed by Northlich was the skillful mix of persuasion tools deployed on behalf of Cincinnati Bell Wireless in the spring of 1998. As you will see, it is reasonable to conclude that these tools worked in harmony from both the standpoint of communicating a multifaceted value proposition and creating awareness, credibility, and excitement for the CBW brand, which culminated in a desire to purchase this service.

From Part 2 you should also recall the launch strategy that guided the preparation of the campaign: MOPEs (managers, owners, professionals, entrepreneurs) using other wireless services were targeted for conversion to digital PCS from Cincinnati Bell. The value proposition communicated through a diversified IBP campaign advanced this package of benefits:

- **Simple pricing, better value.** Subscribers sign no contracts; they choose a simple pricing plan, such as 500 minutes for \$49.95 per month or 1,600 minutes for \$99.95 per month.
- **The coolest phone on the planet.** CBW launched its service with the feature-laden Nokia 6160 phone.
- **Member of the AT&T wireless network.** As a member of AT&T's network, CBW offered customers wireless access in over 400 cities at one "hometown rate."
- **Worry-free security.** Business transactions that may be compromised over analog cellular are secure over digital PCS.

As you will see in the sample communication materials that follow, the critical points advanced throughout the launch campaign were superiority over cellular, simplification, and hey, it's a cool phone! Various ads played different parts to yield precisely the kind of beautiful music that Jack Cassidy and others at CBW were waiting to hear: These ads made the cash register sing!

An Overview of the CBW Launch Campaign. Here we will describe and provide examples of many of the different persuasion tools deployed in this multimillion-dollar launch. You will see that this was a multilayered campaign with different elements called on to contribute the best of what each has to offer, as represented in Chapters 14 through 20. We will discuss TV, print, radio, and outdoor ads; special events and promotions; direct mail; and point-of-purchase advertising. Each built on the other to advance the CBW brand. But we begin at the beginning, with public relations.

Public Relations. As you will learn in Chapter 20, there can be at least six different objectives for public relations activities. Two of these six were very clearly being pursued by public relations staff on behalf of CBW: the use of press releases and staged events to develop

Launch Highlights

WATCH for CBW on tv in:
 The season finales of NYPD Blue, Spin City, Dharma & Greg, Promised Land, Chicago Hope, Mad About You, Frasier, 3rd Rock, Party of Five, Ally McBeal, Simpsons, and the X-Files.
Sporting events like Reds and NBA Playoffs.
 Other popular prime time programs such as: Movies, Home Improvement, The Practice, Drew Carey, Cosby, George & Leo, Pretender, Law & Order and Millennium.
Primetime news programs such as: 20/20, 48 Hours, 60 Minutes, Primetime Live & Dateline.
Daily episodes of Wheel of Fortune, Jeopardy, Oprah, News, David Letterman, Nightline, The Tonight Show, and the 7o'clock edition of Seinfeld/Frasier.

WATCH for lots of print ads in:
 The Cincinnati Enquirer. We're here almost every day. In the first week, you'll see 4 and 5 page consecutive ads.
 National magazines. Full Page color ads will be in the June issues of Newsweek, Business Week, Money, Time, U.S. News Report, Nation's Business and Financial World.
DRIVE BY outdoor boards:
 In high traffic locations on I-75, I-71; Norwood Lateral, Colerain Avenue, Ridge Avenue, Montgomery Rd. and St. 747.
 On TANK buses in N. Kentucky driving on I-75, Dixie Highway, on I-275 and near Florence Mall.

LISTEN for huge on-air radio exposure:
 Big advertising schedules on WLW, WEBN, WOFX, WUBE, WYGY, WGRR, WIZF, WRRM, WVMX, WKRQ, WBOB and WVAE.
 On air contests like: CBW as "official remote phones" of WEBN, WOFX, WAQZ, and WYGY WVMX's Impossible Trivia, WRRM's Wireless Wednesday, WKRQ's Wireless Olympics, WAVE's Father's Day.

Two to three on site remotes every weekend at CBW stores and retail chains from stations like WVAE, WKRQ, WOFX, WEBN, WGRR, WRRM, WBOB, WIZF and WVMX.

come VISIT CBW at events like Party at the Point and concerts at The Beach Outspok

EXHIBIT IBP 4.1
 CBW internal newsletter:
 Launch preview.

who else got a special invitation to this "employees only" event? That's right, the press! All the Cincinnati media were in attendance to make sure the whole scene was reported that evening on the local news and in the next day's newspapers. So here again, we see the two PR objectives of awareness building and internal selling working for CBW.

Television. May 11, 1998, was the official start of the advertising support for CBW. Three television advertisements were at the center of the advertising barrage. One of these, "Classroom," was described briefly in Part 3 (see Exhibit IBP 3.1). The other two were titled "The Big Easy" (see the storyboard in Exhibit IBP 4.2) and "X-Ray: Cool Phone." These two ads advanced different aspects of the CBW value proposition. Many of the programs where these ads were initially aired are listed in Exhibit IBP 4.1.

Throughout this text we have emphasized that good advertising must be based on an understanding of the customer's wants and needs. Northlich lives by this principle, and we see it brought to life very vividly in the two spots "Classroom" and "The Big Easy." Northlich's consumer research repeatedly identified that consumers were frustrated by the complexity of the wireless category. Their complaints were that the deals were confusing; they got locked in by a contract; and it was hard, even after the fact, to understand the pricing plan that applied to them. CBW's service tackled these concerns with its simple pricing plan and no-contracts offer. "The Big Easy" presents CBW as a breakthrough service that eliminates all the hassles people associate with cellular. What's more, this is a service from "people you know you can rely on." "The Big Easy" set the stage for all that would follow.

Print, Radio, and Outdoor. Television is the ultimate medium for achieving broad reach for an appeal almost instantly. However, when repetition of the basic message is called for, the high absolute cost of this medium makes it an expensive option to rely on exclusively. It is

The Big Easy '30 (launch)

Plan #65	PEAK	OFF-PEAK
Area 1	.45	.25
Area 2	.65	.45
Area 3	.85	.65
Area 4	.99	.77

PHONE CONTRACT
SIGN HERE
expires 1/2018

NO SVC

Cincinnati Bell wireless
565-1CBW

People you know rely on.

(We open on our spokesman in a clean, minimalist room.)
Spokesman: If a cell phone is supposed to make life easier, then why am I so un-easy about getting one?

(We see a rapid-fire montage of all the things that make buying a mobile phone so frustrating.)
A confusing array of phones.

Numerous peak and off-peak calling hours.

Lengthy contracts you have to commit to.

"No service" areas where you don't have access.

(Music abruptly stops and changes tone)
Spokesman: But now there's Cincinnati Bell Wireless.

The only phone with the clarity of digital around town.

and thanks to AT&T, virtually everywhere else.

Plus one low rate that's more affordable than cellular.

Stop by the Store at Cincinnati Bell and see if wireless is right for you.

I don't know about you, but I feel better already.

EXHIBIT IBP 4.2

*Bell Wireless storyboard:
"The Big Easy."*

common to use other, more economical media as a complement to television to achieve frequency or repetition of the basic message(s). For the CBW launch, Northlich made heavy use of both print and radio ads to complement the messages being advanced in the television campaign. Actual spending levels for TV, radio, print, and outdoor are detailed in Exhibit IBP 4.3.

As reflected in Exhibit IBP 4.3, there was a consistent commitment to print ads as a means to keep the CBW offer on the table on almost a daily basis. Print ads like the one in Exhibit IBP 4.4 hammered away at the point that CBW is simply a better deal than cellular and that the world's most advanced digital phone is part of the package. Additionally, the actor shown in Exhibit IBP 4.4 appeared in all CBW TV ads, which again reinforced the integrated look of the campaign. Per Exhibit IBP 4.1, print ads ran both in local newspapers and in regional editions of several major magazines.

As you learned in Chapter 15, radio is a very cost-effective medium for executing high levels of message repetition in a targeted geography. Northlich deployed radio ads to achieve frequency of exposure of the campaign's basic themes. Using several different executions, the radio ads reinforced the claims that with CBW you get the best coverage, a great phone, no contracts, and much better prices than cellular. One sample of the radio ad copy is featured in Exhibit IBP 4.5. This particular ad emphasizes the point that with CBW, you can roam far and wide and still stay in touch. The main actor in the radio ad is the same actor who appeared in the TV and print ads. Are you starting to get the picture that the folks at Northlich took this "one look," "one voice" integration thing pretty seriously?

From the spending levels in Exhibit IBP 4.3, it should be clear that outdoor advertising was not a major emphasis but instead served its traditional role as a sup-

Description	January	February	March	April	May	June	July
TV					\$142,982	\$ 95,887	\$ 0
Radio					49,904	22,844	27,536
Print					153,977	65,265	63,374
Outdoor					8,339	8,339	6,589
Production Totals	\$19,179	\$50,053	\$281,165	\$344,835	246,118	202,306	169,507
Media Totals	0	0	0	0	355,202	192,335	97,499
Total Spending	\$19,179	\$50,053	\$281,165	\$344,835	\$601,320	\$394,641	\$267,006

EXHIBIT IBP 4.3

CBW launch: Media billing summary for the first half of 1998.

Like cellular,
we offer a phone that fits
in your pocket.

.....

Unlike cellular,
we offer a deal that won't
take a lot out.

\$50 for 500 minutes / \$70 for 1,000 minutes / Nokia 6110 now \$99

TALK
www.cbwireless.com
1-800-400-1100 Get Home Rate Roaming in cities across the U.S., Caller I.D., text messaging and a pager. Plus simple, more affordable rates than cellular. It's the world's most advanced digital phone in one neat, little package.

Available at:
SUV, SBC, CREDIT OFF

STORES @ Cincinnati Bell

Springfield, OH 1000 Hill St., Ste. 2148 275-8800	Northgate, OH 4000 Columbia Ave., #2 710-5000	North Park, OH 1000 E. Parkside Blvd. 865-4500	West & South Center 7100 Skidmore Rd. 944-5700	Chillicothe, OH 10000 Chillicothe Hwy. 843-4000	Yellow Springs, OH 10000 Yellow Springs Rd. 865-4000	Hamilton, OH 500 E. Fourth St. 540-0000
----------------------------------------------------------------	------------------------------------------------------------	-------------------------------------------------------------	-----------------------------------------------------------------	--------------------------------------------------------------	-------------------------------------------------------------------	------------------------------------------------------

Minimum credit approval for service activation on a CBW Mobile PCS service plan and the purchase of a Digital PCS phone. Initial setup credit limit may be required for billing. All minutes of use are recorded on and billed as a full minute. An actual number of billed minutes may vary. Additional minutes of use are charged at a standard per minute rate, determined by service plan. Long distance, taxes and other applicable charges may apply. Make \$100 in deposits \$100. 100 units to valid until July 31, 1998 or while supplies last. PCS messaging is available on an optional service for \$8.95 per month. Other restrictions apply. See store for details.

EXHIBIT IBP 4.4

Sample print ad from the CBW launch.

(Sound effects: outdoor, nature sounds.)

Scott: This truly is a modern way to travel, Roy.

Roy: Yeah, the largest mobile home ever made. Theater-style seating. Sleeps 52. So big, it beeps when I back up . . . and when I'm going forward.

Scott: Wow! Now where have you been, what have you seen?

Roy: The world's largest talking cow in Georgia. A bicycle-eating tree in Washington. And pretty much everything in between.

Scott: Oh, that's great . . . now, you know, if you had a Cincinnati Bell Wireless phone, you could talk to virtually anyone, anywhere you went.

Roy: Oh yeah, is that right, even at the sand sculpture of the Last Supper?

Scott: Oh, the sand sculpture of the Last Supper . . .

Roy: All right, how about the lickable house of salt?

Scott: Oh . . . yeah, wherever that is. You know . . . plus home-rate roaming in AT&T cities across the U.S.

Roy: Well, what are we waiting for?!

(Sound effects: engine starts, then the familiar beeping sound a truck makes when it's backing up, continues under Scott.)

Scott: Get the nationwide coverage and simple more affordable rates than cellular: 100 minutes for 25 bucks or 500 minutes for \$50. Stop by the Store@Cincinnati Bell or call 565-1CBW for details.

NOTE: This ad was voted Best of Show by the 1998-99 Addy Awards. Cincinnati Advertising Club.

EXHIBIT IBP 4.5

Radio copy: Roadside America (:60).

port medium. Billboard and transit ads bolstered the basic proposition that CBW is clearer, smarter, and better than cellular. As we pointed out in Part 3 of this case, the billboard design supported the uniform look of the campaign.

Promotions and Events. Northlich and CBW also made adept use of promotions and special events for a variety of purposes. The schedule of launch events and promotions for May and June 1998 is listed in Exhibit IBP 4.6. Several points are evident here. First, there was participation in citywide spring outdoor events, such as Taste of Cincinnati, Day in Eden (Park), and Kid Fest, that provided exposure and lead generation for CBW at virtually no cost. Note as well that with an event like Kid Fest, CBW was also probing customers who were not part of the primary launch target. This gave CBW an opportunity to gauge the appeal of their service with a broader base of potential users, without diluting the focus of their primary advertising campaign.

