

## EXPERIENTIAL EXERCISES

1. Break up into groups and simulate a small business planning to advertise a new or innovative product. Once you have chosen a general industry and a product to advertise, perform the following tasks and present your answers to the class.
  - a. Pick the main trend in the advertising industry that you think would have the greatest effect for advertising your product.
  - b. Determine what advertiser category your business is classified under, and explain the role advertising plays for organizations in that category. How does this apply to your campaign?
  - c. Select one type of advertising or promotion agency that would be the most effective in providing appropriate services to achieve your advertising or promotion goals. Explain your choice.
  - d. Select one external facilitator that would provide specialization services to help ensure the success of your campaign and explain your reasoning.
  - e. Choose an available media organization that would be best suited for advertising and promoting your brand's identity. What makes it the best choice?
2. Choose a popular brand from a local or national advertiser and try to determine what media organizations the advertiser is using to target its audience. Does the brand have a special site on the Internet? Can you find television or billboard ads for your product? Are there media organizations you couldn't find that you believe would be suitable or innovative for advertising this brand? Explain.

## EXPERIENCING THE INTERNET

### 2-1 The Advertising Industry in Transition

The advertising industry is in a state of constant transition, and numerous trends are forcing advertisers to rethink the way they communicate with consumers. In general, greater focus is being placed on the importance of integrating multiple tools with the overall advertising effort for effective brand promotion. As a communications services provider, XO Communications develops Internet applications and Web media tools that ultimately influence the methods and structure of the advertising industry.

**xo Communications:** <http://www.xo.com>

1. Of the four important trends that are altering the structure and processes of the advertising industry, which are most closely associated with the services of XO Communications? Explain your answer.
2. What is broadband, and how does it relate to XO Communications? What effect do you think broadband and DSL will have on advertising?
3. What adjustments might advertising agencies need to make to accommodate emerging trends in the industry?

### 2-2 Agencies

Advertisers have a broad pool of agencies from which to choose that help execute the details of advertising and promotion strategies. Each type of agency has its own specialized services that enable advertisers to effectively target audiences and build brand recognition.

**24/7 Real Media:** <http://www.247realmedia.com>

1. Is 24/7 Real Media a type of advertising agency, promotion agency, or both? What are the main differences between these two types of agencies?
2. Explain some of the services 24/7 Real Media provides to e-commerce companies, advertisers, and publishers. How do these services help attract and retain customers using the Internet?
3. Would 24/7 Real Media be considered an interactive agency? Why or why not?

# CHAPTER 3

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

Explain why advertising is an essential feature of capitalistic economic systems.

Describe manufacturers' dependence on advertising, promotion, and branding in achieving balanced relationships with retailers.

Discuss several significant eras in the evolution of advertising in the United States, and relate important changes in advertising practice to fundamental changes in society and culture.

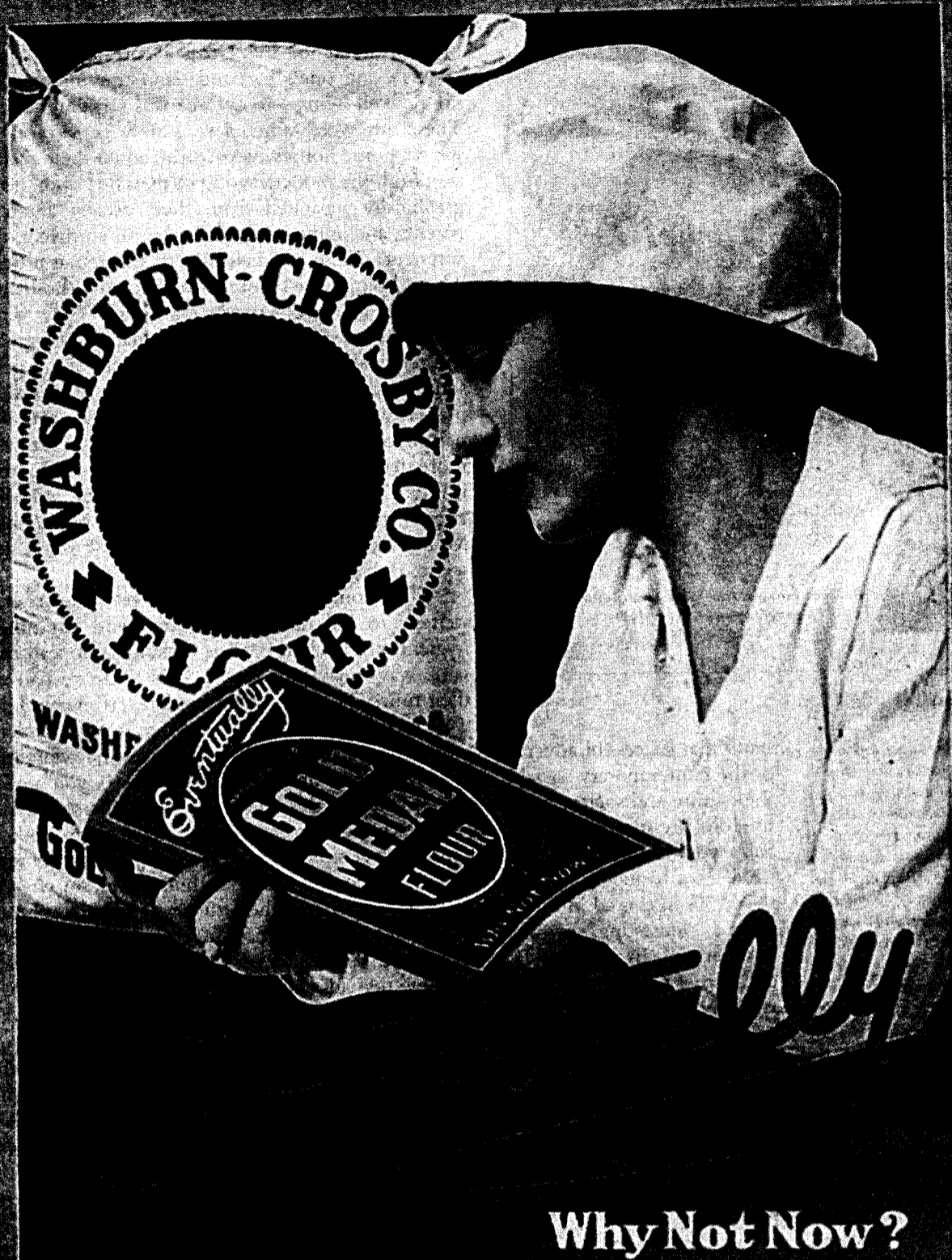
Identify forces that will continue to affect the evolution of advertising.

**CHAPTER 1**  
**The World**  
**of Advertising**  
**and Integrated**  
**Brand Promotion**

**CHAPTER 2**  
**The Structure**  
**of the Advertising**  
**Industry: Advertisers,**  
**Advertising Agencies,**  
**and Support**  
**Organizations**

**CHAPTER 3**  
**The Evolution**  
**of Promoting and**  
**Advertising Brands**

**CHAPTER 4**  
**Social, Ethical,**  
**and Regulatory**  
**Aspects**  
**of Advertising**



Why Not Now?

ALL GROCERS SELL GOLD MEDAL FLOUR

## EXHIBIT 3.1

While this ad for Lux laundry powder may seem curious to us today, it reflected the anxiety of the 1930s, during the Great Depression. Just as today's advertising reflects the values of contemporary society, this ad emphasized some very real concerns of the time—the economic well-being and status of women.

stand that successful advertisements convey a particularly perceptive understanding of the contemporary social scene. If you are in the advertising business, you are in the culture and society business. The makers of this 1930s ad really understood and used the pressures bearing down on the young married women of that time. Today, Sally would likely have a job and be far less economically vulnerable and socially isolated—not to mention that Sally and Bob would both be bathing more. So we see the 1930s in this ad in the same way that students of the future will view ads of our time: as interesting, revealing, but still distorted reflections of daily life in the early 21st century. Even in the 1930s, consumers knew that ads were ads; they knew that ads were a little exaggerated; they knew that ads tried to sell things; and they knew that ads didn't exactly mirror everyday life. But ads look enough like life to work, sometimes. Good advertising is in touch with its time.

This chapter is about the evolution of advertising. Over the decades, advertisers have tried many different strategies and approaches, and you can learn a lot from their successes and failures. Just about every strategy used today came about decades ago—only the specifics have changed. Studying them will allow you to know when a given advertising technique is really something new or just reheated retro. (Not that re-heated retro can't sometimes sell). Besides being interesting, history is very practical.

**Fundamental Influences on the Evolution of Advertising.** In many discussions of the evolution of advertising, the process is often portrayed as having its origins in ancient times, with even primitive peoples practicing some form

The 1935 Lux advertisement shown in Exhibit 3.1 is undoubtedly curious to contemporary audiences. It is, however, typical of its time and probably made perfect sense to its original audience. In the 1930s, in the middle of the Great Depression, anxiety about losing one's husband—and thus one's economic well-being—to divorce was not unfounded. These ads were targeted to a new generation of stay-at-home housewives anxious about their exclusion from the modern world of their husbands, geographically separated from their usually agrarian parents, and living in a rapid and unsure urban environment. These ads went out to women at a time when losing one's source of income (husband) could mean abject poverty or worse. They were read by women in a society where daily bathing was still relatively rare but where self-doubt about personal hygiene was on the rise. Such an ad probably pushed just the right buttons. If Lux can "remove perspiration odor from underthings," it might save more than colors and fabrics. It might save affection; it might save marriages. If Bob's romantic indifference continues, Sally may soon be back home with Mom or even on the street. But with Lux on the scene, Bob goes home for dinner.

While some ads today use the very same general strategy to sell deodorants, soaps, and feminine-hygiene products, this ad is certainly not read the same way today as it was in 1935. Ads are part of their times. To really understand advertising and do well in the advertising business, you must understand



of advertising. This is incorrect. Whatever those ancients were doing, they weren't advertising. Remember, advertising exists only as mass-mediated communication. As far as we know, there was no *Mesopotamia Messenger* or "Sparta: Live at Five." Although cavemen and cavewomen certainly were communicating with one another with persuasive intent, and maybe even in an exchange context, they were not using advertising. Advertising is a product of modern times and mass media.

Before we get into a brief social history of advertising in the United States, let's first consider some of the major factors in the evolution of this country that gave rise to advertising in the first place. Advertising came into being as a result of at least four major factors in the evolution of U.S. culture and economic development:

1. The rise of capitalism
2. The Industrial Revolution
3. Manufacturers' pursuit of power in the channel of distribution
4. The rise of modern mass media



**The Rise of Capitalism.** The tenets of capitalism warrant that organizations compete for resources, called *capital*, in a free-market environment. Part of the competition for resources involves stimulating demand for the organization's goods or services. When an individual organization successfully stimulates demand, it attracts capital to the organization in the form of money (or other goods) as payment. One of the tools used to stimulate demand is advertising. So, as the United States turned to capitalism as the foundation of the country's economic system, the foundation was laid for advertising to become a prominent part of the business environment.