Second, from Exhibit IBP 4.6 we see that CBW offered price promotions around traditional gift-giving occasions such as Mother's Day, Father's Day, and graduation. These promotions were supported by special radio and print ads and direct mail. One advantage CBW has over any local competitor is that its parent company, Cincinnati Bell Telephone, makes regular mailings to nearly every household in the city in the form of monthly phone bills. For CBW, the bill insert is a very cost-effective way to announce promotions.

Finally, Exhibit IBP 4.6 also notes CBW's participation as a sponsor of professional baseball and the women's professional golf tour. Through their "businessmen's special" promotions at Cincinnati Reds games, CBW was afforded an awareness-building opportunity with its primary target segment—MOPEs. An affiliation with the Ladies' Professional Golf Association facilitated outreach to the primary target segment and beyond.

Direct Marketing. The set of communication tools previously described—from PR, to various forms of mass-media advertising, to event participation—set the stage for the success of CBW by building awareness, excitement, and credibility for the brand. At this point, a MOPE may have been convinced to walk into a Store@Cincinnati Bell to purchase a cool phone and activate this new service; however, Northlich was clearly leaving no stone unturned. To build on the broad base of awareness created by the communication tools described thus far, direct marketing specialists on the account team prepared a coordinated and extensive direct mail campaign.

The goal for this campaign was to prompt action in one of several ways. Recipients of the direct mail brochure were invited to either sign up immediately for wireless service by calling an 800 number or get more details at the CBW Web site. Or, as the brochure explained, they could sign up by visiting any Store@Cincinnati Bell or another CBW-authorized dealer. As part of this mailing, MOPEs also received a letter from Mike Vanderwoude, CBW's marketing director, detailing the benefits of CBW for the sophisticated business user. Attached to Mike's letter was a \$10 coupon redeemable on any CBW purchase. Again, the goal of this direct marketing effort was to sway hesitant MOPEs to close the deal.

With the help of a list broker that specialized in geodemographic segmentation (remember Chapter 6?), Northlich identified nearly 100,000 households in greater Cincinnati that contained a MOPE. Simultaneously, they were planning a campaign that included a built-in experiment. As you will see in Chapter 19, the mind-set of the direct marketing specialist always includes experimentation to benefit future programs. For the CBW launch, four groups were created to facilitate this research:

1. 46,000 MOPE households were designated to receive the complete mailing package plus outbound telemarketing follow-up *and* an extra offer of a free leather case for their Nokia 6160 phone.

EXHIBIT IBP 4.6

CBW launch: Promotion and events schedule.

May

Taste of Cincinnati

Target: Adults 25-54

Objective: Introduce CBW and build awareness; generate leads (database)

Vehicles: Event only

Promo: Booth at event; free trial (phone calls); contest entry

Mother's Day

Target: Users and nonusers

Objective: Drive response; store traffic

Message: Safety; multiple phones per household

Vehicles: Radio and print; bill inserts

Promo: Special price package; radio contest (best mother; mother in most need of wireless)

Graduate Program (high school and college)

Target: Nonusers (soon-to-be young professionals); users (families)

Objectives: Drive response

Message: Safety and productivity benefits

Vehicles: Radio and print; bill inserts

Promo: Special price package

Baseball

Target: Businessmen (Businessmen's Special)

Objective: Build awareness; drive response

Message: Productivity benefits

Vehicles: Event only

Promo: Coupon on back of ticket for discount; raffle free phone/service

June

Day in Eden

Target: Adults 25-54

Objective: Introduce CBW and build awareness; generate leads (database)

Vehicles: Event only

Promo: Booth at event; free trial (phone calls); contest entry

Kid Fest

Target: Users and nonusers

Objective: Build awareness; drive response

Message: Safety

Vehicles: Event only

Promo: Booth at event giving away safety-related item (windshield distress sign; emergency flag) logo'd CBW; special offer to sign up for service and receive family pass to local amusements

Father's Day

Target: Users and nonusers

Objective: Drive response; traffic in stores

Message: Productivity benefits

Vehicles: Radio and print; bill inserts

Promo: Special price package; radio contest (best father; father in most need of wireless)

LPGA

Target: Nonusers and users

Objective: Drive response

Message: Safety and convenience

Vehicles: Event only

Promo: Coupon on back of ticket for discount; raffle free phone/service

2. 46,000 MOPE households were designated to receive the complete mailing package plus outbound telemarketing follow-up, but no offer for the free leather case.
3. 5,000 MOPE households were designated to receive the complete mailing package with follow-up by a second direct mail contact in place of telemarketing.
4. 1,500 MOPE households were designated to receive outbound telemarketing only.

It should be apparent that Northlich's direct marketing department expected direct mail followed by outbound telemarketing to be the best combination to drive response. The overwhelming majority of the targeted MOPEs received this combination. Groups 3 and 4 were used to assess the relative effectiveness of other combinations for future campaigns. In addition, the comparison of responses from group

1 versus group 2 showed Northlich the value of the leather case offer, again for future reference. As it turned out, the incremental responses generated by the leather case offer were not enough to justify the extra costs associated with that offer. Looking to the future, there would be no more leather freebies, and direct mail followed by outbound telemarketing was established as the most effective tactical combination.

P-O-P Advertising, Collateral, and Sales Support. The final layer that must be addressed as part of any multilayered IBP campaign is point-of-purchase. At P-O-P, everything the customer hears, sees, touches, tastes, and smells must support the promises that were made by other communication tools. While there isn't much tasting or smelling to worry about in activating a new mobile phone, there are plenty of other details.

At P-O-P, and particularly in the Stores@Cincinnati Bell, the prospective customer was reminded of the larger IBP campaign in many ways. As you saw in Part 3 of this case history (see especially Exhibit IBP 3.3), the numerous informational brochures developed by Northlich shared many design features with other materials from the campaign, as did the interior design of the Stores@Cincinnati Bell. Northlich also used the same design features for the package sleeve that slid over the protective packaging of the Nokia 6160 phone.

In-store salespeople were also well versed in the messages and details of the larger IBP campaign. As already mentioned, the details of the campaign were communicated to all employees throughout the CBW system by newsletter announcements (see Exhibit IBP 4.1). Additionally, the multiple benefits of CBW's value proposition were recast as a list of the top 10 reasons why one should become a CBW subscriber (for example, reason number one was "No contracts to sign!"). This top 10 list was featured on in-store placards and window posters to reinforce the benefit promises that customers may have heard in other campaign executions.

An IBP plan should also anticipate brand contacts. Brand contacts are all the ways in which prospective customers come in contact with the organization—through packaging, employees, in-store displays, and sales literature, as well as media or event exposure. Each contact must be evaluated for consistency with the overall IBP program. We see this drive for consistency at every level of the CBW launch campaign.

Gauging the Impact of the CBW Launch Campaign. Hopefully, this overview has given you an appreciation for the breadth of the IBP campaign that Northlich orchestrated on behalf of its client and partner, Cincinnati Bell Wireless. But were the campaign's objectives achieved? Did the client consider the campaign a success? Looking back now, we are able to accurately assess the outcomes from this launch campaign, and this assessment must start with the issue of objectives. You may recall from Part 2 that the client's primary objective targeted new subscribers. Success for CBW begins with service activations. The campaign's goal was 16,868 subscribers by the end of the calendar year, a conservative and attainable goal that both the client and agency hoped to surpass. But no one really anticipated how much was possible.

It didn't take long for all parties to realize that they needed to think bigger. After just one week into the launch campaign, they had 10,500 activations. While this pace could not continue, the new-subscriber goal for the campaign was easily surpassed in the first 90 days. By the end of 1998, CBW had more than 60,000 subscribers, nearly four times the original goal. And the profile of these subscribers was truly remarkable. About half of these activations came from MOPes who were converting to CBW from another mobile phone service. As you know by now, these MOPes were the primary target segment. The other 30,000 activations came from young professionals who hadn't previously subscribed to a mobile phone service. To explain the outcome, Jack Cassidy, president of CBW, surmised that the launch campaign had been exceptionally effective in communicating the *no hassles, great pricing, and cool phone* elements of the CBW value proposition. Users and nonusers alike were persuaded that CBW was different and better than anything available previously.

Users switched carriers, and nonusers signed on in about equal numbers. As you might expect, Cassidy was very pleased with this outcome.

There are other concrete indicators of the campaign's success. One has to do with CBW's realized churn rate. *Churn rates* are expressed as a percentage and indicate the percent of current customers that a company is losing each month. Average monthly churn in the wireless business is about 4 percent. If a company is losing 4 percent of its customers every month, then after just a year, it will have lost nearly half its customers. Obviously, high churn rates are an indication of customer dissatisfaction. In 1998, CBW's churn rate was less than 1.5 percent per month, indicating that CBW customers were considerably more satisfied than the industry average. It also indicates that there was a good balance between the benefits promised in CBW advertising and the actual benefits realized in the use of the service. Striking this balance is one mark of great advertising.

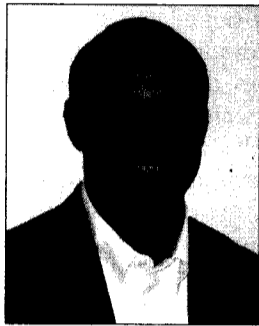
You probably also will recall that the primary reason MOPEs were targeted had to do with their usage potential. The thinking was that MOPEs (that is, business users) make heavier use of their mobile phones each month than do household users. Thus, if Northlich targeted their advertising efforts properly, they would attract heavy (more profitable) users. Here again, Northlich delivered the goods. Industry averages provide the critical point of reference: Average revenue per customer per month for analog cellular companies is \$29, and for other digital PCS companies it is \$45. In 1998, CBW's average revenue per customer per month was just over \$60, which means that Northlich's communication tools were delivering the high-value mobile phone customers to Jack Cassidy's door, again making him very happy.

Finally, in the spring of 1998, CBW had intended to spend about \$3 million on its launch campaign. But astute marketers monitor their own successes carefully and make budget adjustments to support programs that clearly are working. Strong programs get budget increases and weak programs get budget cuts. Given that this campaign clearly was working, which became obvious to all just one week into the campaign, what do you suppose Jack Cassidy did with his advertising and IBP budget? Well, he effectively doubled it. By the end of 1998, CBW had spent \$6 million to support its aggressive launch. This spending is yet another indicator of the campaign's unprecedented success. As 1998 came to a close, investment analysts, AT&T executives, business journalists, and Jack Cassidy were all drawing the same conclusion about the CBW campaign: By any measure, this was the most successful digital PCS launch in North America.

IBP EXERCISES

1. Compare this CBW launch campaign with the iMac campaign described at the beginning of Chapter 8. How are they similar? How are they different? What aspects of the iMac campaign would have made it a more complex undertaking than the CBW launch?
2. In this CBW example we see that direct marketing people are most prone to learning through trial and error. Why is this type of learning so important to direct marketers? What is it about direct marketing that makes learning in this way more feasible? What did the direct marketers on Northlich's account team learn in the CBW launch?
3. Make a list of at least five different communication tools that were used as part of the IBP campaign for CBW. Now critique each tool with respect to how well it supported or reinforced key aspects of the CBW value proposition.
4. Visit the CBW Web site at <http://www.cbwireless.com>. Obviously, the launch campaign described was just the beginning for CBW. From the Web site, can you infer any changes in marketing strategy? Has the value proposition changed? What about the primary target segment? Given the effectiveness of their launch campaign, how could CBW justify any changes in their marketing strategy, on the Web or elsewhere?

CAREERS IN MARKETING COMMUNICATIONS, IBP, AND ADVERTISING



Paul Ghiz
Co-Founder and Creative Director,
Global Cloud, Ltd.

The National Underground Railroad Freedom Center serves as a tribute to the path to freedom journeyed by thousands of escaped American slaves, and to those who have worked to end racism and secure liberty for all people. When organizers for the newly completed Freedom Center recognized the need to develop an online strategy to promote the museum and communicate its message of freedom and justice, they turned to an experienced interactive agency co-led by talented Creative Director Paul Ghiz. In partnership with the museum's representatives, Mr. Ghiz created a strategic planning and development effort that resulted in the creation of freedomcenter.org, the center's official Web site.

Ghiz's successful career as an interactive designer and creative director developed in tandem with the world of new media in the late 1990s. As a graphic design student entering his final year at Miami University of Oxford, Ohio, Ghiz felt the usual jitters about life in the "real world" beyond graduation and wondered what path to take. Following a gut instinct that a new high-tech medium called the Internet could be the next big thing, the young art student began looking for opportunities to tackle his first interactive project, and was hired to design a Web site for Miami University's School of Fine Arts. "That," recalls Ghiz, "is when I got the Internet itch."

After graduating with a BFA in graphic design, Ghiz began freelancing, and was commissioned to paint a mural commemorating the 160th Anniversary of the Campbell Hausfeld Company, a leading tool manufacturer founded in the early 1800s. After providing some additional advertising and package-design work for the manufacturer, Ghiz pursued his desire to stake a claim on the World Wide Web and began hounding a new interactive agency for a job. Ghiz was soon awarded a position as creative director at Access Point Interactive. "This was my big break," said Ghiz. "That tenure was essentially my graduate work in Web design and development. I had made up my mind during that period that this career was dynamic and creative enough to keep me satisfied." That "graduate work" paid off, for within one year the young designer met up with a seasoned marketing and advertising professional and co-founded Global Cloud, Ltd., a full-service interactive agency that develops Internet-based sites and business solutions for regional and international clients.

Ghiz immediately began pouring his creative talents and managerial abilities into the new firm and has since established himself as an accomplished director and business pioneer in the realm of interactive media. His company serves a range of business and non-profit organizations, and Paul's interactive designs have been essential to the branding- and corporate-advertising strategies of clients like Wild Flavors, Inc., the E.W. Scripps Company, the Juvenile Diabetes Research Foundation International, and the National Underground Railroad Freedom Center.

Creative directors wear many hats and must exhibit strong management and interpersonal skills. Ghiz's professionalism proved essential to achieving project goals with client E.W. Scripps. "I was responsible for visually and verbally communicating every detail and interaction of this enormous informational Web site throughout the entire project lifecycle," Ghiz recalls. "Having strong communication and work processes allowed me to keep the project moving forward to meet their deadline." The Scripps site, which features real-time newsroom stories, Doppler weather radar, and a sky-cam video, served as the rollout model for multiple Scripps TV stations. Ghiz emphasizes the importance of developing a collaborative relationship with clients from the early planning and strategy stages to the completed execution of the project. In discussing his work with the Juvenile Diabetes Research Foundation, he says, "Taking the necessary time in the planning stage paid off for everyone. I believe 30 to 50 percent of an allocated project time should be spent on planning—docu-

menting, story boarding, scheduling. If the planning and scoping-out phase is clearly defined, the execution will go smoothly and your customers will be happy.”

Ghiz enjoys seeing the “light bulb go on” as clients begin to grasp the potential of his firm’s interactive media solutions, and each new client relationship brings new adventures. Paul’s work with the NFL Alumni Association landed him in a charity golf classic the year Bengal Offensive Lineman Anthony Muñoz was inducted into the Pro Football Hall of Fame. “I met all of the big names: Forrest Gregg, Boomer Esiason—you name it,” said Ghiz. On one of the holes, Ghiz sent a clump of earth along with the club head soaring into a pond. “I was surrounded by NFL players that fell down laughing. That was a long day,” remembers Ghiz, “but I enjoyed every minute.”

Whether it’s the client outings, job challenges, or forward-looking developments related to his industry, Ghiz has many reasons to love his work. The co-founder enjoys the company parties, luncheons, and Friday after-work imported-beer runs, but he gets just as excited about creating new interactive solutions for wireless devices or integrating Flash technology with databases.

Through hard work and a gutsy desire to navigate the uncharted waters of the Internet, Ghiz turned his education and design skills into a successful career in the world of new media. To students considering his line of work, Ghiz offers, “Read as much as you can and experiment on your own. Collaborate. Select a product or service you like and develop a fictitious online storefront. . . . Dive in and have fun doing it. If you aren’t having fun, you either aren’t doing it right or you are in the wrong profession.” He adds, “Be open and flexible to a job role you may not ideally want at first. It may be your ‘foot in the door’ to the ideal job.”

CAREERS IN MARKETING COMMUNICATIONS, IBP, AND ADVERTISING

Integrated Brand Promotion

Part Five of the text brings us to the end of our journey in the study of advertising.

This part highlights the full range of communications tools a firm can use in creating

an integrated brand promotion campaign. Throughout the text, we have been

emphasizing that IBP is a key to effective brand development. You will find that the

variety and breadth of communications options discussed here represent a

tremendous opportunity for marketers to be creative and break through the clutter

in today's marketplace. Each of the tools discussed in Part Five has unique capability

to influence the audience's perception of and desire to own a brand.

Support Media, Event Sponsorship, and Branded Entertainment.

Chapter 17, "Support Media, Event Sponsorship, and Branded Entertainment," reflects the extraordinary range of options available to today's advertiser, from billboards and transit advertising to event sponsorship and product placements in TV shows and movies. The examples in this chapter highlight how creative marketers and their IBP agencies must be in finding compelling ways to reach target markets. Having all these possibilities amplifies the need for integration in effectively building and sustaining brands.

17

Sales Promotion and Point-of-Purchase Advertising.

Chapter 18, "Sales Promotion and Point-of-Purchase Advertising," describes the ways that contests, sweepstakes, price incentives, and point-of-purchase materials attract the attention of customers. The impact of many sales promotion techniques is much easier to measure than the impact of advertising, thus prompting many marketers to shift spending from advertising to sales promotion in their integrated brand promotion campaigns. Highlighted in this chapter are the fundamental differences between the purpose of advertising and the purpose of sales promotion. This chapter also features discussion for use with trade and business market buyers. The risks of relying on sales promotional tools are revealed in this chapter. Finally, there is extensive discussion of point-of-purchase advertising materials. Many experts refer to this form of promotion as the "last three feet" of the promotional effort.

18

Direct Marketing.

Consumers' desire for greater convenience and marketers' never-ending search for competitive advantage have spawned growth in direct marketing. Chapter 19, "Direct Marketing," considers this area, which is a combination of both marketing and promotion. With direct marketing, advertisers communicate to a target audience, but they also seek an immediate response. You will learn why direct marketing continues to grow in popularity, what media are used by direct marketers to deliver their messages, and how direct marketing creates special challenges for achieving integrated brand promotion.

19

Public Relations and Corporate Advertising.

Chapter 20, "Public Relations and Corporate Advertising," concludes the discussion of integrated brand promotion. Public relations offers the opportunity for positive communication but also provides damage control when negative events affect an organization. Corporate advertising is image-, cause-, or advocacy-focused and can serve a useful role in supporting an advertiser's broader brand advertising programs. These important areas can be key aspects of an organization's overall integrated brand promotion effort—particularly in the context of negative publicity. Each has the potential to make a distinct and important contribution to the unified message and image of an organization, which is the ultimate goal of IBP.

20

CHAPTER 17

After reading and thinking about this chapter, you will be able to do the following:



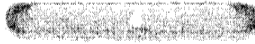
Describe the role of support media in a comprehensive media plan.



Justify the growing popularity of event sponsorship as another supporting component of a media plan.



Explain the benefits and limitations of connecting with entertainment properties in building a brand.



Discuss the challenges presented by the ever-increasing variety of communication and branding tools for achieving integrated brand promotion.

CHAPTER 17
Support Media,
Event Sponsorship,
and Branded
Entertainment

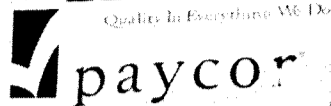
CHAPTER 18
Sales Promotion and
Point-of-Purchase
Advertising

CHAPTER 19
Direct Marketing

CHAPTER 20
Public Relations and
Corporate Advertising

FLYING PIG MARATHON

FINISH SWINE



2:58:35



Introductory Scenario: The Brave New World of IBP. It's a no-brainer when you have the choice. One side of the street was lined with the typically smelly porta-potties that are common eyesores at public sporting events, concerts, and street fairs. Across the street were squeaky-clean, tractor-trailer-mounted bathrooms, complete with running water, wallpaper, faux wood floors, and plenty of Charmin toilet tissue, Safeguard hand soap, Pampers changing tables, and Bounty paper towels. Exhibit 17.1 will help you envision the scene. The 30 Charmin-sponsored bathrooms had people lined up for 15 to 20 minutes, while the porta-potties across the street sat empty. The choice comes natural, but raises the question: When is a clean potty the ultimate brand-building tool? Answer: When you're Procter & Gamble, maker of Charmin, Safeguard, Pampers, and Bounty.

The scenario described above has become typical for the Charmin Pottypalooza tour. P&G takes the rig on the road to 20 or more major events each year, attracting on the order of 2 million party and potty goers. Add in a related brand-building program that delivers clean restrooms at state fairs across the United States, and the number of satisfied potty goers skyrockets. P&G executives estimate that they are

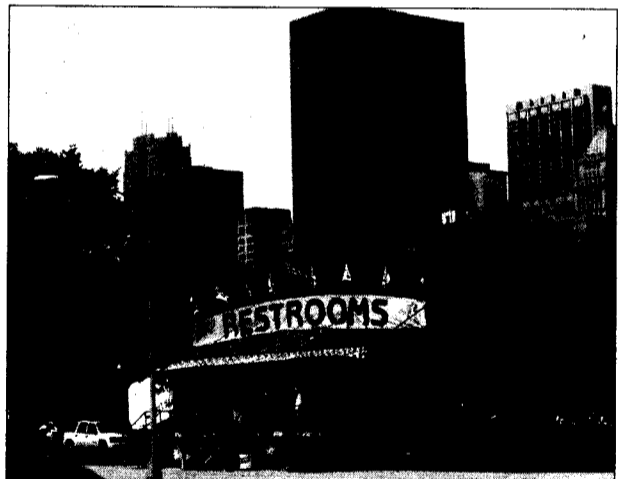


EXHIBIT 17.1

Associating your brands with a pleasing experience is a great way to connect with consumers. The Charmin Pottypalooza tour has been both a great brand builder and revenue generator. It is hard to imagine a "cleaner" example of integrated brand promotion.



EXHIBIT 17.2

No more Mr. Whipple. The Charmin family committed to the bear mascot in a 2004 Super Bowl ad. Their tagline that day: "Soft and Strong for Your Endzone."

reaching 30 million consumers with their restroom enrichment program, which in its first year on tour delivered a 14 percent increase in Charmin sales. As one P&G marketing director put it, "Pottypalooza is definitely paying out."¹

Pottypalooza also provides P&G with a great opportunity for integrated brand promotion. People waiting gratefully in line are entertained by the strolling Charmin bear mascot. Once inside their bathroom, they see a continuous loop of Charmin ads starring that playful bear. Seldom are consumers more completely immersed in a brand-building experience, and given the alternative (remember that smelly porta-potty), seldom are they happier about it. Of course, all this great exposure for Charmin and the other P&G brands on board is further supported by advertising in more conventional media, like that shown in Exhibit 17.2, in a fully integrated campaign.

The Pottypalooza example is the perfect starter for this fifth and final part of the book because it exemplifies the creative ways that marketers are now using to create meaningful connections to consumers. Additionally, it reminds us that the unconventional is becoming conventional, and that traditional mass media are no longer enough. As you no doubt have already recognized, perhaps in a restroom near you, advertisers are always on the

lookout for new venues to advance their messages. And this can lead them to many different places. Often these efforts are directed at hard-to-reach niche markets, particularly in urban locations, where new market trends often originate. Other examples include trucks that drive endlessly through city streets as mobile billboards; ads beamed onto the sides of office buildings; racks of postcard ads placed in trendy restaurants and nightspots; ads printed on coffee cups with coordinated signage attached to coffee carts; and even small signs attached to the backs of messenger bikes that patrol the canyons of downtown corporate America.

Although print and broadcast media continue to draw big advertising dollars, many other options exist for communicating with consumers. This chapter will first examine a set of options commonly referred to as support media. Traditional support media such as signs and billboards have been around for many years, but with technological advancements are enjoying renewed interest from advertisers. Next we look at event sponsorship, which continues to produce impressive results and thus is receiving more and more funding from many marketers. Related to event sponsorship is the latest rage in advertising circles—branded entertainment. We'll examine this "new" form of brand building and assess what's new about it. When it comes to building brands—as with the Charmin Pottypalooza tour—there are very few limits on what one can try. Indeed, quirky/edgy/off-the-wall may be just what the doctor ordered.

Traditional Support Media. This section will feature traditional support media: outdoor signage and billboard advertising, transit and aerial advertising, and directory advertising. **Support media** are used to reinforce or supplement a message

1. Jack Neff, "P&G Brings Potty to Parties," *Advertising Age*, February 17, 2003, 22.

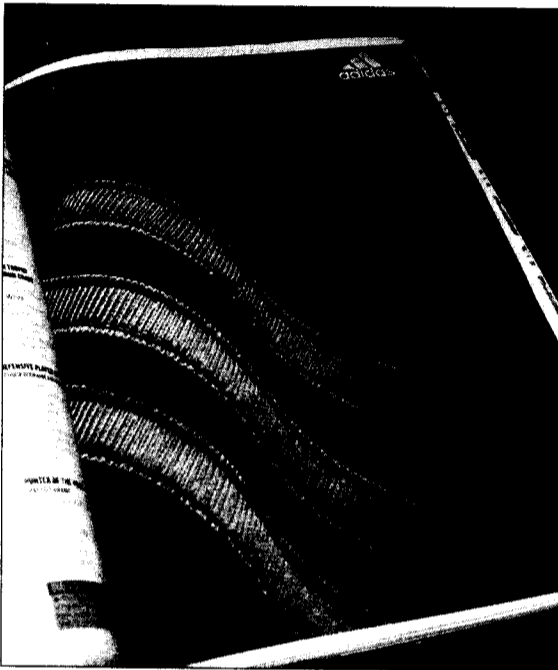


EXHIBIT 17.3

Brands like Adidas need to be in constant contact with the sports fan. In this case Adidas delivers its “forever sport” mantra through a print ad that appeared in the college football preview issue of *Sports Illustrated*. Hence the first line of copy: “Leaves that let you know it’s football season.”