**The Industrial Revolution.** The **Industrial Revolution** was an economic force that yielded the need for advertising. Beginning about 1750 in England, the revolution spread to the United States and progressed slowly until the early 1800s, when the War of 1812 boosted domestic production. The emergence of the principle of interchangeable parts and the perfection of the sewing machine, both in 1850, coupled with the Civil War a decade later, set the scene for widespread industrialization. The Industrial Revolution took American society away from household self-sufficiency as a method of fulfilling material needs to dependency on a marketplace as a way of life. The Industrial Revolution was a basic force behind the rapid increase in mass-production goods that required stimulation of demand, something that advertising can be very good at. By providing a need for advertising, the Industrial Revolution was a basic influence in its emergence and growth in the U.S. economy.

Other equally revolutionary developments were part of the broad Industrial Revolution. First, there was a revolution in transportation, most dramatically symbolized by the east-west connection of the United States in 1869 by the railroad. This connection represented the beginnings of the distribution network needed to move the mass quantities of goods for which advertising would help stimulate demand. In the 1840s, the **principle of limited liability**, which restricts an investor's risk in a business venture to only his or her shares in a corporation rather than all personal assets, gained acceptance and resulted in the accumulation of large amounts of capital to finance the Industrial Revolution. Finally, rapid population growth and urbanization began taking place in the 1800s. From 1830 to 1860, the population of the United States increased nearly threefold, from 12.8 million to 31.4 million. During the same period, the number of cities with more than 20,000 inhabitants grew to 43. Historically, there is a strong relationship between per capita outlays for advertising and an increase in the size of cities.<sup>1</sup> Overall, the growth and

1. Julian Simon, *Issues in the Economics of Advertising* (Urbana: University of Illinois Press, 1970), 41-51.

concentration of population provided the marketplaces essential to the widespread use of advertising. As the potential grew for goods to be produced, delivered, and introduced to large numbers of people residing in concentrated areas, the stage was set for advertising to emerge and flourish.

**Manufacturers' Pursuit of Power in the Channel of Distribution.** Another fundamental influence on the emergence and growth of advertising relates to manufacturers' pursuit of power in the channel of distribution. If a manufacturer can stimulate sizable demand for a brand, then that manufacturer can develop power in the distribution channel and essentially *force* wholesalers and retailers to sell that particular brand. Demand stimulation among consumers causes them to insist on the brand at the retail or wholesale level; retailers and wholesalers then have virtually no choice but to comply with consumers' desires and carry the desired item. Thus, the manufacturer has power in the channel of distribution and not only can force other participants in the channel to stock the brand, but also is in a position to command a higher price for the item. The marketing of Intel's Pentium chip is an excellent example of how one manufacturer, Intel, has developed considerable power in the computer distribution channel, establishing its product, the Pentium chip, as a premium brand.

A factor that turned out to be critical to manufacturers' pursuit of power was the strategy of **branding** products. Manufacturers had to develop brand names so that consumers could focus their attention on a clearly identified item. Manufacturers began branding previously unmarked commodities, such as work clothes and package goods. In the late 1800s, Ivory (1882), Coca-Cola (1886), Budweiser (1891), and Maxwell House (1892) were among the first branded goods to show up on shopkeepers' shelves. Once a product had a brand mark and name that consumers could identify, marketers gained power. Of course, an essential tool in stimulating demand for a brand was advertising. Even today, when Procter & Gamble and Altria spend many billions of dollars each year to stimulate demand for such popular brands as Crest, Charmin, and Velveeta, wholesalers and retailers carry these brands because advertising has stimulated demand and brought consumers into the retail store looking for and asking for those brands. It is just this sort of pursuit of power by manufacturers that is argued to have caused the widespread use of advertising in the United States.<sup>2</sup>

**The Rise of Modern Mass Media.** Advertising is also inextricably tied to the rise of mass communication. With the invention of the telegraph in 1844, a communication revolution was set in motion. The telegraph not only allowed the young nation to benefit from the inherent efficiencies of rapid communication, but also did a great deal to engender a sense of national identity and community. People began to know and care about people and things going on thousands of miles away. This changed not only commerce, but social consciousness as well.<sup>3</sup> Also, during this period, many new magazines designed for larger and less socially privileged audiences made magazines both a viable mass advertising medium and a democratizing influence on American society.<sup>4</sup> Through advertising in these mass-circulation magazines, national brands could be projected into national consciousness. National magazines made national advertising possible; national advertising made national brands possible. Without the rise of mass media, there would be no national brands, and no advertising.

2. Vincent P. Norris, "Advertising History—According to the Textbooks," *Journal of Advertising*, vol. 9, no. 3 (1980), 3–12.

3. James W. Carey, *Communication as Culture: Essays on Media and Society* (Winchester, Mass.: Unwin Hyman, 1989).

4. Christopher P. Wilson, "The Rhetoric of Consumption: Mass-Market Magazines and the Demise of the Gentle Reader, 1880–1920," in *The Culture of Consumption: Critical Essays in American History, 1880–1980*, ed. Richard Weightman Fox and T. J. Jackson Lears (New York: Pantheon, 1983), 39–65.

It is critical to realize that for the most part, mass media in the United States are supported by advertising. Television networks, radio stations, newspapers, magazines, and Web sites produce shows, articles, films, programs, and Web content not for the ultimate goal of entertaining or informing, but to make a healthy profit from the sale of advertising. Media vehicles sell audiences to make money.

**The Evolution of Advertising in the United States.** So far, our discussion of the evolution of advertising has identified the fundamental social and economic influences that fostered its rise. Now we'll turn our focus to the evolution of advertising in practice. Several periods in this evolution can be identified to give us various perspectives on the process of advertising.

**The Preindustrialization Era (pre-1800).** In the 17th century, printed advertisements appeared in newsbooks (the precursor to the newspaper).<sup>5</sup> The messages were informational in nature and appeared on the last pages of the tabloid. In America, the first newspaper advertisement is said to have appeared in 1704 in the *Boston News Letter*. Two notices were printed under the heading "Advertising" and offered rewards for the return of merchandise stolen from an apparel shop and a wharf.<sup>6</sup>

Advertising grew in popularity during the 18th century in both Britain and the American colonies. The *Pennsylvania Gazette* printed advertisements and was the first newspaper to separate ads with blank lines, which made the ads both easier to read and more prominent.<sup>7</sup> As far as we know, it was also the first newspaper to use illustrations in advertisements. But advertising changed little over the next 70 years. While the early 1800s saw the advent of the penny newspaper, which resulted in widespread distribution of the news medium, advertisements in penny newspapers were dominated by simple announcements by skilled laborers. As one historian notes, "Advertising was closer to the classified notices in newspapers than to product promotions in our media today."<sup>8</sup> Advertising was about to change dramatically, however.

**The Era of Industrialization (1800 to 1875).** In practice, users of advertising in the mid to late 1800s were trying to cultivate markets for growing production in the context of a dramatically increasing population. A middle class, spawned by the economic windfall of regular wages from factory jobs, was beginning to emerge. This newly developing populace with economic means was concentrated geographically in cities more than ever before.

By 1850, circulation of the **dailies**, as newspapers were then called, was estimated at 1 million copies per day. The first advertising agent—thought to be Volney Palmer, who opened shop in Philadelphia—basically worked for the newspapers by soliciting orders for advertising and collecting payment from advertisers.<sup>9</sup> This new opportunity to reach consumers was embraced readily by merchants, and at least one newspaper doubled its advertising volume from 1849 to 1850.<sup>10</sup>

With the expansion of newspaper circulation fostered by the railroads, a new era of opportunity emerged for the advertising process. Advertising was not universally hailed as an honorable practice, however. Without any formal regulation of advertising, the process was considered an embarrassment by many segments of society,

5. Frank Presbrey, *The History and Development of Advertising* (Garden City, N.Y.: Doubleday, Doran & Company, 1929), 7.

6. *Ibid.*, 11.

7. *Ibid.*, 40.

8. James P. Wood, *The Story of Advertising* (New York: Ronald Press, 1958), 45–46.

9. Daniel Pope, *The Making of Modern Advertising and Its Creators* (New York: William Morrow, 1984), 14.

10. Cited in Stephen Fox, *The Mirror Makers: A History of American Advertising and Its Creators* (New York: William Morrow, 1984), 14.



**DUCK PROFITS**

Raise the best ducks. Our famous **big ducklings** (Pekin, white) are fattened on cheapest grain, weigh **FIVE to SIX LBS.** each marketed **10 weeks old**, taste delicious (not fishy, like sea-shore or lake-

breed ducks and sell in all markets at big profit. No better way of turning grain, scraps, vegetables, green stuff into money than by feeding them to produce big ducklings from our stock. **Breed them anywhere for profits.** Write us for details.

**DUCKS WITHOUT WATER**  
**WRITE FOR FREE BOOK**

Ducks have no lice or any vermin. Hawks will not touch them, they have no diseases. No swimming water needed, they do best without it. The wonderful modern facts of ducks for business have never been told fully, nor has plenty of good breeding stock before been obtainable. We tell the facts; we sell breeders and supplies. **Small cost to start.** We have an interesting book for **FREE** distribution, "**DUCK PROFITS**." Send by mail for it, read the details, they will **astonish you.** Prices sent also. Write. **American Pekin Duck Company**  
**145 Pearl Street Dept. 25 Boston, Mass.**

**EXHIBIT 3.3**

Ads from the "P. T. Barnum era" were often densely packed with fantastic promises. This 1902 Saturday Evening Post advertisement featured many reasons why potential customers should get into the duck-raising business—even without water.

social symbols and identity markers, and it allowed marketers to charge far more money for them. Consumers are much more willing to pay more money for brands (for example, Ivory) than for unmarked commodities (generic soap wrapped in plain paper), even if they are otherwise identical. This is the power of brands.

The advertising of this period was, until 1906, completely unregulated. In that year, Congress passed the **Pure Food and Drug Act**, which required manufacturers to list the active ingredients of their products on their labels. Still, its effect on advertising was minimal; advertisers could continue to say just about anything—and usually did. Many advertisements took on the style of a sales pitch for snake oil. The tone and spirit of advertising owed more to P. T. Barnum—"There's a sucker born every minute"—than to any other influence. The ads were bold, carnivalesque, garish, and often full of dense copy that hurled fairly incredible claims at prototype "modern" consumers. A fairly typical ad from this era is shown in Exhibit 3.3.

Several things are notable about these ads: lots of copy (words); the prominence of the product itself and the relative lack of real-world context (pictures) in which the advertised product was to be consumed; ads were small; and they had little color, few photographs, and plenty of hyperbole. Over this period there was variation and steady evolution, but this is what ads were generally like up until World War I.

Consider the world in which these ads existed. It was a period of rapid urbanization, massive immigration, labor unrest, and significant concerns about the abuses of capitalism. Some of capitalism's excesses and abuses, in the form of deceptive and misleading advertising, were the targets of early reformers. It was also the age of suffrage, the progressive movement, motion pictures, and mass culture. The world changed rapidly in this period, and it was no doubt disruptive and unsettling to many—but advertising was there to offer solutions to the stresses of modern life, no matter how real, imagined, or suggested. Advertisers had something to fix just about any problem.