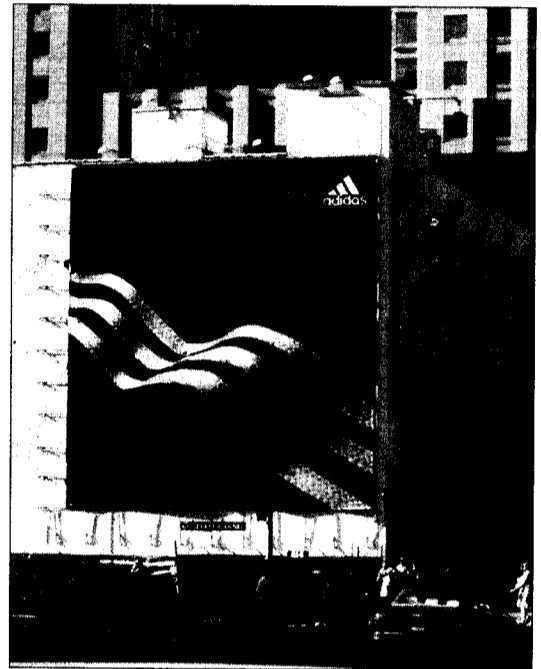


EXHIBIT 17.4

Here we see the Adidas logo providing the backdrop for everyday life. But always affirming “forever sport.”



EXHIBIT 17.5

Advertising in the United States began with posters and billboards. Circuses were the early pioneers in this medium. <http://www.ringling.com>

being delivered via some other media vehicle; hence the name *support media*. Exhibits 17.3 and 17.4 show a pair of ads for Adidas, with the outdoor signage supporting the print campaign. Support media are especially productive when used to deliver a message near the time or place where consumers are actually contemplating product selections (e.g., imagine that building in Exhibit 17.4 as a Foot Locker store). Since these media can be tailored to local markets, they can have value to any organization that wants to reach consumers in a particular venue, neighborhood, or metropolitan area.

Outdoor Signage and Billboard Advertising. Billboards, posters, and outdoor signs are perhaps the oldest advertising form. Posters first appeared in North America when they were used during the Revolutionary War to keep the civilian population informed about the war’s status. In the 1800s they became a promotional tool, with circuses and politicians being among the first to adopt this new medium. Exhibit 17.5 shows a classic ad execution for “The Greatest Show on Earth.” With the onset of World War I, the U.S. government turned to posters and billboards to call for recruits, encourage the purchase of war bonds, and cultivate patriotism. By the 1920s outdoor advertising also enjoyed widespread commercial applications and, until the invention of television, was the medium of choice when an advertiser wanted to communicate with visual imagery.

While the rise of television stifled the growth of outdoor advertising, the federal highway system that was laid across the nation in the 1960s pumped new life into billboards. The 40-foot-high burgers and cigarette packs were inevitable, but throughout the 1970s and ’80s

billboards became an outlet for creative expression in advertising. One exceptional example of using the medium to its fullest was a Nike campaign run in the mid-'80s featuring high-profile athletes, such as Olympian Carl Lewis, performing their special artistry. Today, the creative challenge posed by outdoor advertising is as it has always been—to grab attention and communicate with minimal verbiage and striking imagery, as do the billboards in Exhibits 17.6 and 17.7.

In recent years total spending on outdoor advertising in the United States has held steady at just over \$5.2 billion.² Outdoor advertising offers several distinct advantages.³ This medium provides an excellent means to achieve wide exposure of a message in specific local markets. Size is, of course, a powerful attraction of this medium, and when combined with special lighting and moving features, billboards can be captivating. Billboards created for Dayton Hudson in Minneapolis have even wafted a mint scent throughout the city as part of a candy promotion for Valentine's Day.⁴ Billboards also offer around-the-clock exposure for an advertiser's message and are well suited to showing off a brand's distinctive packaging or logo.

Billboards are especially effective when they reach viewers with a message that speaks to a need or desire that is immediately relevant. For instance, they are commonly deployed by fast-food restaurants along major freeways to help hungry travelers know

EXHIBIT 17.6

Minimal verbiage is one key to success with billboard advertising. This example easily satisfies the minimal-verbiage rule. <http://www.horst-salons.com>

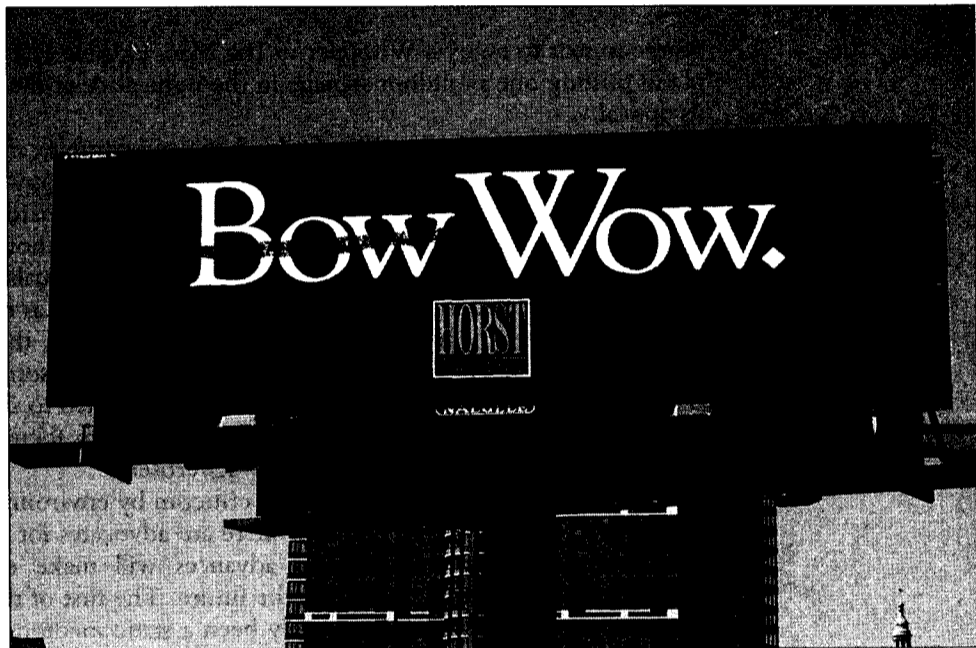


EXHIBIT 17.7

As with all media, creativity is a must in making effective use of billboards. This dramatic ad was created by Northlich, one of the stars in our ongoing IBP case study.



2. "Outdoor," *Advertising Age*, June 9, 2003, C1.

3. Jack Z. Sissors and Lincoln Bumba, *Advertising Media Planning* (Lincolnwood, IL: NTC Business Books, 1993).

4. Ronald Grover, "Billboards Aren't Boring Anymore," *BusinessWeek*, September 21, 1998, 88–89.

EXHIBIT 17.8

This sign uses the perfect slogan for a sports venue. Has there ever been a referee who didn't need glasses?



where to exit to enjoy a Whopper or Big Mac. Exhibit 17.8 features a clever example of putting one's outdoor signage in the right place at the right time to maximize its appeal.

Billboards have obvious drawbacks. Long and complex messages simply make no sense on billboards; some experts suggest that billboard copy should be limited to no more than six words. Additionally, the impact of billboards can vary dramatically depending on their location, and assessing locations is tedious and time-consuming. To assess locations, companies may have to send individuals to the site to see if the location is desirable. This activity, known in the industry as **riding the boards**, can be a major investment of time and money. Moreover, the Institute of Outdoor Advertising has rated billboards as expensive in comparison to several other media alternatives.⁵ Considering that billboards are constrained to short messages, are often in the background, and are certainly not the primary focus of anyone's attention, their costs may be prohibitive for many advertisers.

Despite the cost issue, and frequent criticism by environmentalists that billboards represent a form of visual pollution, there are advocates for this medium who contend that important technological advances will make outdoor advertising an increasingly attractive alternative in the future. The first of these advances offers the prospect of changing what has largely been a static medium to a dynamic medium with heretofore-unimagined possibilities.⁶ Digital and wireless technologies have found their way to billboards with remarkable consequences. In one application, wireless technology and digital displays let advertisers rotate their messages on the board at different times during the day. This capability is especially appealing to local marketers—like television stations and food sellers—whose businesses are very time sensitive. For example, FreshDirect uses this technology to change the messaging for its food-delivery service—morning, noon, and night—on the billboard outside NYC's Queens Midtown Tunnel. Ultimately, billboard time may be sold in day-parts like radio or television, making them more appealing to time-sensitive advertisers.

Another key development that also features amazing technology entails a testing system to profile the people who saw your billboard today.⁷ For the past 70 years the

5. Sissors and Bumba, *Advertising Media Planning*.

6. Kimberly Palmer, "Highway Ads Take High-Tech Turn," *Wall Street Journal*, September 12, 2003, B5.

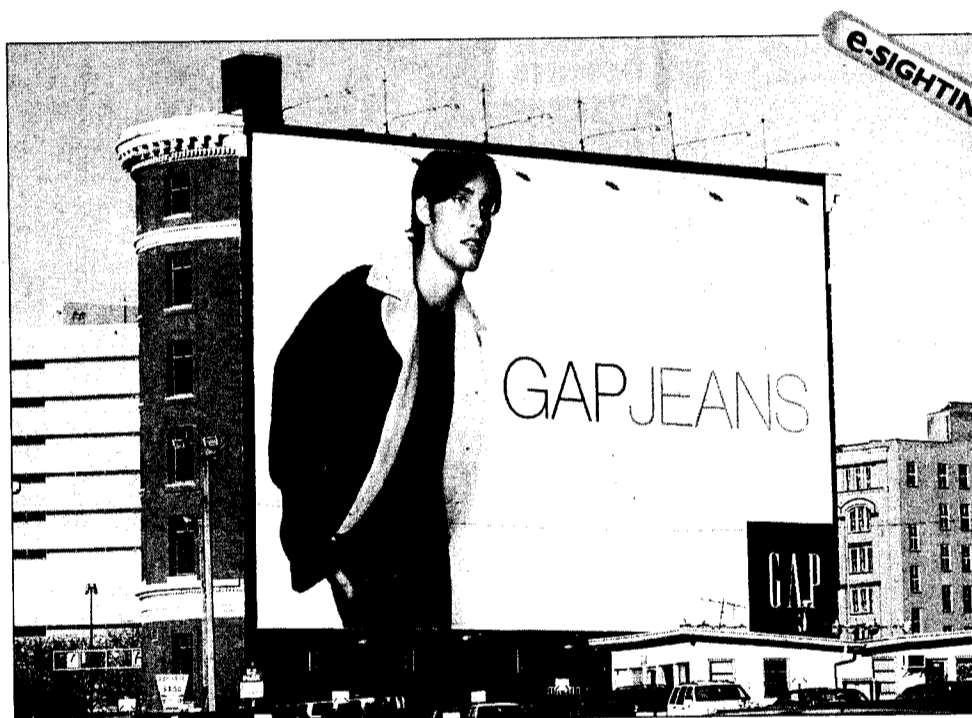
7. Lisa Sanders, "Nielsen Outdoor Tracks Demo Data," *Advertising Age*, May 31, 2004, 14.

only information available to assess the impact of billboard advertising came from raw traffic counts. Now, Nielsen Outdoor, part of the company known for rating television viewer-ship, has developed a system using GPS satellites to track minute-by-minute movements in the “impact zone” of a billboard. Drivers in the Nielsen panel are paid a small stipend to have their latitude and longitude recorded by GPS every 20 seconds. Nielsen also knows the demographic characteristics of its panel, so they can advise advertisers about the characteristics of persons who viewed a billboard at any given time. Sounds pretty wild, but when a similar system was deployed in the U.K., revenues from outdoor ads grew dramatically.⁸ Advertisers are more willing to invest when they can track results. The lesson here is simply that advertisers want to know who is viewing their billboards. Renewed creativity and new technologies should lead to more advertising dollars moving “outdoors” in many markets around the world.

Transit and Aerial Advertising. **Transit advertising** is a close cousin to billboard advertising, and in many instances it is used in tandem with billboards. The phrase **out-of-home media** is commonly used to refer to the combination of transit and billboard advertising; this is a popular advertising form around the world with global revenues approaching \$20 billion.⁹ As illustrated in Exhibits 17.9, 17.10, and 17.11, out-of-home ads appear in many venues, including on backs of buildings, in subway tunnels, and throughout sports stadiums. Transit ads may also appear as signage on terminal and station platforms, or actually envelop mass transit vehicles, as exemplified in Exhibit 17.12. One of the latest innovations in out-of-home media is taxi-top electronic billboards that deliver customized messages by neighborhood using wireless Internet technology.¹⁰ We’ve come a long way from the circus poster.

EXHIBIT 17.9

This wonderful old building has a big, flat backside, facing a major interstate freeway. No wonder the Gap wants to keep it in jeans. Does the Gap site (<http://www.gap.com>) show signs of integrated brand promotion?



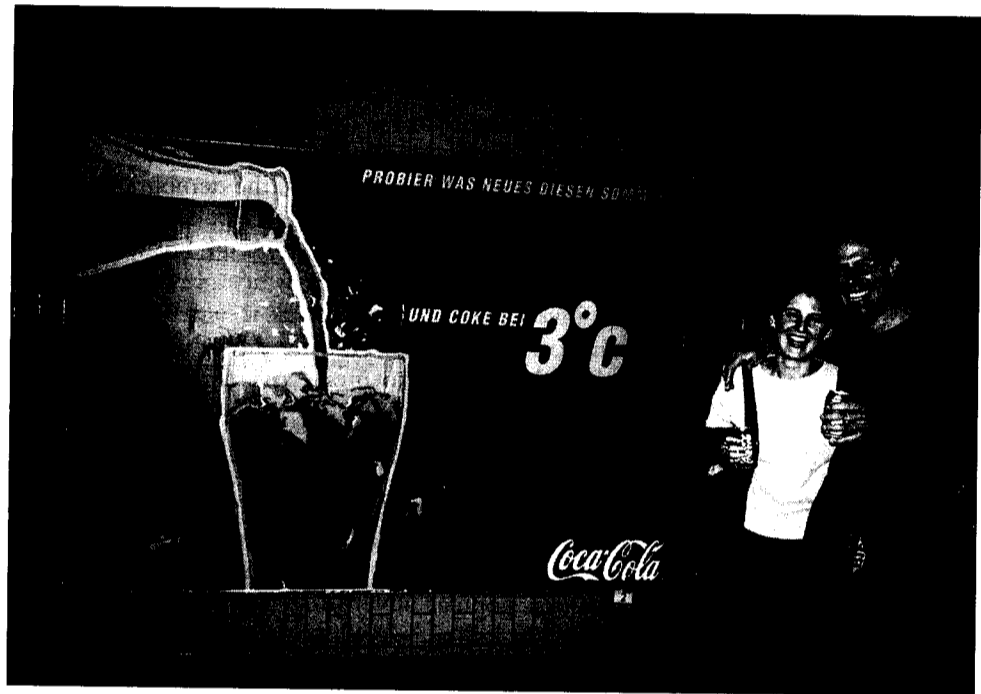
8. Elizabeth Boston, “New Outdoor Rating Systems Ready for Battle,” from AdAge.com, article dated 6/11/03 available at <http://www.adage.com/news>, accessed July 3, 2003.

9. Alastair Ray, “A Market on the Move,” *adageglobal*, April 2001, 36.

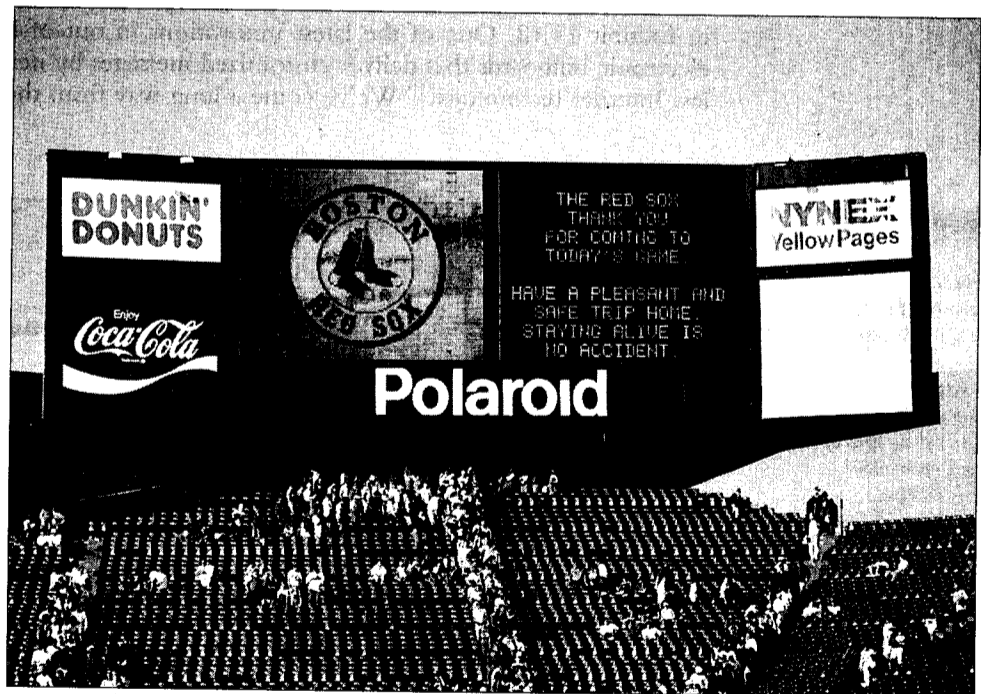
10. Stephen Freitas, “Evolutionary Changes in the Great Outdoors,” *Advertising Age*, June 9, 2003, C4.

EXHIBIT 17.10

Happy Berliners enjoy their Cokes at 3 degrees Celsius while waiting on the U-bahn (subway).

**EXHIBIT 17.11**

As this Fenway Park scoreboard shows, signage and advertiser slogans are standard fare at the ballpark. Why do you think each advertiser chose to pick this particular place to advertise?



Transit advertising is especially valuable when an advertiser wishes to target adults who live and work in major metropolitan areas. The medium reaches people as they travel to and from work, and because it taps into daily routines repeated week after week, transit advertising offers an excellent means for repetitive message exposure. In large metro areas such as New York City—with its 200 miles of subways and 3 million subway riders—transit ads can reach large numbers of individuals in a cost-efficient manner. The once utilitarian bus stop has also become big business, with all the usual complications, as outlined in the Controversy box on page 618.

EXHIBIT 17.12

The story is the same all over the world. Mass transit has become an advertising vehicle too. Can you identify this European city? <http://www.converse.com>



When working with this medium, an advertiser may find it most appropriate to buy space on just those trains or bus lines that consistently haul people belonging to the demographic segment being targeted. This type of demographic matching of vehicle with target audience derives more value from limited ad budgets. Transit advertising can also be appealing to local merchants because their messages may reach a passenger as he or she is traveling to a store to shop. For some consumers, transit ads are the last medium they are exposed to before making their final product selection.

Transit advertising works best for building or maintaining brand awareness; as with outdoor billboards, lengthy or complex messages simply cannot be worked into this medium. Also, transit ads can easily go unnoticed in the hustle and bustle of daily life. People traveling to and from work via a mass transit system are certainly one of the hardest audiences to engage with an advertising message. They can be bored, exhausted, absorbed by their thoughts about the day, or occupied by some other medium. Given the static nature of a transit poster, breaking through to a harried commuter can be a tremendous challenge.

When advertisers can't break through on the ground or under the ground, they can always look to the sky. **Aerial advertising** can involve airplanes pulling signs or banners, skywriting, or those majestic blimps. For several decades, Goodyear had blimps all to itself; now, the availability of smaller, less-expensive blimps has made this medium more popular to advertisers. For example, Virgin Lightships created a fleet of small blimps that measure 70,000 cubic feet in size and can be rented for advertising purposes for around \$200,000 per month. Aerial billboards, pulled by small planes or jet helicopters equipped with screeching loudspeakers, have also proliferated in recent years, as advertisers look for new ways to connect with consumers.¹¹

Sanyo, Fuji Photo, MetLife, Outback Steakhouse, and Anheuser-Busch have clearly bought into the appeal of an airborne brand presence. The Family Channel has also been a frequent user of Virgin Lightships' mini-blimps at sporting events such as the Daytona 500 NASCAR race. A recall study done after one such event

11. Barry Newman, "Sky-Borne Signs Are on the Rise as Most Ad Budgets Take a Dive," *Wall Street Journal*, August 27, 2002, B3.

showed that 70 percent of target consumers remembered the Family Channel as a result of the blimp flyovers.¹² Blimps carrying television cameras at sporting events also provide unique video that can result in the blimp's sponsor getting several on-air mentions. This brand-name exposure comes at a fraction of the cost of similar exposure through television advertising.

"Street Furniture" Means Big Bucks for Someone

The idea of "street furniture" started in Europe, but is catching on fast in North America. San Francisco, Los Angeles, and Chicago all have street furniture deals. But the biggest prize is New York City. The city has called for proposals to redesign all the city's street furniture to make it a more productive venue for selling ad space. The request for proposals called for the winning bidder to redesign, install, and maintain 3,300 bus-stop shelters, 20 self-cleaning automatic public toilets, 330 newsstands, and a variety of other "public-service structures" like trash cans and information kiosks. New York City is looking for a 20-year deal. Why would anyone want to take on such a task? Well, those in the know estimate that the city's street furniture will generate a billion dollars in ad revenue over the life of the contract.

The opportunity has attracted all the big players in outdoor ad media. There is JCDecaux, the French firm that first conceived the premise of street furniture in 1964. Clear Channel Communications of San Antonio is also a player with big plans for customizing the look of each structure to reflect the unique architecture of New York City's many neighborhoods. And Viacom, which has previously controlled transit ad space in New York City, definitely knows the value of reaching its legion of commuters. Each hired well-connected lobbyists to help pitch their proposals to City Hall.

For overseeing this street furniture project, one of these media companies stands to gain a major new source of advertising revenue. The City of New York is a winner as well, because around 30 percent of the revenue will be the city's take. But not everyone will profit from the new arrangement. In particular, the Newsstand Operators Association isn't pleased and has threatened to sue the city to thwart the deal. Independent newsstand owners basically will be put out of business if the program isn't amended with them in mind. As their lawyer noted, "We are not too pleased with the scheme. It will transfer ownership of newsstands from private mom-and-pop operations to large corporations with no compensation to us." Until the matter is settled, probably in the courts, New York City's commuters will just have to wait for their bus at a bus stop, perhaps unaware that one day they'll have "street furniture."

Sources: Lisa Sanders, "Gimme Shelter: NYC Seeks Ad Sites," *Advertising Age*, April 5, 2004, 3; Erin White, "Companies to Bid for Bus-Stop Ads," *Wall Street Journal*, April 7, 2004, B3.

When a medium proves itself, more and more marketers will want it in their media mix. Of course, the irony is that as a medium becomes more attractive and hence cluttered, its original appeal begins to be diluted. We already see this occurring with aerial advertising. With more and more blimps showing up at sporting events, networks can be choosy about which one gets the coveted on-air mention. Besides carrying an overhead camera for them, networks now demand that blimp sponsors purchase advertising time during the event if they want an on-air mention. Additionally, the sportscasters' casual banter about the beautiful overhead shots from so-and-so's wonderful blimp have now been replaced by scripted commentary that is written out in advance as part of the advertising contract.¹³ As we've noted before, this cycle of uniqueness and effectiveness, followed by clutter and dilution of effectiveness, repeats itself over and over again. Hence, the never-ending search for something fresh.

Directory Advertising. The last time you reached for a phone directory to appraise the local options for Chinese or Mexican food, you probably didn't think about it as a traditional support medium. However, Yellow Pages advertising plays an important role in the media mix for

many types of organizations, as evidenced by the \$14 billion spent in this medium annually.¹⁴ A wealth of current facts and figures about this media option are available from the Yellow Pages Integrated Media Association's Web site, <http://www.yppa.org>.

A phone directory can play a unique and important role in consumers' decision-making processes. While most support media keep the brand name or key product

12. Fara Warner, "More Companies Turn to Skies as Medium to Promote Products," *Wall Street Journal*, January 5, 1995, B6.

13. Bill Richards, "Bright Idea Has Business Looking Up for Ad Blimps," *Wall Street Journal*, October 14, 1997, B1.

14. Almar Latour, "Yellow Book USA Grabs Business From Baby Bells with Cheap Ads," *Wall Street Journal*, April 13, 2004, A1, A16.

information in front of a consumer, Yellow Pages advertising helps people follow through on their decision to buy. By providing the information that consumers need to actually find a particular product or service, the Yellow Pages can serve as the final link in a buying decision. Because of their availability and consumers' familiarity with this advertising tool, Yellow Pages directories provide an excellent means to supplement awareness-building and interest-generating campaigns that an advertiser might be pursuing through other media.

On the downside, the proliferation and fragmentation of phone directories can make this a challenging medium to work in.¹⁵ Many metropolitan areas are covered by multiple directories, some of which are specialty directories designed to serve specific neighborhoods, ethnic groups, or interest groups. Selecting the right set of directories to get full coverage of large sections of the country can be a daunting task. Thus, of the \$14 billion spent in this medium annually, less than \$2 billion is from advertisers looking for national coverage.¹⁶ Additionally, working in this medium requires long lead times; and over the course of a year, information in a Yellow Pages ad can easily become dated. There is also limited flexibility for creative execution in the traditional paper format.

Growth of the Internet was once viewed as a major threat to providers of paper directories.¹⁷ Many Web sites such as <http://www.switchboard.com> and <http://www.superpages.com> provide online access to Yellow Pages-style databases that allow individualized searches at one's desktop. Other high-profile players such as Yahoo and AOL have also developed online directories as components of their service offerings for Web surfers. But as it turns out, consumers still want their old-style Yellow Pages; market research has established that people who spend the most time on the Internet searching for addresses and phone numbers are also the same people who make heavy use of paper directories.¹⁸ When people are in an information-gathering mode, they commonly use multiple media. So, thus far the Internet has been more of an opportunity than a threat for Yellow Pages publishers, and "old-fashioned" Yellow Pages directories continue to produce something that has been hard to find on the Web—profitability!

When Support Media Are More Than Support Media. There will be times when the capabilities and economies of support media lead them to be featured in one's media plan. Obviously, in such instances, it would be a misnomer to label them as merely "supportive." Out-of-home media used creatively and focused in major metropolitan markets are especially effective in this regard. A couple of examples should make this point clear.

Altoids, "the curiously strong mints" made in England since 1780, used out-of-home media to invigorate its brand in 12 major U.S. cities. Turns out that Altoids' target segment of young, socially active adults living in urban neighborhoods are very hard to reach with conventional broadcast or print advertising. Perhaps they are just too busy being socially active. But, using geodemographic segmentation systems like those described in Chapter 6, it is not hard to identify their neighborhoods. So Altoids and its ad agency, Leo Burnett, set out to plaster those neighborhoods with quirky advertising signage on telephone kiosks, bus shelters, and the backs of buses. Once again, quirky rules! In each of the 12 targeted metro areas, sales of Altoids increased by more than 50 percent.¹⁹ Now that's invigorating!