**The 1920s (1918 to 1929).** In many ways, the Roaring Twenties really began a couple of years early. After World War I, advertising found respectability, fame, and glamour. It was the most modern of all professions; it was, short of being a movie star, the most fashionable. According to popular perception, it was where the young, smart, and sophisticated worked and played. During the 1920s, it was also a place where institutional freedom rang. The prewar movement to reform and regulate advertising was pretty much dissipated by the distractions of the war and advertising's role in the war effort. During World War I, the advertising industry learned a valuable lesson: donating time and personnel to the common good is not only good civics but smart business.

The 1920s were prosperous times. Most Americans enjoyed a previously unequalled standard of living. It was an age of considerable hedonism; the pleasure principle was practiced and appreciated, openly and often. The Victorian Age was over, and a great social experiment in the joys of consumption was underway. Victorian repression and modesty gave way to a more open sexuality and a love affair with modernity. Advertising was made for this burgeoning sensuality; advertising gave people permission to enjoy. Ads of the era exhorted consumers to have a good

time and instructed them how to do it. Consumption was not only respectable, but expected. Being a consumer became synonymous with being a citizen—and a good citizen.

During these good economic times, advertising instructed consumers how to be thoroughly modern and how to avoid the pitfalls of this new age. Consumers learned of halitosis from Listerine advertising and about body odor from Lifebuoy advertising (see Exhibit 3.4, a Lifebuoy ad from 1926). Not too surprisingly, there just happened to be a product with a cure for just about every social anxiety and personal failing one could imagine, many of which had supposedly been brought on as side effects of modernity. This was perfect for the growth and entrenchment of advertising as an institution: Modern times bring on many wonderful new things, but the new way of life has side effects that, in turn, have to be fixed by even more modern goods and services. For example, modern canned food replaced fresh fruit and vegetables, thus “weakening the gums,” causing dental problems—which could be cured by a modern toothbrush. Thus, a seemingly endless consumption chain was created: Needs lead to products, new needs are created by new products, newer products solve newer needs, and on and on. This chain of needs is essential to a capitalist economy, which must continue to expand in order to survive. It also makes a necessity of advertising.

Other ads from the 1920s emphasized other modernity themes, such as the division between public workspace, the male domain of the office (see Exhibit 3.5), and the private, “feminine” space of the home (see Exhibit 3.6). Thus, two separate consumption domains were created, with women placed in charge of the latter, more economically important one. Advertisers soon figured out that women were responsible for as much as 80 percent of household purchases. While 1920s men were out

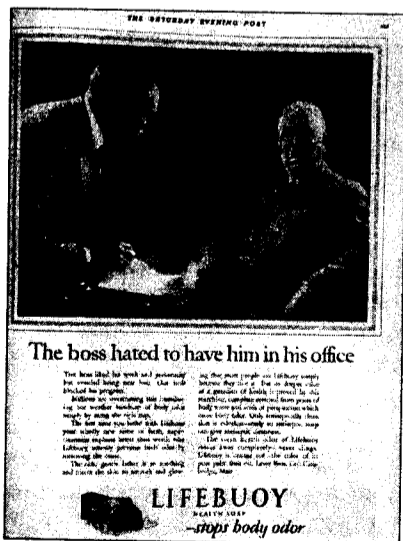


EXHIBIT 3.4

Many ads from the 1920s promised to relieve just about any social anxiety. Here, Lifebuoy offered a solution for people concerned that body odor could be standing in the way of career advancement.



EXHIBIT 3.5

This 1920s-era Gulf advertisement focuses on technological progress and the male prerogative in promoting its advancement. The work world is male space in this period's ads.



EXHIBIT 3.6

Ads from the 1920s often emphasized modernity themes, like the division between public and private workspace. This Fels-Naptha ad shows the private, “feminine” space of the home—where “her work” occurred.

in the “jungle” of the work world, women made most purchase decisions. So, from this time forward, women became advertising’s primary target.

Another very important aspect of 1920s advertising, and beyond, was the role that science and technology began to play. Science and technology were in many ways the new religions of the modern era. The modern way was the scientific way. So one saw ads appealing to the popularity of science in virtually all product categories of advertising during this period. Ads even stressed the latest scientific offerings, whether in radio tubes or in “domestic science,” as Exhibits 3.7 and 3.8 demonstrate.

The style of 1920s ads was much more visual than in the past. Twenties ads showed slices of life, or carefully constructed “snapshots” of social life with the product. In these ads, the relative position, background, and dress of the people using or needing the advertised product were carefully crafted. These visual lessons were generally about how to fit in with the “smart” crowd, how to be urbane and modern by using the newest conveniences, and how not to fall victim to the perils and pressure of the new fast-paced modern world. The social context of product use became critical, as one can see in Exhibits 3.9 through 3.12.

Advertising during the 1920s chronicled the state of technology and styles for clothing, furniture, and social functions. Advertising specified social relationships between people and products by depicting the social settings and circumstances into which people and products fit. Consider Exhibits 3.10 and 3.11. Note the attention to the social setting into which plumbing fixtures were to fit. Is the ad really about plumbing? Yes, in a very important way, because it demonstrates plumbing in a social context that works for both advertiser and consumer. Advertising was becoming

THE SATURDAY EVENING POST

# Bombarded with Energy

... for longer life and dependability. Sonatron tubes when used in the home, give you the best of both worlds. They are the most reliable and most efficient of any tubes ever made. They are the most reliable and most efficient of any tubes ever made. They are the most reliable and most efficient of any tubes ever made.





## SONATRON

THE WORLD'S LARGEST RADIO TUBE LINE

SONATRON TUBE COMPANY  
1000 North Dearborn, Chicago, Ill. U.S.A. Phone 2-1111

### Approved by Domestic Science

You will find Domestic Science experts using and recommending Pet Milk even where fresh milk is plentiful. They know that Pet is rich, pure, country milk, with part of the natural water removed, kept sweet, pure, and scientifically clean by sterilization in sealed containers. They know that there is more cream in a pint of Pet than in a quart of ordinary milk. They know its convenience and its economy. Try Pet for every milk use. Coddled it is fine for coffee, cereals, fruits, etc. Diluted with two parts of water it is richer than ordinary cooking milk. Your grocer will supply you. The Heberta Company (Originators of the Evaporated Milk Industry), General Offices, St. Louis.

TRY THIS PUMPKIN PIE

1 1/2 cups evaporated milk	1/4 cup sugar
1/2 cup pumpkin	1/4 cup cinnamon
1/2 cup molasses	1/4 cup nutmeg
1/2 cup brown sugar	1/4 cup cloves
1/2 cup cornstarch	1/4 cup salt

Milk at its Best  
Write for the Pet Recipe Book, Free



EXHIBITS 3.7 AND 3.8

The cultural theme of modernity in the 1920s emphasized science and technology. These ads for Sonatron Radio Tubes (Exhibit 3.7) and for Pet Milk (Exhibit 3.8) tout the science these brands brought to your home.





**EXHIBITS 3.9 THROUGH 3.12**

As the Kodak (Exhibit 3.9), Standard Sanitary (Exhibits 3.10 and 3.11) and Camay (Exhibit 3.12) ads illustrate, ads from the 1920s often showed carefully constructed "snapshots" of social life with the products. The social setting and the product blur together within one image. Setting becomes brand; brand becomes setting. Take a minute and study what's going on in these ads.

72

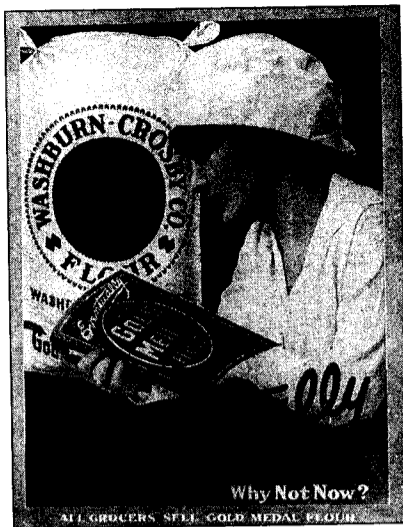
**The Eyes of Men... the Eyes of Women**  
Judge your Loveliness every day

**CAMAY**  
THE SOAP OF BEAUTIFUL WOMEN

sophisticated and had discovered social context in a major way. In terms of pure art direction, the ads in Exhibits 3.13 through 3.15 are examples of the beauty of the period's look.

The J. Walter Thompson advertising agency was the dominant agency of the period. Stanley Resor, Helen Resor, and James Webb Young brought this agency to a leadership position through intelligent management, vision, and great advertising. Helen Resor was the first prominent female advertising executive and was instrumental in J. Walter Thompson's success. Still, the most famous ad person of the era was a very interesting man named Bruce Barton. He was not only the leader of BBDO but also a best-selling author, most notably of a 1924 book called *The Man Nobody Knows*.<sup>14</sup> The book was about Jesus and portrayed him as the archetypal ad man. This blending of Christian and capitalist principles was enormously attractive to a people struggling to reconcile traditional religious thought, which preached against excess, and the new religion of consumption, which preached just the opposite.

14. Bruce Barton. *The Man Nobody Knows* (New York: Bobbs-Merrill, 1924).



### EXHIBIT 3.13 THROUGH 3.15

These three ads are more examples of the beautiful and stylish art direction of the 1920s. (Actually, the Gold Medal ad was produced in the early 1930s, but it is of the 1920s style.) Many believe this was advertising's finest artistic moment. In an effort to make their advertising depict the technology and style of the era, advertisers in the 1920s enlisted the services of some of the best illustrators and artists of the time.

## The Depression (1929 to 1941).

By 1932 a quarter of American workers were unemployed. But matters were worse than this suggests, for three quarters of those who had jobs were working part-time—either working short hours, or faced with chronic and repeated layoffs. . . . Perhaps half the working population at one time or another knew what it was like to lose a job. Millions actually went hungry, not once but again and again. Millions knew what it was like to eat bread and water for supper, sometimes for days at a stretch. A million people were drifting around the country begging, among them thousands of children, including numbers of girls disguised as boys. People lived in shanty towns on the fields at edges of cities, their foods sometimes weeds plucked from the roadside.<sup>15</sup>

If you weren't there, you have no idea how bad it was. We don't, but our parents and grandparents did. The Depression was brutal, crushing, and mean. It killed people; it broke lives. Those who lived through it and kept their dignity are to be deeply admired. (See Exhibit 3.16.) It forever changed the way Americans thought about a great many things: their government, business, money, and, not coincidentally, advertising.

Just as sure as advertising was glamorous in the 1920s, it was villainous in the 1930s. It was part of big business, and big business, big greed, and big lust had gotten America into the great economic depression beginning in 1929—or so the story goes. The public now saw advertising as something bad, something that had tempted and seduced them into the excesses for which they were being punished.

Advertisers responded to this feeling by adopting a tough, no-nonsense advertising style. The stylish and highly aesthetic ads of the 1920s gave way to harsher and more cluttered ads. As one historian said, "The new hard-boiled advertising mystique brought a proliferation of 'ugly,' attention-grabbing, picture-dominated copy in the style of the tabloid newspaper."<sup>16</sup> Clients wanted their money's worth, and

15. James Lincoln Collier. *The Rise of Selfishness in America* (New York: Oxford University Press, 1991), 162.

16. *Ibid.*, 303–304.