15. *Yellow Pages and the Media Mix* (Troy, MI: Yellow Pages Publishers Association, 1990).

16. Lisa Sanders, "Major Marketers Turn to Yellow Pages," *Advertising Age*, March 8, 2004, 4, 52.

17. *Yellow Pages: Facts & Media Guide 1998* (Troy, MI: Yellow Pages Publishers Association, 1998), 4, 5.

18. Rachel E. Silverman, "Print Yellow Pages Are Still Profitable," *Wall Street Journal*, May 22, 2000, B16; Bradley Johnson, "Yellow Pages Deals Red Hot as Telecom Industry Regroups," *Advertising Age*, January 6, 2003, 4, 20.

19. Brad Edmondson, "The Drive/Buy Equation," *Marketing Tools*, May 1998, 28–31.

Edgy, often inexpensive, promotional initiatives executed in major urban markets have become so popular that they now have their own name—**guerrilla marketing**. And many firms have adopted guerilla marketing as their primary promotional style, tailoring different executions market by market. A great exemplar of guerrilla marketing gone global is provided by Ikea, the Swedish furniture maker.²⁰ For instance, Ikea China, focusing on low-income customers in Beijing, transformed the elevators of 20 apartment buildings into furnished “rooms” with small cabinets, teapots, and an elevator operator handing out Ikea catalogs. The intent was to illustrate that Ikea offers many things for dressing up small spaces. Ikea Germany went a slightly different route, taking over train stations in Berlin. The walls of the dingy train stations were decorated with brightly colored fabrics and hanging lamps to make the point that any room can be brightened with a little help from Ikea. The Ikea philosophy is to use nontraditional approaches to make a big splash. That’s the essence of guerilla marketing and obviously raises out-of-home media from support to a central role in the media mix.

2 Event Sponsorship. As indicated by the Charmin Pottypalooza example and Ikea’s elevator makeovers, marketers around the world are receptive to many possibilities, and the list of possibilities continues to grow. An important issue propelling this search for new ways to reach consumers is the slow but steady erosion in the effectiveness of traditional broadcast media. By now you have been sensitized to the many forces that are working to undermine broadcast media. One is simply a question of options. In today’s world, people have an ever-expanding set of options to fill their leisure time, from video games to Web surfing to watching DVDs. Does anyone actually

watch television any more? And if they do, there is growing concern among advertisers that soon we will all have set-top technology that will make watching TV ads truly obsolete.²¹ As noted in Exhibit 17.13, TiVo Central offers an array of features but, TiVo makes TV better in the minds of many because it lets you skip the advertising.

One of the time-tested means for reaching targeted groups of consumers on their terms is event sponsorship; this tool will only become more popular as advertisers continue their retreat from the broadcast media. General Motors, one of the world’s biggest ad spenders, typifies the trend. GM has experimented with a number of ways to “get closer” to its

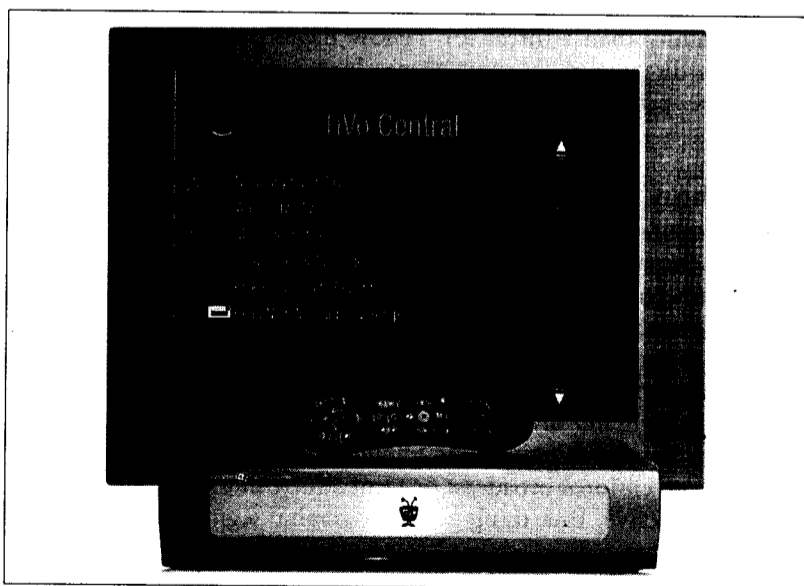


EXHIBIT 17.13

A TiVo® DVR automatically finds and records your favorite shows without video tape and allows you to pause live TV, watch in slow motion, and create your own instant replays. You can also fast forward quickly through any pre-recorded content.

prospective customers. Most entail sponsoring events that get consumers in direct contact with its vehicles, or sponsoring events that associate the GM name with causes or activities that are of interest to its target customers. For example, GM has sponsored a traveling slave-ship exhibition, a scholarship program for the Future Farmers of America, and Seventh Avenue’s week of fashion shows in New York City. GM has also

20. Emma Hall, “Ikea Courts Buyers with Offbeat Ideas,” *Advertising Age*, April 12, 2004, 10.

21. Jack Neff and Lisa Sanders, “It’s Broken,” *Advertising Age*, February, 16, 2004, 1, 30; Julia Angwin, “In Embracing Digital Recorders, Cable Companies Take Big Risk,” *Wall Street Journal*, April 26, 2004, A1, A11; Ronald Grover, “Can Mad Ave. Make Zap-Proof Ads?” *BusinessWeek*, February 2, 2004, 36–37.

launched a movie theater on wheels that travels to state fairs, fishing contests, and auto races to show its 15-minute “movie” about the Silverado pickup truck. Like many marketers large and small, GM has been shifting more of its advertising budget into event sponsorships.²²

Event sponsorship has some similarities with the other advertising and promotional options discussed thus far in this chapter. Event sponsorship often is used to support or supplement other ongoing advertising efforts. Thus, while it is not quite accurate to think of event sponsorship as a support *medium*, there will be times when it plays a supportive role in the media plan akin to that of out-of-home advertising. Additionally, event sponsorship can provide a base for wonderful synergies with other tactical options such as sales promotions and public relations. Some of these synergies will be made apparent in this chapter, and are elaborated on in Chapters 18 and 20. As always, the challenge is to get multiple tactical alternatives working together to break through the clutter of the marketplace and register the message with the target customer. That’s the essence of integrated brand promotion.



EXHIBIT 17.14

While there are no gold medals at the Flying Pig Marathon in Cincinnati (a.k.a. Porkopolis), crossing the “finish swine” at the head of the pack is still cause for a bit of snorting.

Who Else Uses Event Sponsorship?

Event sponsorship is a special and increasingly popular way to reach consumers. **Event sponsorship** involves a marketer providing financial support to help fund an event, such as a rock concert or golf tournament. In return, that marketer acquires the rights to display a brand name, logo, or advertising message on-site at the event. If the event is covered on TV, the marketer’s brand and logo may also receive exposure with the television audience. In 2003, marketers around the world spent approximately \$26 billion for sponsorship rights, with the majority of this going for sports sponsorships.²³

Event sponsorship can take many forms. The events can be international in scope, as in the Olympics, with big name sponsors like Kodak, Swatch, John Hancock, and Visa. Or they may have a distinctive local flavor, like the Flying Pig Marathon. As shown in Exhibit 17.14, local events provide sponsorship opportunities for organizations like Mercy Health Partners and a regional office of Ernst & Young. Marketers may offer funding to an existing event, or they may create an event they can sponsor in hopes of engaging a specific segment of their customers. Events provide a captive audience, may receive live coverage by radio and television, and often are reported in the print media. Hence, event sponsorship can both yield face-to-face contact with real consumers and receive simultaneous and follow-up publicity.

The list of companies participating in event sponsorships seems to grow every year. Best Buy, Reebok, Atlantic Records, Heineken, Citibank, and a host of other companies have sponsored tours and special appearances for recording artists such as Brandy, Jewel, Jay-Z, Sting, Britney Spears, Elton John, and 50 Cent. If you have ever hit the beaches for spring break,

22. Fara Warner, “Under Pressure, GM Takes Its Sales Show on the Road,” *Wall Street Journal*, November 4, 1998, B1.

23. “Marketing Fact Book,” *Marketing News*, July 7, 2003, 22.



EXHIBIT 17.15

It's hard to compete with the Nikes and the Reeboks of the world when it comes to sports sponsorship. The dollars that get thrown around in this regard are simply prohibitive for some companies. But rather than abandoning sport, here we see Puma choose a different path. If all sports fans have a place in their hearts for the underdog, then perhaps it makes perfect sense to be on the sideline with all teams from Jamaica. Find out more about the Puma strategy at <http://www.puma.com>.

you already know that companies such as Coca-Cola, MCI, and Sega will be there to greet you. Research conducted by Intercollegiate Communications has established that 65 percent of college students on break not only accept corporate events on the beach, they expect and look forward to them.²⁴ And, of course, the world is absolutely crazy about football—no, not that kind of football. English professional soccer has become one of the darlings of the sports business because of the valuable marketing opportunities it supports. For example, Manchester United of the English Premier Soccer League surpasses the New York Yankees in its ability to generate revenues. In this world of big-time sports, global companies like Pepsi, Nike, and Vodafone pay huge amounts to have their names linked to the top players and teams.²⁵ Sports sponsorships also come in all shapes and sizes, providing advertisers diverse opportunities to associate their brands with the distinctive images of various players and teams. Reflect on Exhibit 17.15. What benefit might Puma be looking for as a proud sponsor of the Jamaican Athletics Federation?

The Appeal of Event Sponsorship. In the early days of event sponsorship, it often wasn't

clear what an organization was receiving in return for its sponsor's fee. Even today, many critics contend that sponsorships, especially those of the sporting kind, can be ego-driven and thus a waste of money.²⁶ Company presidents are human, and they like to associate with sports stars and celebrities. This is fine, but when sponsorship of a golf tournament, for example, is motivated mainly by a CEO's desire to play in the same foursome as Annika Sorenstam or Tiger Woods, the company is really just throwing away advertising dollars.

One of the things fueling the growing interest in event sponsorship is that many companies have found ways to make a case for the effectiveness of their sponsorship dollars. Boston-based John Hancock has been a pioneer in developing detailed estimates of the advertising equivalencies of its sponsorships. John Hancock began sponsoring a college football bowl game in 1986 and soon after had a means to judge the value of its sponsor's fee.²⁷ Hancock employees scoured magazine and newspaper articles about their bowl game to determine name exposure in print media. Next they'd factor in the exact number of times that the John Hancock name was mentioned during television broadcast of the game, along with the name exposure in pre-game promos. In 1991, Hancock executives estimated that they received the equivalent of \$5.1 million in advertising exposure for their \$1.6 million sponsorship fee. One John Hancock executive called this result "an extraordinarily efficient media buy."²⁸ However, as the television audience for the John Hancock bowl dwindled in subsequent years, Hancock's estimates of the bowl's value also

24. Dan Hanover, "School's Out!" *PROMO Magazine*, February 1998, 42–46.

25. Charles Goldsmith, "Join the Club: Thai Wants In on U.K. Soccer." *Wall Street Journal*, May 12, 2004, B1, B2.

26. Amy Hernandez, "Research Studies Gauge Sponsorship ROI," *Marketing News*, May 12, 2003, 16; Ian Mount, "Exploding the Myths of Stadium Naming," *Business 2.0*, April 2004, 82, 83.

27. Michael J. McCarthy, "Keeping Careful Score on Sports Tie-Ins," *Wall Street Journal*, April 24, 1991, B1.

28. *Ibid.*

plunged.²⁹ Subsequently, Hancock moved its sports sponsorship dollars into other events, such as the Olympics, the Boston Marathon, and Major League Baseball.



Stop, Look, and Listen

Sponsorships yield their greatest benefit when they foster a relationship or deep connection between the target consumer and the sponsoring company or brand. This connection is created when the consumer's passion for the event in question (say, World Cup soccer) becomes associated with a sponsoring brand (such as Adidas, Fujifilm, or MasterCard). There is no guarantee that all brands will realize an emotional connection to the events they sponsor. Indeed, most won't. And while traditional evaluation tools like telephone interviewing or media analysis are important in assessing the value of sponsorships, they cannot reveal deep connections. Careful listening is key to uncovering these connections.

When we know the right questions to ask, listening to the consumer can prove very rewarding. Three areas of questioning can provide important insights for evaluating the relationship-building benefits of event sponsorship. This qualitative research process should begin by exploring eventgoers' subjective experience of an event. Do they have strong feelings about the events they attend? What is it that ignites their passion for an event? Next, it is critical to explore whether fans really understand the role of the sponsor. Most fans know little about the benefits that sponsors provide; research has shown that the more they know, the more the sponsor benefits. Auto-racing fans have the greatest understanding of the role of the sponsor, which helps explain the eagerness of companies to get involved as sponsors of this sport. Finally, one needs to probe the issue of connection: What specific brands do people connect with specific events and how have their opinions of those brands been affected, if at all?

Tapping emotional connections will require sophisticated listening. Listen for fans' descriptions of their emotional experiences, their understanding of the role of the sponsor, and the connections they take away regarding what brands stood out as contributors to what events. Keen listening in these areas will help reveal whether sponsorships are deepening a brand's relevance and meaning in the lives of eventgoers.