**EXHIBIT 3.16**

The very tough times of the Great Depression, depicted in this 1936 photo by Walker Evans, gave Americans reason to distrust big business and its tool, advertising.



agencies responded by cramming every bit of copy and image they could into their ads. This type of advertising persisted, quite likely making the relationship between the public and the institution of advertising even worse. The themes in advertisements traded on the anxieties of the day; losing one's job meant being a bad provider, spouse, or parent, unable to give the family what it needed (as seen in Exhibits 3.17 and 3.18).

Another notable event during these years was the emergence of radio as a significant advertising medium. During the 1930s, the number of radio stations rose

**EXHIBITS 3.17 AND 3.18**

The themes in advertising during the 1930s traded on the anxieties of the day, as these ads for Paris Garters (Exhibit 3.17) and the Association of American Soap and Glycerine Producers, Inc. (Exhibit 3.18) illustrate.

—and he wonders why  
she said "NO!"

Could he have read her thoughts he would not have lost her. A picture of romance—herself, the devoted slave, had not once, but many times, she had noticed his ungartered socks crumpling down around his shoe tops. To have to apologize to her friends for a husband's careless habits was too much to ask. So she had to say "NO!"—and in spite of his pleading couldn't tell him why.

No SOX Appeal Without

**PARIS**  
**GARTERS**  
NO METAL CAN TOUCH YOU

22c to 35c

Dress Well and Succeed

MADE IN U.S.A. • U.S. PATENT OFFICE • REGISTERED TRADE MARK • U.S. PATENT OFFICE • REGISTERED TRADE MARK

He had to fight himself so hard...  
he didn't put it over

With his own hands and courage. His wife's eyes were upon him and he knew it. Oh, he had to struggle the whole time, every day, the whole of his life. Under the other fellow's gaze it was hard to fight—than when he had to fight himself so hard... There's self-respect in soap and water. The effort of that can look any man in the face and tell him the facts for what they are. Under the other fellow's gaze it's hard to fight—than when he had to fight himself so hard... There's self-respect in soap and water.

**There's self-respect in SOAP & WATER**

PREPARED BY THE ASSOCIATION OF AMERICAN SOAP AND GLYCERINE PRODUCERS, INC. TO ADVERTISE THE WORTH OF CLEANLINESS IN LIFE.

from a handful to 814, and the number of radio sets in use more than quadrupled to 51 million. Radio was in its heyday as a news and entertainment medium, and it would remain so until the 1950s when television emerged. An important aspect of radio was its ability to create a new sense of community in which people thousands of miles apart listened to and became involved with their favorite radio soap opera, so named in reference to the soap sponsors of these shows.

Advertising, like the rest of the country, suffered dark days during this period. Agencies cut salaries and forced staff to work four-day weeks without being paid for the mandatory extra day off. Clients demanded frequent review of work, and agencies were compelled to provide more and more free services to keep accounts. Advertising would emerge from this depression, just as the economy itself did, during World War II. However, it would never again reach its pre-Depression status. It became the subject of a well-organized and angry consumerism movement. Congress passed real reform in this period. In 1938 the Wheeler-Lea Amendments to the Federal Trade Commission Act deemed “deceptive acts of commerce” to be against the law; this was interpreted to include advertising. Between 1938 and 1940, the FTC issued 18 injunctions against advertisers, including “forcing Fleischmann’s Yeast to stop claiming that it cured crooked teeth, bad skin, constipation and halitosis.”<sup>17</sup>

These government agencies soon used these new powers against a few large national advertisers, including Fleischmann’s Yeast (consumers were being advised to eat yeast cakes for better health and vitality) and Lifebuoy and Lux soaps.

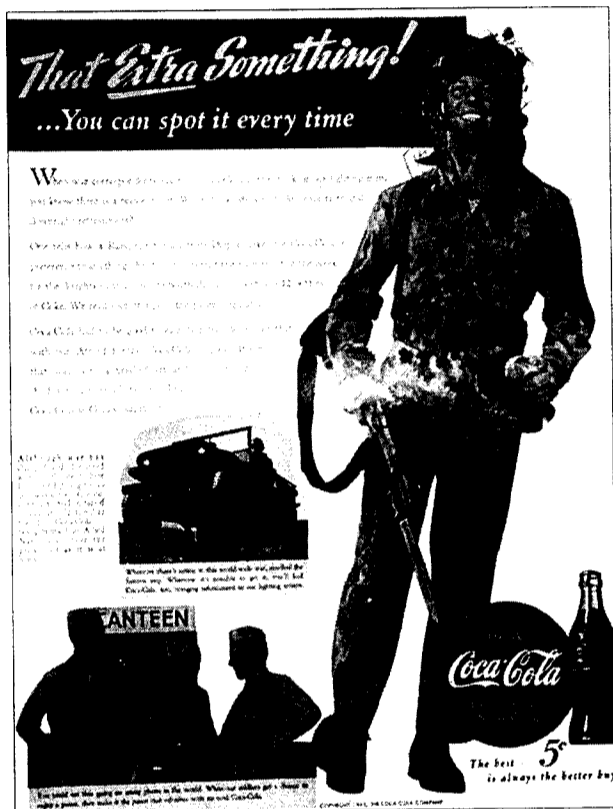


EXHIBIT 3.19

Advertisers often used America's involvement in World War II as a way to link their products with patriotism. This link provides advertising with a much-needed image boost after the dark period of the late 1930s. <http://www.cocaola.com>

joined the workforce; of course, many left it (both voluntarily and involuntarily) after the war ended in 1945.

Following World War II, the economy continued (with a few starts and stops) to improve, and the consumption spree was on again. This time, however, public sentiment toward advertising was fundamentally different from what it had been in the 1920s, following WWI. After WWII, there was widespread belief that America's

### World War II and the '50s (1941 to 1960).

*Almost one-half of all women married while they were still teenagers. Two out of three white women in college dropped out before they graduated. In 1955, 41 percent of women "thought the ideal number of children was four."*<sup>18</sup>

Many people mark the end of the depression with the start of America's involvement in World War II in December 1941. During the war, advertising often made direct reference to the war effort, as the ad in Exhibit 3.19 shows, linking the product with patriotism and helping to rehabilitate the tarnished image of advertising. During the war, advertisers sold war bonds and encouraged conservation. In addition, they encouraged women to join the workforce, as seen in the so-called Rosie the Riveter ads. The ad in Exhibit 3.20 for the Penn Railroad is a good example. During the war years, many women

17. Fox, *The Mirror Makers*, 168.

18. Wini Breines, *Young, White and Miserable: Growing Up Female in the Fifties* (Boston: Beacon, 1992).



**Meet MRS. Casey Jones**

CASEY'S gone to war... to Mrs. Jones she has replaced our take comfort in the fact Mrs. Casey Jones is "easygoing" in the 1940s. Since the war began, Pennsylvania Railroad has welcomed thousands of women into its ranks of loyal, busy and able workers. They are taking a real part in the railroad's big two-fold job of moving troops and supplies and serving essential civilian needs during the war emergency.

You will find these women, not merely in expected places, such as offices, telephone exchanges and ticket windows... you will find them out where "man-size" jobs have to be done: in the round house, in the shops, in the yards, in the terminals, in the cars.

We feel sure the American public will take pride in the way American womanhood has pitched in to keep the Victory trains rolling!

SEE UNITED STATES WAR BONDS AND STAMPS

**PENNSYLVANIA RAILROAD**  
Serving the Nation

*"As the men in the armed forces whom they have given their lives for a noble cause."*

EXHIBIT 3.20

During the war, advertisers encouraged women to join the workforce, as this ad for Penn Railroad illustrates.



EXHIBIT 3.21

During the 1950s, with fears of communist mind control and a very real nuclear arms race, frightened people built bomb shelters in their backyards and became convinced of advertising's hidden powers.

successful propaganda experts at the War Department simply moved over to Madison Avenue and started manipulating consumer minds. At the same time, there was great concern about the rise of communism and its use of "mind control." Perhaps it was only natural to believe that advertising was involved in the same type of pursuit, but to get you to buy things rather than become a communist. The United States was filled with suspicion related to McCarthyism, the bomb, repressed sexual thoughts (a resurgence of Freudian thought), and even aliens from outer space. Otherwise normal people were building bomb shelters in their backyards (see Exhibit 3.21), wondering whether their neighbors were communists and whether listening to "jungle music" (a.k.a. rock 'n' roll) would make their daughters less virtuous.

In this environment of mass fear, stories began circulating in the 1950s that advertising agencies were doing motivation research and using the "psychological sell," which served only to fuel an underlying suspicion of advertising. It was also during this period that Americans began to fear they were being seduced by **subliminal advertising** (subconscious advertising) to buy all sorts of things they didn't really want or need. There had to be a reason that homes and garages were filling up with so much stuff; it must be all that powerful advertising—and so a great excuse for lack of self-control was born. In fact, a best-selling 1957 book, *The Hidden Persuaders*, offered the answer: Slick advertising worked on the subconscious.<sup>19</sup> Suspicions about

19. Vance Packard, *The Hidden Persuaders* (New York: D. McKay, 1957). With respect to the effects of "subliminal advertising," researchers have shown that while subliminal communication is possible, subliminal persuasion, in the typical real-world environment, remains all but impossible. As it was discussed, as mind control, in the 1950s, it remains a joke. See Timothy E. Moore, "Subliminal Advertising: What You See Is What You Get," *Journal of Marketing*, vol. 46 (Spring 1982), 38-47.

slick advertising still persist, and is still a big business for the “aren’t consumers dumb/aren’t advertisers evil” propagandists. Selling fears about advertising has always been good business. (See the IBP box.)

IBP

### Not Snake Oil—But Still Pretty Slick

Marketers and advertisers long ago gave up the snake-oil—“it cures all”—claims of eras past like the old ad in Exhibit 3.2. But modern technology enables advertisers to use multiple media to integrate their marketing communications in a way that is, well, pretty slick.

Let’s say your grandmother suffers from arthritis and really needs to take medication to relieve her pain, but all the prescription arthritis pain medications upset her stomach. Magically, a coupon for \$1.00 off Zantac antacid shows up in her mailbox. The reason? GlaxoSmithKline, the maker of Zantac, knows that various forms of prescription arthritis medication lead to nausea in a high percentage of cases. It just so happens that Granny is in a GlaxoSmithKline database of arthritis medication users and—*voilà*—the coupon gets sent out for Zantac.

Until recently, pharmaceutical marketers did not know, and could not know, who their prescription customers were. Doctors and pharmacists were sworn to keep the names of patients confidential. But recent changes in advertising regulations have relaxed restrictions. Now, about 300 new database marketing programs are available that track drug use. With this information, direct mail campaigns, magazine placement of ads, and even certain television media placements can be made with greater efficiency in reaching target customers.

Acquiring names and other vital information about target customers is not a matter of doctors and pharmacists violating confidentiality, though. In many cases, drug companies get the names of people who suffer from such sensitive conditions as depression and impotence from an unlikely source—the patients themselves. Many people give out their names and addresses when they call toll-free numbers, subscribe to magazines, or fill out pharmacy questionnaires. For example, *Reader’s Digest* sent a survey to 15 million of its subscribers asking them about their health problems. More than 3 million subscribers responded, and now *Reader’s Digest* can target mailings to people with high cholesterol, to smokers, and to arthritis sufferers. Many patients are outraged at the invasion of privacy, even though they gave out their names freely.