Source: Julie Zdziarski, "Evaluating Sponsorships," *PROMO Magazine*, March 2001, 92, 93.

part of its spring break promotion, Coca-Cola sponsors dance contests on the beach, where it hands out hundreds of Coca-Cola T-shirts and thousands of cups of Coke each day. The goal is to build brand loyalty with those 18-to-24-year-old students who've come to the beach for fun and sun. As assessed by one of Coke's senior brand managers, "This is one of the best tools in our portfolio."³¹ Judging whether your brand is receiving this loyalty dividend is another important aspect of sponsorship assessment, and as discussed in the IBP box, will require a more qualitative

Improving one's ability to gauge the effectiveness of ad dollars spent will generally drive more spending on any IBP tool. Enter a familiar player—Nielsen Media Research—and a service they are offering advertisers called the Sponsorship Scorecard. Nielsen is testing this new service, which will, among other things, give advertisers a read on the impact of their signage in sports stadiums. In one assessment for Fleet Bank in Boston's Fenway Park, Nielsen calculated that Fleet signage received 84 impressions of at least five seconds each during a telecast of the Red Sox/Yankees baseball game. Each impression was time stamped as to when it appeared during the game. Factoring in the size of the viewing audience, Nielsen determined that the 84 impressions for Fleet resulted in a total of 418 million impressions among adults age 18 and up.³⁰ That's an impressive-sounding number and will become easier to interpret as Nielsen gains more experience with the Sponsorship Scorecard. But again, the key point is that as advertisers and research companies get more proficient in tracking the impact of sponsorships, they will only become a more attractive option as a brand-building tool.

Adding to their appeal, event sponsorships can furnish a unique opportunity to foster brand loyalty. When marketers connect their brand with the potent emotional experiences often found at rock concerts, in soccer stadiums, or on Fort Lauderdale beaches in late March, positive feelings may be attached to that brand that linger well beyond the duration of the event. As

29. William M. Bulkeley, "Sponsoring Sports Gains in Popularity; John Hancock Learns How to Play to Win," *Wall Street Journal*, June 24, 1994, B1.

30. Rich Thomaselli, "Nielsen to Measure Sports Sponsorship," *Advertising Age*, May 3, 2004, 14.

31. Bruce Horowitz, "Students Get Commercial Crash Course," *USA Today*, March 22, 1995, B1-B2.

EXHIBIT 17.17

Guidelines for event sponsorship.

Guidelines for Event Sponsorship

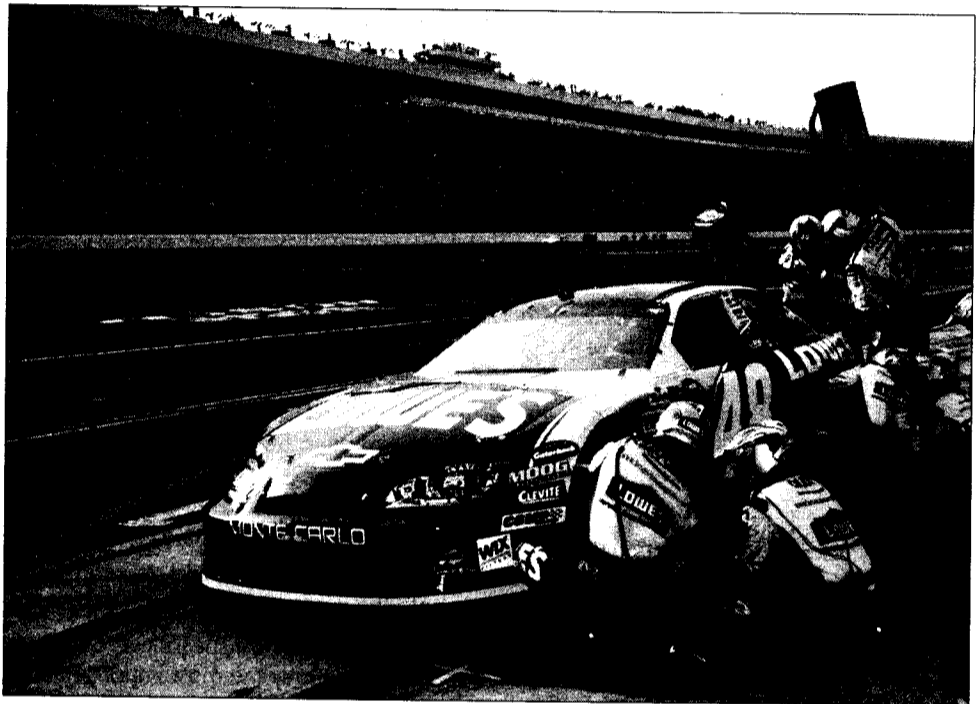
1. **Match the brand to the event.** Be sure that the event matches the brand personality. Stihl stages competitions at Mountain Man events featuring its lumbering equipment. Would the Stihl brand fare as well sponsoring a boat race or a triathlon? Probably not.
2. **Tightly define the target audience.** Closely related to point number one is the fact that the best event in the world won't create impact for a brand if it's the wrong target audience. Too often the only barometer of success is the number of bodies in attendance. Far more important is the fact that the brand is getting exposure to the right audience. This is what JBL and TREK accomplished with the mountain bike tour sponsorship.
3. **Stick to a few key messages.** Most events try to accomplish too much. People are there to experience the event and can accommodate only a limited amount of persuasion. Don't overwhelm them. Stick to a few key messages and repeat them often.
4. **Develop a plot line.** An event is most effective when it is like great theater or a great novel. Try to develop a beginning, a middle, and an exciting ending. Sporting events are naturals in this regard, which explains much of their popularity. In nonsporting events, the plot line needs to be developed and delivered in small increments so the attendees can digest both the event and the brand information.
5. **Deliver exclusivity.** If you are staging a special event, make it by invitation only. Or, if you are a featured sponsor, invite only the most important customers, clients, or suppliers. The target audience wants to know that this event is special. The exclusivity provides a positive aura for the brand.
6. **Deliver relevance.** Events should build reputation, awareness, and relationships. Trying to judge the success of an event in terms of sales is misleading and shortsighted. Don't make the event product-centric; make it a brand-building experience for the attendees.
7. **Use the Internet.** The Internet is a great way to promote the event, maintain continuous communication with the target audience, and follow up with the audience after an event. Plus, it's a good way to reach all the people who can't attend the event in person. For golf fans, pga.com gets viewers involved with each event on the PGA tour and gives sponsors another chance to reach the target audience.
8. **Plan for the before and after.** Moving prospects from brand awareness to trial to brand loyalty doesn't happen overnight. The audience needs to see the event as part of a broad exposure to the brand. This is the synergy that needs to be part of the event-planning process. The event must be integrated with advertising, sales promotions, and advertising specialty items.

Source: Laura Shuler, "Make Sure to Deliver When Staging Events," *Marketing News*, September 13, 1999, 12.

NASCAR sponsors. The announcers keep you informed throughout via the Old Spice Lap Leaders update and the Visa Race Break. We are told that Home Depot is the Official Home Improvement Warehouse of NASCAR and UPS is The Official Delivery Service of NASCAR. At commercial breaks there's the ever-present beer ads with Budweiser and Miller shouting at each other, and we rejoin the race following the Budweiser or Miller Lite car around the track. None of this comes as any surprise, because NASCAR openly and aggressively bills itself as the best marketing opportunity in sports. Said another way, a NASCAR race is a fantastic example of branded entertainment.

NASCAR is truly a unique brand building "vehicle," but we use it here as an exemplar of something bigger, something more pervasive, and something that is growing in popularity as a way to support and build brands across diverse entertainment venues. Although it has been called many things, we have settled on the label branded entertainment. **Branded entertainment** entails embedding one's brand or brand icons as part of any entertainment property (e.g., a sporting event, TV show, theme

There is something special in the relationship between fans and their brands at a NASCAR event. Each race is truly a celebration, with brands as co-stars of the show. View the galaxy of stars at <http://www.nascar.com>.



park, short film, movie, or videogame) in an effort to impress and connect with your consumer in a unique and compelling way. If you have the sense that brands are showing up in more and more places these days, you're right. This new visibility for brands is being driven by a desire in the marketing community to participate in the development of all forms of entertainment. When Paula Abdul reaches for the big red Coca-Cola cup to quench her thirst during the TV show *American Idol*, it is not a coincidence. Coca-Cola was embedded as part of this entertainment property in cooperation with the shows producers, after paying a \$20 million placement fee.³⁴

It's not hard to understand why NAPA Auto Parts or Budweiser, the King of Beers, would be willing to shell out millions of dollars to be a featured brand in the NASCAR Nextel Cup Series. But how is it conceivable that a company such as Procter & Gamble could justify sponsorship of the Tide Car, which you see whizzing by in Exhibit 17.19? Well, first of all, lots of women are NASCAR fans and lots of women buy Tide. Additionally, general industry research indicates that NASCAR fans are unusually loyal to the brands that sponsor cars and have absolutely no problem with marketers plastering their logos all over their cars and their drivers. Indeed, many NASCAR fans often wear those logos proudly. Moreover, the data say that race fans are three times more likely to purchase a product promoted by their favorite NASCAR driver, relative to the fans of all other sports.³⁵ One NASCAR marketing executive put it this way: "Our teams and drivers have done a wonderful job communicating to fans that the more Tide they buy, the faster Ricky Cravens is going to go."³⁶ Obviously, this entails impressing and connecting with consumers in a most compelling way, making the Tide car or the Bud car or the Viagra car or the Lowe's car all great symbols of branded entertainment.

Product Placements. In more and more instances brands are showing up as costars of the show, no matter what the show. This is obvious and accepted as part of the NASCAR circuit, but

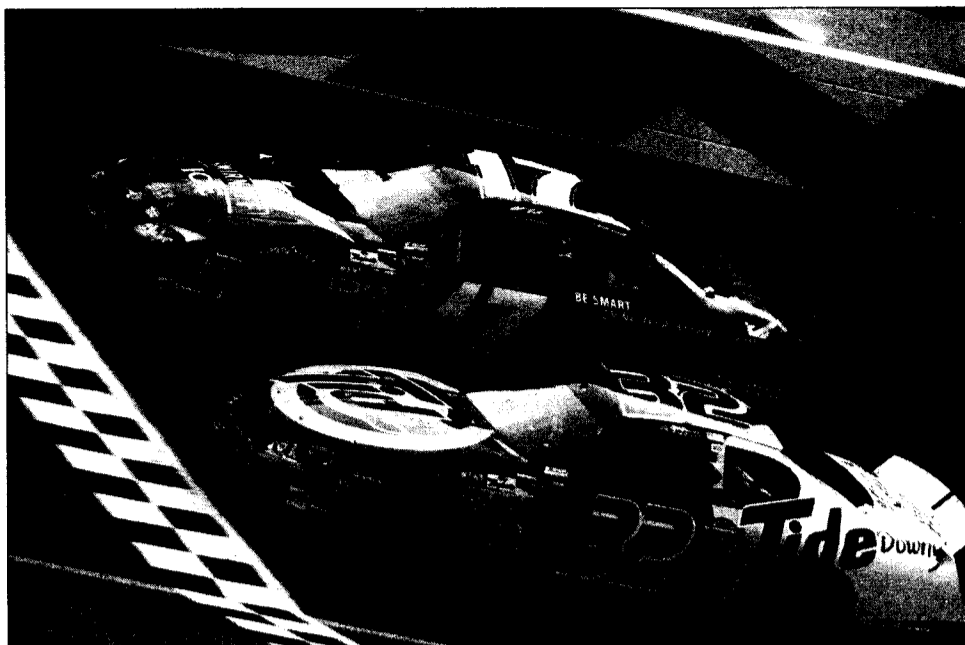
34. Ronald Grover, "Can Mad Ave. Make Zap-Proof Ads?" *Business Week*, February 2, 2004, 36-37.

35. Rich Thomaselli, "Nextel Link Takes NASCAR to New Level." *Advertising Age*, October 27, 2003, S-7.

36. Lisa Napoli, "A New Era in Stock-Car Racing," *The New York Times*, July 14, 2003, accessed at www.nytimes.com, 7/14/03.

EXHIBIT 17.11

Automobile racing attracts loyal fans with lots of devotion to their favorite brands. Is it any surprise that advertisers want to be part of this unique venue? <http://www.pg.com>



in other venues the presence of brands is less familiar and sometimes controversial. Some writers, producers, and entertainers resent the infusion of commercialization in their art form, but many are simply accepting of brands as the new reality of doing business. Branded entertainment has come a long way since E.T. nibbled on Reese's Pieces in the movie *E.T. the Extra-Terrestrial*. But that product (or brand) placement foreshadowed much that has followed.

Product placement is the practice of placing any branded product into the content and execution of any entertainment product. In today's world, product-placement agencies work with marketers to build bridges to the entertainment industry. Working collaboratively, agents, marketers, producers, and writers find ways to incorporate the marketer's brand as part of the show. The show can be of almost any kind. Movies, short films on the Internet, and reality TV are great venues for branded entertainment. Videogames, novels, and magazines (or mag-a-logs) offer great potential. Anywhere and any time people are being entertained, there is opportunity for branded entertainment.

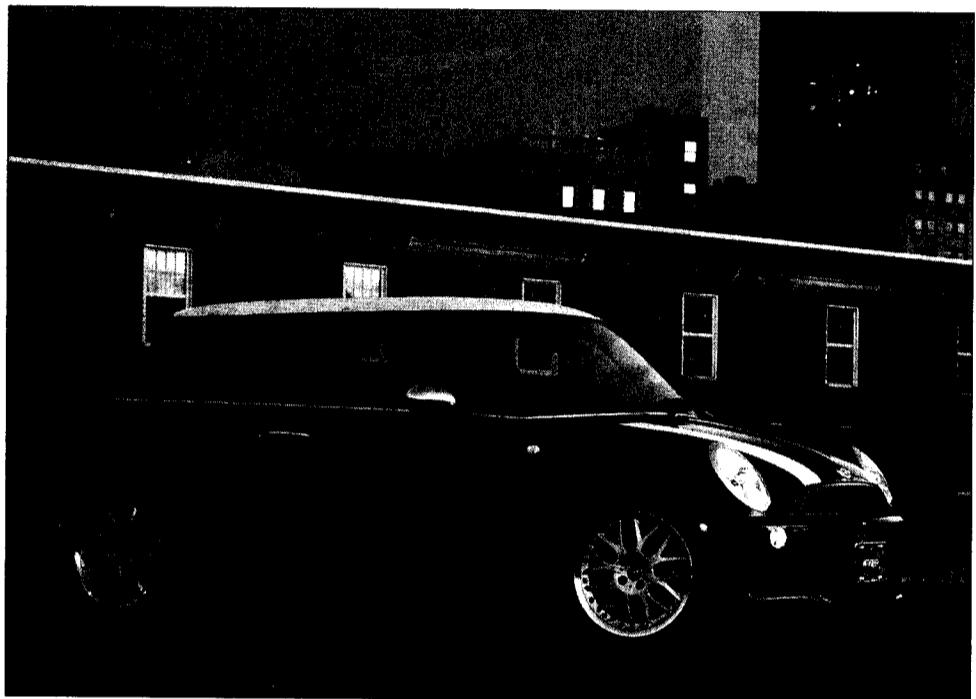
Television viewers have become accustomed to product placements on the tube. Soap operas and reality shows have helped make product placements seem the norm on TV, and the tactic is spreading like wildfire. On Time Warner's WB network, a shiny orange Volkswagen Beetle convertible played an important role in the teen superhero drama *Smallville*. Ray Romano chased his wife around the grocery store, knocking over a display of Ragu products, in an episode of the CBS sitcom *Everybody Loves Raymond*. *Queer Eye for the Straight Guy*, on the Bravo network, has provided a bonanza of placement opportunities with brands like Amaretto, Redken, and Diesel. The final episode of NBC's long-running comedy *Frasier* included a special moment where Niles gave his brother a little gift to cheer him up. That gift? Pepperidge Farm Mint Milano cookies. The branded "special moment," like that one on *Frasier*, is likely to become more common in the years ahead.³⁷

The "car chase" is a classic component of many action/adventure movies, and in recent years has been seized as a frequent platform for launching new automotive brands. If you'd like to immerse yourself in a superb example of branded entertainment,

37. Brian Steinberg and Suzanne Vranica, "Prime-Time TV's New Guest Stars: Products," *Wall Street Journal*, January 12, 2004, B1, B4; Brian Steinberg, "Frasier Finale: Amid Nostalgia, A Product Plug," *Wall Street Journal*, May 12, 2004, B1, B2.

EXHIBIT 17.20

The Mini Cooper launch campaign featured many innovative examples of integrated brand promotion, including a starring role in the film *The Italian Job*. Let's motor!



rent the DVD of *The Italian Job*, a movie released in 2003 starring the lovable Mini Cooper, like the one on display in Exhibit 17.20. The Mini proves to be the perfect getaway car, as it deftly maneuvers in and out of tight spots throughout the movie. BMW has been a pioneer in the product-placement genre, starting with its Z3 placement in the 1995 James Bond thriller *Goldeneye* and more recently with its original Web-distributed short films like *Beat the Devil*, starring James Brown, Marilyn Manson, and most especially, the BMW Z4. Pontiac re-launched its GTO brand in the 2004 made-for-TV movie *The Last Ride*, costarring Dennis Hopper and Chris Carmack; Toyota tried to rev up sales of its boxy Scion brand through a featured role in the made-for-the-Internet film *On the D.L.* And Audi touted its futuristic RSQ concept car in a science fiction feature film, *I, Robot*. As they say, birds of a feather flock together.

But of course it is not just automakers that have discovered product placements in movies and films. White Castle, American Express, Nokia, and the Weather Channel—to name a few—have joined the party as well. All this activity is supported by research indicating that persons under 25 years old are most likely to notice product placements in films, and are also willing to try products they see in movies and films.³⁸ As we have noted previously, young consumers are increasingly difficult to reach via traditional broadcast media. While they are likely to soon get their fill of product placements at the movies, in the near term this looks like a good tactic for reaching an age cohort that can be hard to reach.

Speaking of reaching the unreachable, consider these numbers: According to Jupiter Research, in 2004 there were something like 36 million people in the United States playing personal-computer or console videogames at least five hours per week. Jupiter projects that number to soar to 63 million by 2009.³⁹ Add in these elements: Most analysts conclude that around 40 percent of these players are from the 18-to-34 age cohort—highly sought after by advertisers because of their discretionary spending but expensive to reach via conventional media. Now factor in that

38. Emma Hall, "Young Consumers Receptive to Movie Product Placements," *Advertising Age*, March 29, 2004, 8.

39. Suzanne Vranica, "Y&R Bets on Videogame Industry," *Wall Street Journal*, May 11, 2004, B4.

videogames are not only an attractive entertainment option but are also a form of entertainment where players rarely wander off during a commercial break. With all those focused eyeballs in play, is it any wonder that marketers want to be involved? Billboard ads and virtual products have become standard fare in games like “True Crime: Streets of L.A.,” starring Puma-wearing Nick Kang. This practice is bound to proliferate as ad agencies like WPP Group’s Young & Rubicam and Publicis Group’s Starcom launch new videogame divisions to service their clients’ interest in “game-vertising” or “adver-gaming.” (Take your pick, but remember it’s all branded entertainment.) If you’re a gamer, expect to see more of brands like these in your virtual world: LG Mobile, Coca-Cola, BMW, Sony, Levi Strauss, Nokia, Callaway Golf, Ritz Bits, Target, Radio Shack, the U.S. Army, and oodles more.⁴⁰

Where Is Branded Entertainment Headed? It is easy to understand the surging popularity of branded entertainment. Reaching the unreachable through a means that allows your brand to stand out and connect with the consumer can only mean more interest from marketers. But there are always complicating and countervailing forces. No one can really say how rapidly advertising dollars will flow into branded entertainment in the next decade. Several forces could work to undermine that flow.

One of the obvious countervailing forces is instant oversaturation. Like any other faddishly popular promotional tactic, if advertisers pile on too quickly, a jaded consumer and a cluttered environment will be the result. As stated by a former marketing vice president at General Motors, “Any reasonable observer today has to see most of the marketing world is chasing a handful of product-placement deals. This is problematic and limiting. There just aren’t enough bona fide hits to go around.”⁴¹ Some will argue that creative collaboration can always yield new opportunities for branded entertainment, but you have to acknowledge at some point that yet another motion picture featuring yet another hot automobile will start to feel a little stale. Indeed, we may already be there.

A related problem involves the processes and systems that currently exist for matching brands with entertainment properties. Traditional media provide a well-established path for reaching consumers. Marketers like that predictability. Branded entertainment is a new and often unpredictable path. As noted by a senior executive at Fallon, Minneapolis, a pioneer in branded entertainment with BMW Films, “For every success you have several failures, because you’re basically using a machete to cut through the jungle . . . with branded entertainment, every time out, it’s new.”⁴² Lack of predictability causes the process to break down. A soured relationship between General Motors and Warner Bros. over the promotion of the film *Matrix Reloaded* illustrates that marketers and filmmakers don’t always appreciate the needs of the other. In this instance GM’s Cadillac division abandoned a big-budget TV campaign associated with the sequel when it couldn’t get the talent cooperation or film footage it wanted. Samsung, Heineken, and Coke also complained in public about poor treatment from Warner Bros. These kinds of high-profile squabbles make big news and leave the people with the money to spend wondering whether the branded entertainment path is really worth all the aggravation.⁴³

Finally, there is a concern about playing it straight with consumers. More specifically, Ralph Nader’s Commercial Alert consumer advocacy group has filed a complaint with the Federal Trade Commission and the Federal Communication Commission alleging that TV networks deceive the public by failing to disclose the details of product-placement deals.⁴⁴ The group’s basic argument seems to be that since

40. T. L. Stanley, “Joystick Nation.” *Advertising Age*, March 22, 2004, 1, 29.

41. Phil Guarascio, “Decision Time at Mad + Vine,” *Advertising Age*, September 1, 2003, 15.

42. Kate MacArthur, “Branded Entertainment, Marketing Tradition Tussle,” *Advertising Age*, May 10, 2004, 6.

43. T. L. Stanley, “Sponsors Flee Matrix Sequel,” *Advertising Age*, October 13, 2003, 1, 71.

44. Claire Atkinson, “Watchdog Group Hits TV Product Placements,” *Advertising Age*, October 6, 2003, 12.

most product placements are in fact “paid advertisements,” consumers should be advised as such. It is conceivable that a federal agency will call for some form of disclosure when fees have been paid to place brands in U.S. TV shows, although now that the practice has become so prevalent, we expect that consumers already perceive that there is money changing hands behind the scenes. Consumers are generally pretty savvy about this sort of thing. On the global front, this can be one of those issues where you find great differences of opinion from country to country. For example, as described in the Global Issues box, the Chinese approach product placements much like we in the United States do, whereas the Brits see things very differently.

Regulators Run Hot and Cold on Product Placements

H. J. Heinz will tell you that the world is a very complicated place when it comes to the use of product placements. All you need to know about the United Kingdom is that when reruns of *American Idol* ran there, the U.K.'s Independent Television Commission made producers disguise the logo on those big red cola cups. But when Heinz launched a cooking show called *Dinner Doctors* in the U.K., they of course had in mind featuring many of their foods products as part of the show's normal fare. The regulator's response: No way. No products could be mentioned in any part of the programming. When one executive from the home office in Pittsburgh asked, “How many times is the product shown?” he was told bluntly by Heinz general manager of corporate affairs in Europe, “It's not shown.” Why bother with such programming? Heinz does get sponsorship mentions as part of the credits, and in Britain's sparse product-placement environment, apparently that's enough to generate positive feedback from consumers. Perhaps this is just another example of the “law of advertising relativity.” In a sparse environment, a little bit of credit can seem like a lot.

Conversely, Chinese media seem happy to deal with producers like Ford, Nike, Sony, and Heinz. In this situation, Chinese stations get new programming and advertisers get direct access to the consumers they want to impress. So in China H. J. Heinz sponsors *Mommy & Baby—Healthy World*, broadcast in Shanghai, Wuhan, and Guangdong. The plot: Cameras follow moms focusing on their day-to-day challenges in raising kids under three years of age. Nutrition is a central topic in the show, and guess whose baby foods are the featured costar. Sure thing. It's an H. J. Heinz love fest!

In China product placements are seen as mutually beneficial. New laws there have actually helped promote the practice. For marketers the development of programming provides a critical alternative to the high cost of television advertising. For broadcasters the deals offer the prospect of higher ratings, with many marketers picking up on proven reality TV formats like the talent contest, the travelogue, or the *Survivor* knock-off. Media executives in China welcome brands as costars. It's just good business: “Since we are not rich in our production team, if other companies could bring some sponsorship and fresh ideas, we could share the revenues with them—and we get better programs.” There is one caveat. The model works in China or anywhere else only if the brand helps or at least doesn't get in the way of the entertainment. Consumers around the world know an infomercial when they see one, and when they do most will simply change the channel.

Sources: Erin White, “U.K. TV Can Pose Tricky Hurdles,” *Wall Street Journal*, June 27, 2003, B7; Geoffrey A. Fowler, “New Star on Chinese TV: Product Placements,” *Wall Street Journal*, June 2, 2004, B1, B3.

What's Old Is New Again.

Some hate to admit it, but marketers, media moguls, advertisers, and entertainers have much in common. They do what they do for business reasons. And they have and will continue to do business together. That's reality. It's been reality for decades. Smart advertisers have always recognized this, and then go about their business of trying to reach consumers with a positive message on behalf of their brands. No firm has managed this collaboration better over the years than Procter & Gamble, and to close this section on branded entertainment, we take a then-and-now look at P&G initiatives to acknowledge that, while it is enjoying a huge surge of popularity recently, branded entertainment has been around for decades.

In 1923 P&G was on the cutting edge of branded entertainment in the then new medium of radio. (Try if you dare to imagine a world without television or the Internet—how did people survive?) To promote their shortening product Crisco, they helped create a new radio program called *Crisco Cooking Talks*. This was a fifteen-minute program that featured recipes and advice to encourage cooks, like the one in

Exhibit 17.21, to find more uses for Crisco. While it was a good start, P&G's market research soon told them that listeners wanted something more entertaining than just a recipe show. So a new form of entertainment was created just for radio that