For the time being, firms such as GlaxoSmithKline are trying to understand the best way to use database information to the benefit of both the firm and the patient without violating the patient’s sense of privacy and confidentiality.

Sources: William M. Bulkeley, “Prescriptions, Toll-Free Numbers Yield a Gold Mine for Marketers,” *Wall Street Journal*, April 17, 1998, B1; Sally Beatty, “Reader’s Digest Targets Patients by Their Ailments,” *Wall Street Journal*, April 17, 1998, B1.

advertised to with a singular focus and force never seen before, becoming, as a result, the first “kid” and then “teen” markets. Because of their sheer numbers, they would

The most incredible story of the period involved a man named James Vicary. According to historian Stuart Rogers, in 1957 Vicary convinced the advertising world, and most of the U.S. population, that he had successfully demonstrated a technique to get consumers to do exactly what advertisers wanted. He claimed to have placed subliminal messages in motion picture film, brought in audiences, and recorded the results. He claimed that the embedded messages of “Eat Popcorn” and “Drink Coca-Cola” had increased sales of popcorn by 57.5 percent and Coca-Cola by 18.1 percent. He held press conferences and took retainer fees from advertising agencies. Later, he skipped town, just ahead of reporters who had figured out that none of his claims had ever happened. He completely disappeared, leaving no bank accounts and no forwarding address. He left town with about \$4.5 million (\$22.5 million in today’s dollars) in advertising agency and client money.<sup>20</sup>

Wherever you are, Jim, it appears that you pulled off the greatest scam in advertising history. The big problem is that a lot of people, including regulators and members of Congress, still believe in the hype you were selling and that advertisers can actually do such things. That’s the real crime.

The 1950s were also about sex, youth culture, rock ‘n’ roll, and television. In terms of sex, volumes could be written about the very odd and paradoxical ‘50s. On one hand, this was the time of neo-Freudian pop psychology and *Beach Blanket Bingo*, with sexual innuendo everywhere; at the same time, very conservative pronouncements about sexual mores were giving young Americans very contradictory messages. What’s more, they would be

20. Stuart Rogers, “How a Publicity Blitz Created the Myth of Subliminal Advertising,” *Public Relations Quarterly* (Winter 1992–1993), 12–17.



EXHIBIT 3.22

At first, advertisers didn't know what to do with television, the pre-World War II science experiment that reached 90 percent of U.S. households by 1960.



EXHIBIT 3.23

This is an ad from the famous Rosser Reeves at the Ted Bates agency. His style dominated the 1950s: harsh, abrasive, repetitive, diagrammatic, etc. He believed that selling the brand had virtually nothing to do with art or winning creative awards. His style of advertising is what the creative revolution revolted against.

ultimately constitute an unstoppable youth culture, one that everyone else had to deal with and try to please—the baby boomers. They would, over their parents' objections, buy rock 'n' roll records in numbers large enough to revolutionize the music industry. Now they buy golf clubs, SUV's, and mutual funds.

And then there was TV (Exhibit 3.22). Nothing like it had happened before. Its rise from pre-World War II science experiment to 90 percent penetration in U.S. households occurred during this period. At first, advertisers didn't know what to do with it and did two- and three-minute commercials, typically demonstrations. Of course, they soon began to learn TV's look and language.

This era also saw growth in the U.S. economy and in household incomes. The suburbs emerged, and along with them there was an explosion of consumption. Technological change was relentless and was a national obsession. The television, the telephone, and the automatic washer and dryer became common to the American lifestyle. Advertisements of this era were characterized by scenes of modern life, social promises, and reliance on science and technology.

Into all of this, 1950s advertising projected a confused, often harsh, at other times sappy presence. It is rarely remembered as advertising's golden age. Two of the most significant advertising personalities of the period were Rosser Reeves of the Ted Bates agency, who is best remembered for his ultra-hard-sell style (see Exhibit 3.23), and consultant Ernest Dichter, best remembered for his motivational research, which focused on the subconscious and symbolic elements of consumer desire. Exhibits 3.24 through 3.28 are representative of the advertising from this contradictory and jumbled period in American advertising.

These ads show mythic nuclear families, well-behaved children, our "buddy" the atom, the last days of unquestioned faith in science, and rigid gender roles, while the rumblings of the sexual revolution of the 1960s were just barely audible. In a few short years, the atom would no longer be our friend; we would question science; youth would rebel; women and African-Americans would demand inclusion and fairness; bullet bras would be replaced with no bras.

### Peace, Love, and the Creative Revolution (1960 to 1972).

*You say you want a revolution, well, you know, we all want to change the world.*

—John Lennon and Paul McCartney, "Revolution"<sup>21</sup>

As you well know, there was a cultural revolution in the 1960s. It affected just about everything—including advertising. Ads started to take on the themes, the language, and the look of the 1960s. But as an institution, advertising in the United States during the 1960s was actually slow to respond to the massive social revolution going on all around it. While the nation was struggling with civil rights, the Vietnam War, and the sexual revolution, advertising was often still portraying women and other

21. John Lennon and Paul McCartney, "Revolution," Northern Songs, 1968.





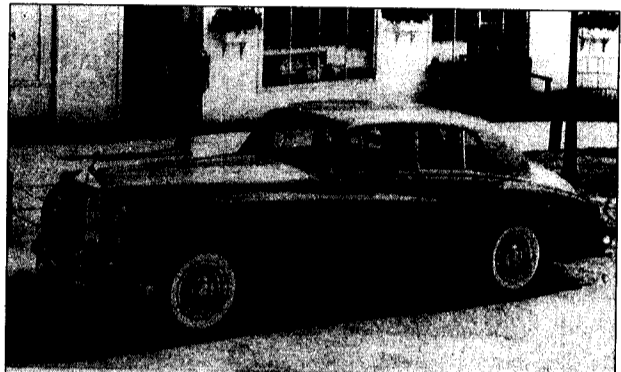
**We're watching your weight.**

A good breakfast is an essential part of any weight control program. Scale down and get back into shape, with the Kellogg's Special K Breakfast. Only 240 calories, 99% fat-free. Delicious.

© 1969 by Kellogg Company  
© Kellogg Company  
Used With Permission.

**EXHIBITS 3.29 AND 3.30**

The new era of advertising in the 1960s was characterized by the creative revolution, during which the creative side of the advertising process rose to new prominence. Note the clean look and minimal copy in the Kellogg's ad in Exhibit 3.29, prepared by Leo Burnett in Chicago. The Rolls-Royce ad in Exhibit 3.30, from David Ogilvy of Ogilvy and Mather, was considered "revolutionary" for its copy, (not its look) which took the consumer more seriously than the ads of the 1950s did. <http://www.kellogg.com> and <http://www.rollsroyce.com>



The Rolls-Royce Silver Cloud II, 1951

**"At 60 miles an hour the loudest noise in this new Rolls-Royce comes from the electric clock"**

What makes Rolls-Royce the best car in the world? "There is really no magic about it — it is merely patient attention to detail," says an eminent Rolls-Royce engineer.

1. At 60 miles an hour the loudest noise comes from the electric clock. repairs the Technical Editor of this journal. Three mufflers tune out sound frequencies — acoustically.
2. Every Rolls-Royce engine is run for seven hours at full throttle before installation, and each car is test-driven for hundreds of miles over varying road surfaces.
3. The Rolls-Royce is designed as an owner-driver car. It is eighteen inches shorter than the largest domestic car.
4. The car has power steering, power brakes and automatic gear-shift. It is very easy to drive and to park. No chauffeur required.
5. The finished car spends a week in the final test shop, being fine-tuned. Here it is subjected to 98 separate tests. For example, the engineers use a stroboscope to listen for axle whine.
6. The Rolls-Royce is guaranteed for three years. With a new network of dealers and parts-depots from Coast to Coast, service is no problem.
7. The Rolls-Royce radiator has never changed, except that when Sir Henry Royce died in 1933 the monogram RR was changed from red to black.
8. The coachwork is given five coats of primer paint, and hand rubbed between each coat, before nine coats of finishing paint go on.
9. By moving a switch on the steering column, you can adjust the shock absorbers to suit road conditions.
10. A picnic table, veneered in French walnut, slides out from under the dash. Two more swing out behind the front seats.
11. You can get such optional extras as an Espresso coffee-making machine, a dictating machine, a bed, hot and cold water for washing, an electric case or a telephone.
12. There are three separate systems of power brakes, two hydraulic and one mechanical. Damage to one will not affect the car. The Rolls-Royce is a very safe car — and also a very lively one. It cruises smoothly at eighty km/h. Top speed is in excess of 100 m.p.h.
13. The Bentley is made by Rolls-Royce. Except for the radiators, they are identical motor cars, manufactured by the same engineers in the same works. People who feel diffident about driving a Rolls-Royce can buy a Bentley.

price. The Rolls-Royce illustrated in this advertisement. Each principal part of entry — costs \$12,805.

If you would like the rewarding experience of driving a Rolls-Royce or Bentley, write or telephone to one of the dealers listed on opposite page. Rolls-Royce Inc., 10 Rockefeller Plaza, New York 20, N. Y. Circle 5-1144.

became cool, ads had to incorporate into their message. The '60s cultural revolution soon became ad copy. Everything became rebellion; even an un-hip brand like Dodge traded successfully on the "Dodge Rebellion."<sup>23</sup> Once advertising learned that it could successfully attach itself to youth, hipness, and revolution, it never went back.

The creative revolution, and the look it produced, is most often associated with four famous advertising agencies: Leo Burnett in Chicago; Ogilvy & Mather in New York (a little less so); Doyle Dane Bernbach in New York (the most); and Wells Rich and Green in New York. They were led in this revolution by agency heads Leo Burnett, David Ogilvy, Bill Bernbach, and Mary Wells. The Kellogg's Special K cereal, Rolls-Royce, Volkswagen, and Braniff ads pictured in Exhibits 3.29 through 3.32 are 1960s ads prepared by these four famous agencies, respectively.

Of course, it would be wrong to characterize the entire period as a creative revolution. Many ads in the 1960s still reflected traditional values and relied on relatively uncreative executions. Typical of many of the more traditional ads during the era is the Goodyear ad in Exhibit 3.33. Pepsi (Exhibit 3.34), traded on youth and the idea of youth.

23. Thomas Frank, *The Conquest of Cool: Business Culture, Counterculture, and the Rise of Hip Consumerism* (Chicago: University of Chicago Press, 1997).

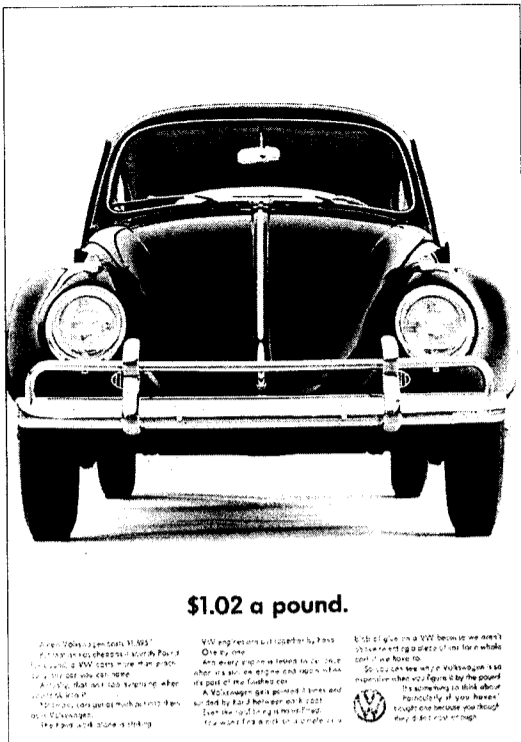


EXHIBIT 3.31

Through innovative advertising, Volkswagen has, over the years, been able to continually reful its original message that its cars aren't expensive luxuries but as much a household staple as broccoli and ground round (and, at \$1.02 a pound, cheaper than either!). These ads from DDB also acknowledged a sophisticated consumer.



EXHIBIT 3.32

This is one of Mary Wells's famously futuristic (and fashionable) ads.



EXHIBIT 3.33

Not all the advertising in the 1960s was characterized by the spirit of the creative revolution. The ad in Exhibit 3.33 relies more on traditional styles and values.



EXHIBIT 3.34

Pepsi "created" a generation and traded on the discovery of the vast youth market. Pepsi claimed youth as its own.

A final point that needs to be made about the era from 1960 to 1972 is that this was a period when advertising became generally aware of its own role in consumer culture—that is, advertising was an icon of a culture fascinated with consumption. While advertising played a role in encouraging consumption, it had become a symbol of consumption itself. While the creative revolution did not last long, advertising was forever changed. After the 1960s it would never again be quite as naïve about its own place in society; it has since become much more self-conscious. It also learned that, at least in America and probably most of the world, people (particularly youth) play out their revolutionary period *through* consumption—even when it’s an anti-consumption revolution, you’ve got to have the right look, the right clothes, the right revolutionary garb. In a very significant way, advertising learned how to forever dodge the criticism of capitalism: Hide in plain sight.

*Every few years, it seems, the cycles of the sixties repeat themselves on a smaller scale, with new rebel youth cultures bubbling their way to a happy replenishing of the various culture industries’ depleted arsenal of cool. New generations obsolete the old, new celebrities render old ones ridiculous, and on and on in an ever-ascending spiral of hip upon hip. As adman Merle Steir wrote back in 1967, “Youth has won. Youth must always win. The new naturally replaces the old.” And we will have new generations of youth rebellion as certainly as we will have generations of mufflers or toothpaste or footwear.<sup>24</sup>*



#### EXHIBIT 3.35

*While a bad economy and a national malaise caused a retreat to the tried-and-true styles of decades before, a bright spot of 1970s advertising was the portrayal of people of color. Thomas Burrell created ads that portrayed African-Americans with “positive realism.”*

#### The 1970s (1973 to 1980).

*Mr. Blutariski, fat, drunk, and stupid is no way to go through life.*

—Dean Vernon Wormer (John Vernon)  
in National Lampoon’s *Animal House*, 1978

Dean Wormer’s admonition to John Belushi’s character in *Animal House* captured essential aspects of the 1970s, a time of excess and self-induced numbness. This was the age of polyester, disco, and driving 55. The re-election of Richard Nixon in 1972 marked the real start of the 1970s. America had just suffered through its first lost war, four student protesters had been shot and killed by the National Guard at Kent State University in the spring of 1970, Mideast nations appeared to be dictating the energy policy of the United States, and we were, as President Jimmy Carter suggested late in this period, in a national malaise. In this environment, advertising again retreated into the tried-and-true but hackneyed styles of decades before. The creative revolution of the 1960s gave way to a slowing economy and a return to the hard sell. This period also marked the beginning of the second wave of the American feminist movement. In the 1970s, advertisers actually started to present women in “new” roles and to include people of color, as the ad in Exhibit 3.35 shows.

The ’70s was the end of “the ’60s” and the end of whatever revolution one wished to speak of. This period became known as the era of self-help and selfishness. “Me” became the biggest word in the 1970s. What a great environment for advertising. All of society was telling

24. Frank, *The Conquest of Cool*, 235.

people that it was not only OK to be selfish, but it was the right thing to do. Selfishness was said to be natural and good. A refrain similar to “Hey babe, I can’t be good to you if I’m not good to me,” became a ’70s mantra. Of course, being good to oneself often meant buying stuff—always good for advertising. Funny how that worked out.

Somewhat surprisingly, the ’70s also resulted in added regulation and the protection of special audiences. Advertising encountered a new round of challenges on several fronts. First, there was growing concern over what effect \$200 million a year in advertising had on children. A group of women in Boston formed **Action for Children’s Television (ACT)**, which lobbied the government to limit the amount and content of advertising directed at children. Established regulatory bodies, in particular the **Federal Trade Commission (FTC)** and the industry’s **National Advertising Review Board**, demanded higher standards of honesty and disclosure from the advertising industry. Several firms were subject to legislative mandates and fines because their advertising was judged to be misleading. Most notable among these firms were Warner-Lambert (for advertising that Listerine mouthwash could cure and prevent colds), Campbell’s (for putting marbles in the bottom of a soup bowl to bolster its look), and Anacin (for advertising that its aspirin could help relieve tension).

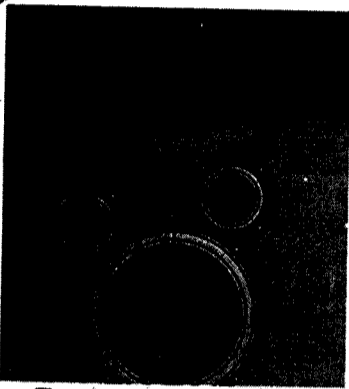
While advertising during this period featured more African-Americans and women, the effort to adequately represent and serve these consumers was minimal; advertising agency hiring and promotion practices with respect to minorities were formally challenged in the courts and informally known to be very, very white. Two important agencies owned and managed by African-Americans emerged and thrived: Thomas J. Burrell founded Burrell Advertising, and Byron Lewis founded Uniworld. Burrell is perhaps best known for ads that rely on two principles: “positive realism” and “psychological distance.” Positive realism is “people working productively; people engaging in family life . . . people being well-rounded . . . and thoughtful; people caring about other people; good neighbors, good parents . . . people with dreams and aspirations; people with ambition.” Psychological distance is “a feeling of separation between the black consumer and a mainstream product.” One of Burrell’s well-known ads is shown in Exhibit 3.35. (Go to <http://www.littleafrica.com/resources/advertising.htm> for a current list of major African-American advertising agencies and resources.)

The 1970s also signaled a period of growth in communications technology. Consumers began to surround themselves with devices related to communication. The development of the VCR, cable television, and the laserdisc player all occurred during the 1970s. Cable TV claimed 20 million subscribers by the end of the decade. Similarly, cable programming grew in quality, with viewing options such as ESPN, CNN, TBS, and Nickelodeon. As cable subscribers and their viewing options increased, advertisers learned how to reach more specific audiences through the diversity of programming on cable systems.

The process of advertising was being restricted by both consumer and governmental regulatory challenges, yet technological advances posed unprecedented opportunities. It was the beginning of the merger mania that swept the industry throughout the end of the decade and into the next, a movement that saw most of the major agencies merge with one another and with non-U.S. agencies as well. It was also the birth of what were essentially program-length commercials, particularly in children’s television. Product/show blends for toys like Strawberry Shortcake made regulation more difficult: If it’s a show about a product, then it’s not really an ad (and can’t be regulated as an ad)—or is it? This drove regulators crazy, but program-length commercials were incredibly smart marketing.<sup>25</sup> They were generally treated by regulators as shows and opened the door for countless numbers of imitators.

25. Tom Engelhardt, “The Shortcake Strategy,” in Todd Gitlin, ed., *Watching Television* (New York: Pantheon, 1986), 68–110.

**e-SIGHTINGS**



**An inside look at Jensen's Total Energy Response.**

You're looking at the heart of one of the most uniformly accurate sound reproductions made today. A Jensen Lifestyle Speaker.

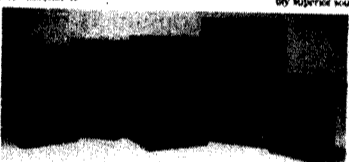
Unlike many speakers that require special on-site listening positions—or others that bounce the sound all over your room—Lifestyle is engineered to deliver a wide spectrum of musical information throughout the listening area in proper perspective. With all the depth and imaging your source material is capable of. And at real life volume levels. That's what Total Energy Response is all about.

In fact, for perfectly integrated speaker systems and total quality control, we make every element that goes into the manufacture of our Lifestyle speakers. From the heavy duty magnets to our handwound, high purity voice coils. Even the computer designed crossover set work. And of course, all of our precision wooders, metalgrain drivers and 170° dispersion dome tweeters.

For pleasure, give a critical listen to these speakers in person. We think you'll agree, a notably superior design concept has resulted in audibly superior sound reproduction.

**JENSEN**  
SPEAKERS

Division of Jensen, Inc.  
Sullivan Park, Illinois 60076



ad/10 cor

**EXHIBITS 3.36 AND 3.37**

One of the significant differences between advertising prepared in the 1960s and in the 1970s is that ads began focusing on the product itself rather than on creative techniques. The Jensen ad in Exhibit 3.36 and the Listerine ad in Exhibit 3.37 represent this product-focused feature of 1970s advertising, which reflects the fact that advertising agency management took control back from creatives during this era. What do current advertising trends tell us about the role of management in today's agencies?

This period in the evolution of advertising presented enormous challenges. In all of this, the look of advertising was about as interesting as it was in the 1950s. Often, advertisements focused on the product itself, rather than on creative technique, as illustrated in the product-focused ads in Exhibits 3.36 and 3.37. During this period, management took control and dominated agency activities. In agencies used to creative control, the idea of “bottom-liners” struck deep at the soul. Of course, all that money they made in the 1980s made them feel much better about the whole thing.

**The Designer Era (1980 to 1992).**

*Greed, for a lack of a better word, is good.*

—Gordon Gekko (Michael Douglas) in *Wall Street*, 1987


“In 1980, the average American had twice as much real income as his parents had had at the end of WWII.”<sup>26</sup> Consumers had a lot of real income to spend. The political, social, business, and advertising landscape changed in 1980 with the election of Ronald Reagan. The country made a right, and conservative politics were the order of the day. There was, of course, some backlash and many countercurrents, but the

26. Collier, *The Rise of Selfishness in America*, 230.

**e-SIGHTINGS**

**STRONG STUFF**

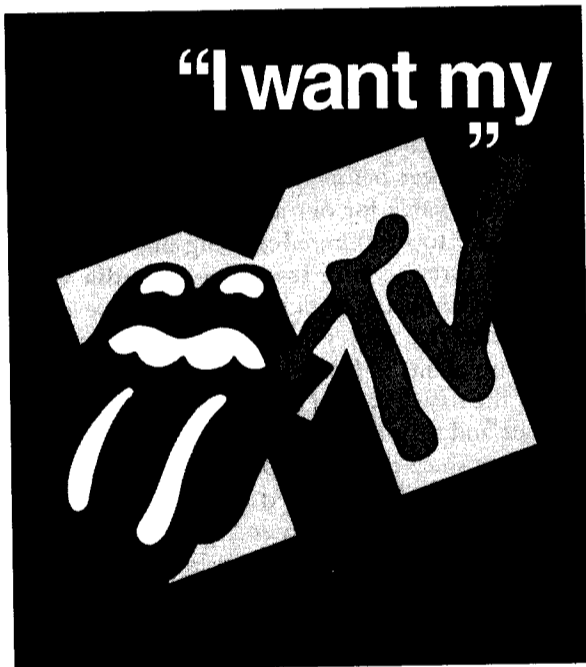
No quitter this.  
Kills germs by millions.  
So strong it  
keeps breath fresh  
hour after  
hour.





**EXHIBIT 3.38**

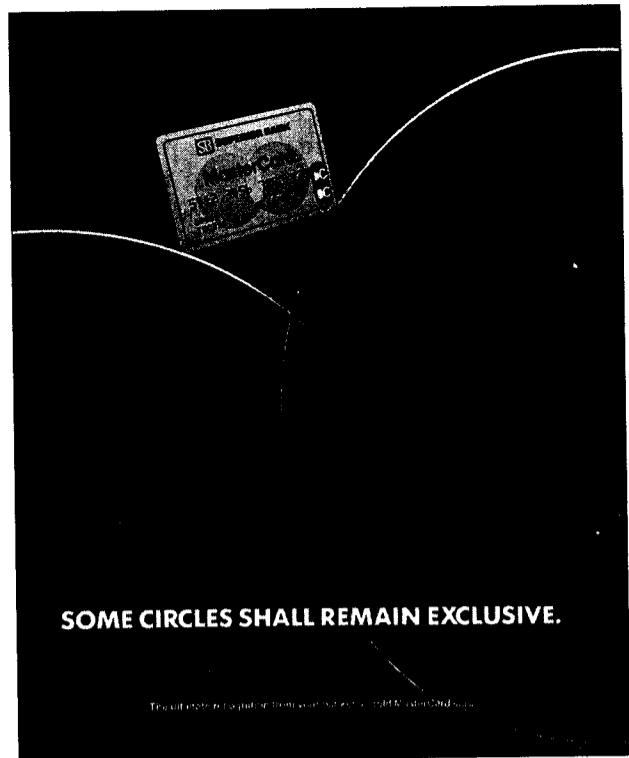
An ad that embodied the tone and style of 1980s advertising was Ronald Reagan's 1984 re-election campaign ad "Morning in America." The ad is soft in texture but firm in its affirmation of the conservative values of family and country.



**EXHIBIT 3.40**

*I want my MTV.*

chance, he got Mick Jagger to proclaim, "I want my MTV" (see Exhibit 3.40). The network turned around and music television surged into popular



**EXHIBIT 3.39**

This MasterCard ad demonstrates the social-class and design consciousness of the 1980s.

conservatives were in the mainstream. Greed was good, stuff was good, advertising was good.

Many ads from the Republican era are particularly social-class and values conscious. They openly promote consumption, but in a conservative way, all wrapped up in "traditional American values." The quintessential 1980s ad may be the 1984 television ad for President Ronald Reagan's reelection campaign called "Morning in America." The storyboard for this ad is shown in Exhibit 3.38. This ad is soft in texture, but it is a firm reaffirmation of family and country—and capitalism. Other advertisers quickly followed with ads that looked similar to "Morning in America." The 1980s were also about designer labels, social-class consciousness, and having stuff, as the ad in Exhibit 3.39 demonstrates.

At the same time, several new communication technology trends were emerging, which led to more-creative, bold, and provocative advertising. Television advertising of this period was influenced by the rapid-cut editing style of MTV. George Lois, himself of the 1960s creative revolution, was hired by MTV to save the fledgling network after a dismal first year. After calling a lot of people who were unwilling to take the



consciousness. Most importantly for us, television ads in the 1980s started looking like MTV videos: rapid cuts with a very self-conscious character.

This was also the age of the **infomercial**, a long advertisement that looks like a talk show or a half-hour product demonstration. If you watch late-night cable television, you've probably seen some guy lighting his car on fire as part of a demonstration for car wax. These very long ads initially aired in late-night television time slots, when audiences were small in number and airtime was relatively inexpensive. Infomercials have since spread to other off-peak time slots, including those with somewhat larger audiences, and they have gained respect along the way. The Psychic Friends Network, Bowflex, and a wide assortment of automotive, weight loss, and hair care products are all examples of products and services recently promoted on infomercials. You might check out <http://www.as-on-tv-ads.com> for more examples.

**The Second '90s (1993 to 2000).** Modern advertising had entered its second century, and it was more self-conscious than ever before. In the '90s, self-parody was the inside joke of the day, except everyone was "inside." Winks and nods to the media-savvy audience were becoming pretty common. Advertising was fast, and it was everywhere. Some said it was "dead," killed by the World Wide Web and other new media, but that turned out to be a pretty large exaggeration. By the end of the decade, ads were still ads, and they were very much alive.

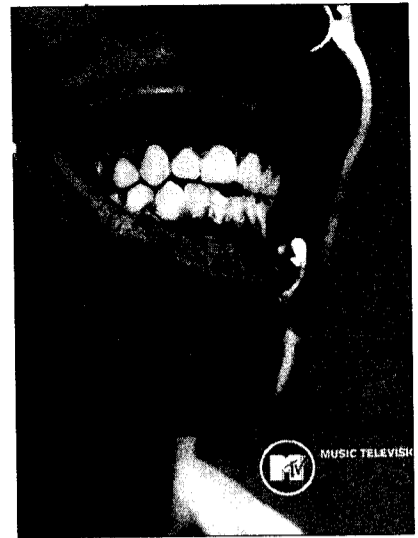
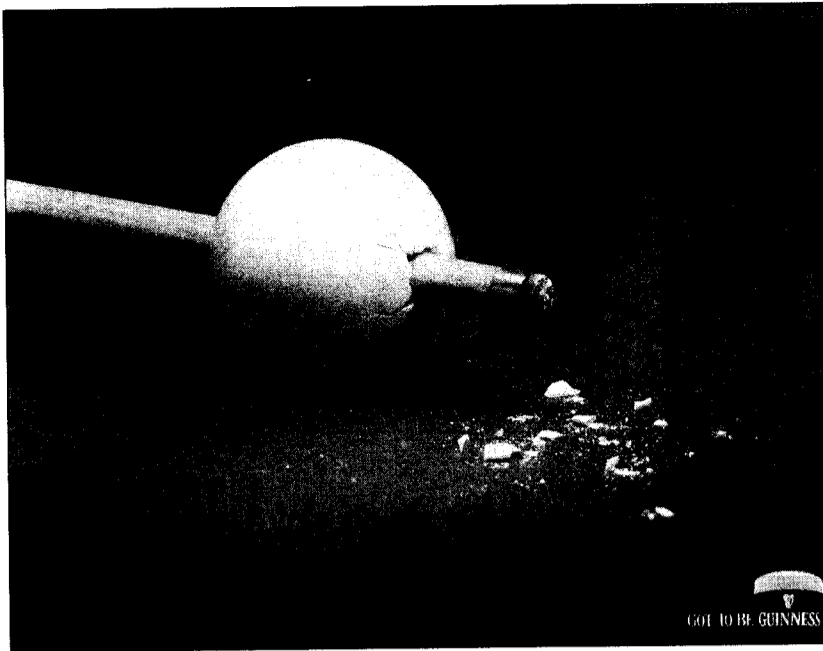
Still, there were scary moments. In May 1994, Edwin L. Artzt, then chairman and CEO of Procter & Gamble, the \$40-billion-a-year marketer of consumer packaged goods, dropped a bomb on the advertising industry. During an address to participants at the American Association of Advertising Agencies (4As) annual conference, he warned that agencies must confront a "new media" future that won't be driven by traditional advertising. While at that time P&G was spending about \$1 billion a year on television advertising, Artzt told the 4As audience, "From where we stand today, we can't be sure that ad-supported TV programming will have a future in the world being created—a world of video-on-demand, pay-per-view, and subscription TV. These are designed to carry no advertising at all."<sup>27</sup> An icy chill filled the room. Then, just when the industry had almost recovered from Artzt's dire proclamation, William T. Esrey, chairman and CEO of Sprint, gave it another jolt a year later at the same annual conference. Esrey's point was somewhat different but equally challenging to the industry. He said that clients are "going to hold ad agencies more closely accountable for results than ever before. That's not just because we're going to be more demanding in getting value for our advertising dollars. It's also because we know the technology is there to measure advertising impact more precisely than you have done in the past."<sup>28</sup> Esrey's point: **Interactive media** will allow direct measurement of ad exposure and impact, quickly revealing those that perform well and those that do not. Secondly, the agency will be held accountable for results. Well, the former (precise measurement) didn't really work out, but the latter (accountability) became the order of the day. That did change. Ad agencies are now said to be operating with fewer staff and a smaller margin than ever before. Clients are more tight-fisted than at any time since the Great Depression.

The saga continues. Still unsure of what could be delivered and what could be counted, in August 1998 Procter & Gamble hosted an Internet "summit," due to "what is widely perceived as the poky pace of efforts to eliminate the difficulties confronted by marketers using on-line media to pitch products."<sup>29</sup> Some of these

27. This quote and information from this section can be found in Steve Yahn, "Advertising's Grave New World," *Advertising Age*, May 16, 1994, 53.

28. Kevin Goodman, "Sprint Chief Lectures Agencies on Future," *Wall Street Journal*, April 28, 1995, B6.

29. Stuart Elliot, "The Media Business: Advertising; Procter and Gamble Calls Internet Marketing Executives to Cincinnati for a Summit Meeting," *New York Times*, August 19, 1998, D3; available at <http://www.nytimes.com>, accessed February 20, 1999.


**EXHIBITS 3.41 AND 3.42**

*1990s ads were generally more visual and self-aware. They didn't try to be realistic; they said "this is an ad."*

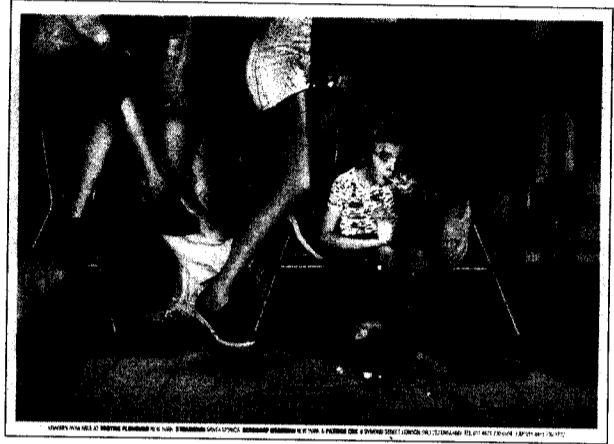
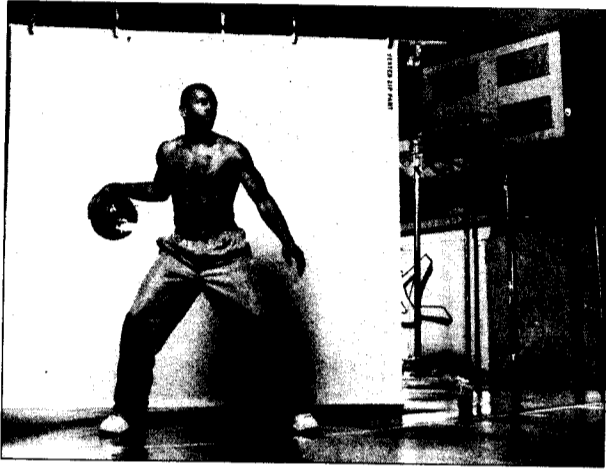
problems were technological: incompatible technical standards; limited bandwidth; and disappointing measurement of audience, exposure, and subsequent behavior. Others were the result of naïveté. Advertisers such as P&G want to know what they are getting and what it costs when they place an Internet ad. Does anyone notice these ads, or do people click right past them? What would "exposure" in this environment mean? How do you use this medium to build brand relationships? At the end of this summit, P&G reaffirmed its commitment to the Internet.

But history again showed that measurement of bang for buck (return on investment, ROI) in advertising (Internet or not) is still elusive. While better than TV, the Internet is fundamentally unable to accommodate precise measurements of return on investment in advertisement. Too many variables, too much noise in the system, too many lagged (delayed) effects, and too many uncertainties about who is really there (online) abound.

Not a big surprise for those who pay attention to history: Advertising's impact is always tough to measure. Even with all this technology, it still is. What bump in sales comes from where is still elusive (more about this in Chapter 15).

Another change has come in the form of a significant challenge on New York's claim as the center of the advertising universe. In the United States, the center has moved west, with the ascendancy of agencies in California, Minnesota, Oregon, and Washington, not to mention international hot spots such as London and Singapore. In the 1990s these agencies tended to be more creatively oriented and less interested in numbers-oriented research than those in New York. Other hot or nearly hot ad-shop markets include Minneapolis, Austin, Atlanta, Houston, and Dallas. Outside the United States, London emerged as the key player (Exhibit 3.41), with Singapore a close second. Nineties ads were generally more visually oriented and much more self-aware. They said "this is an ad" in their look and feel. They had a young and ironic flavor. Some call them "postmodern." Exhibits 3.41 and 3.42 are good examples of this '90s style.

**The '00s: More Hip Ads and More Technology (2001–present).** As for the creative trends in ads, ads of the '00s have become even more self-aware and self-referential. They are ads that are very aware of being ads. Everyone is in on it (see



#### EXHIBITS 3.43 THROUGH 3.46

Exhibits 3.43 through 3.46 are good examples of recent advertising. They are visual, usually self-aware, young, and stylish. They are ads that are comfortable being ads.

Exhibits 3.43 through 3.46). They are comfortable being ads. They are also visual, young, and stylish. But people should not kid themselves: Straightforward traditional ads are still a big part of the mix (see Exhibits 3.47 and 3.48).

**Technology and Advertising.** The technological changes that occurred during the early years of the 21st century have been and will continue to be intoxicating and somewhat frightening. But despite all the creative opportunities that technology offers, the volatility in ad markets demonstrates some harsh realities of the complex-



EXHIBITS 3.47 AND 3.48

Despite the surge in creativity, there are still lots of traditional ads like these.



EXHIBIT 3.49

Nice ads, but company is gone.

ity of global commerce. No place has that harsh reality been felt more severely than in the dot.coms. In a phenomenon often referred to as the “dot.bomb,” many Internet firms that once had billion-dollar valuations and many believers—such as Pets.com (see Exhibit 3.49)—declared bankruptcy in 2000 and 2001. For one example, see the Creativity box.

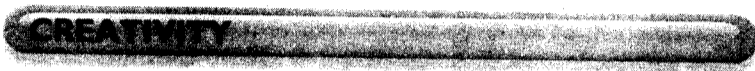
The demise of Web sites that were totally dependent on online advertising for revenue does not mean that online advertising is dead. It’s just not going to be as all-encompassing (and nowhere near as easy) as early predictions made by P&G and Sprint (and others) might have suggested. From 1998 to 2000, online advertising revenues exploded from about \$2.0 billion annually to over \$8.0 billion. When the slump in online advertising hit bottom in 2002, revenues stood at about \$5.8 billion—not exactly peanuts. And the turnaround appears real—at least for now. Online advertising revenues are expected to climb back to nearly \$9.0 billion in 2005.<sup>30</sup> And don’t forget about business-to-business promotion on the Web, known as e-business. **E-business** is another form of e-advertising and/or promotion in which companies selling to business customers (rather than to household consumers) rely on the Internet to send messages and close sales (we’ll cover this in detail in Chapter 16). E-business revenues transactions reached \$2.4 trillion by 2003 and are expected to experience strong growth through the first decade of the 21st century, at least.<sup>31</sup>

The main impetus for such spending on Web advertising is focused on three aspects of technology that will continue to foster growth—interactive, wireless, and broadband technologies. Because of advances in technology, firms like Procter & Gamble continue to invest heavily in this means of sending messages and reaching target customers. P&G has developed and maintains dozens different Web sites for the company’s approximately 300 brands to serve and interact with customers.<sup>32</sup> P&G also has gone beyond just product-oriented sites and has launched “relationship building” sites like beinggrrl.com, a teen community site (Exhibit 3.50). With such a site, the firm can gather data, test new product ideas, and experiment with interactivity.

30. Heather Green and Pallavi Gogoi, “Online Ads Take Off—Again,” *BusinessWeek*, May 5, 2003, 75.

31. Timothy Mullaney et al., “The E-Biz Surprise,” *BusinessWeek*, May 12, 2003, 60–68.

32. Beth Snyder Bulik, “Procter & Gamble’s Great Web Experiment,” *BusinessWeek*, November 28, 2000, 48–54.



### Start the E-volution without Me

During the latter part of the 1990s and the early days of the 2000s, nearly every advertiser made a commitment to the Internet. The (fairly sound) logic was that this new medium was gaining more and more favor, with more consumers and households getting “wired” every day. Surely this would be an ideal opportunity to reach a large number of consumers, through a new medium and in a much more personalized way.

Whirlpool was just the sort of company to use that logic. As one of the oldest U.S. companies and one that held a leading market share, not to mention a great brand image, Whirlpool wanted to be sure the opportunities to use the Internet effectively were not overlooked. Managers’ thinking went something like this. Millions of people were scouring the Web in search for the best deals on books, air travel, and even cars. Surely some of these millions of people would want to search the Web for a deal on a refrigerator or washing machine.

With that strategic orientation, Whirlpool launched Brandwise.com, the first comparative-shopping Web site for appliances. Brandwise.com would be consumers’ trusted source for up-to-the-minute product information and reviews of all kinds of appliances made by all kinds of manufacturers. And Brandwise could make arrangements, right there on the Web site, for consumers to buy their dream appliance by connecting them to a nearby retailer. Whirlpool was so certain that Brandwise.com would be a runaway hit with consumers that the firm hired Kathy Misunas, former CEO of American Airlines’ Sabre Reservations Group. At Brandwise.com’s launch, Misunas crowed, “Brandwise.com represents the next step in the evolution of e-commerce.”

Wrong. Within eight months, Brandwise.com was shut down. The site attracted so few visitors—less than 200,000 per month—that Media Metrix wouldn’t even follow it on its Web traffic-counting system. What went wrong and how could it go wrong so fast? The answer is actually painfully simple. Brandwise was conceived and executed with the attitude that the Web is so hot and hip that anything on the Web will not just survive but flourish. But what happened was that Whirlpool botched the marketing effort, failed to establish good relations with retailers, and underestimated the difficulty of setting up and maintaining a good Web site. In addition, the consumer behavior analysis was botched as well. Eighty percent of appliance purchasers are replacing something that broke. They don’t want to go to a Web site, they want to go to a store and get a new appliance—now. In the end, what wrecked this new economy idea was an old economy challenge—execution.

Source: Amy Kover, “Brandwise Was Brand Foolish,” *Fortune*, November 13, 2000, 201–208.

he has switched back), and when the cast of *Friends* drank Pepsi, audiences took notice. Well, branded entertainment takes the process of getting attention for brands by placing them in film and television scenes a quantum leap forward. With branded entertainment, a brand is not just a bit player; it is the “star” of the program. An early

For example, if a visitor wants to know what nail polish will match the lipstick she just saw in a commercial, she can go to the Web site and get an immediate answer. Thus, target audiences do not have to be broadly defined by age or geographic groups—individual households can be targeted through direct interaction with the audience member. Also note that P&G can reach a global audience through beinggirl.com without the cost and time-consuming effort of placing traditional media ads in dozens of markets.

Chapter 2 raised the issues of wireless and broadband technologies as trends that will be affecting the future of advertising. To follow up on that discussion, wireless penetration into U.S. households has experienced tremendous growth. High-speed Internet access (primarily broadband) now reaches about 40 million households (about 40 percent of all households). In addition, “wi-fi” provides speedy wireless technology that beams a radio signal connection out 300 feet and allows Web surfers to roam around their homes, offices, or local coffee shops without being tethered to a phone line.<sup>33</sup>

### Branded Entertainment.

There is no aspect of the evolution of advertising more significant than the emergence of “branded entertainment.” **Branded Entertainment** is the blending of advertising and integrated brand promotion with entertainment, primarily film and television programming. A subset of branded entertainment is *product placement*, the significant placement of brands within films or television programs. When Tom Cruise wore Ray-Bans in the film *Top Gun*, when James Bond switched to the BMW Z-8 from his beloved Aston-Martin (by the way,

33. Mullaney et al., “The E-Biz Surprise”; Heather Green et al., “WiFi Means Business,” *BusinessWeek*, April 28, 2003, 86–92; Cliff Edwards, et al., “Digital Homes,” *BusinessWeek*, July 21, 2003, 58–64.

participant in branded entertainment and still a leader in using the technique is BMW. BMW launched the BMW Web film series in 2001 and has featured the work of well-known directors, including Wong Kar-Wai, Ang Lee, John Frankenheimer, Guy Ritchie, and Alejandro González Iñárritu (Exhibit 3.51). Other sites featuring entertainment by featuring the brand include Lipton Tea (<http://www.lipton.com>), Oldsmobile with Tiger Woods in “Tiger Trap” (<http://www.oldsmobile.com>), and the U.S. Army at its Web-based computer game (<http://www.goarmy.com>). There are many advantages to branded entertainment—not running into the consumer’s well-trained resistance mechanisms to ads, and not having to go through all the ad regulations. In an ad BMW has to use a disclaimer (“closed track, professional driver”) when it shows its cars tearing around, but in *The Italian Job*, no such disclaimer is required. Also, movies have been seen by the courts as artistic speech, not as the less protected “commercial speech.” Branded entertainment, therefore, gets more First Amendment protection than ordinary advertising does. This is an important distinction, since regulation and legal fights surrounding ads represent a large cost of doing business.

But the Web is only one part of the branded entertainment process. Recently, firms are seeing the beauty of partnering with film studios. For example, the highly successful 2003 film *Pirates of the Caribbean* can easily be argued as a 90-minute advertisement for Disneyland. Going the other way, Universal Studios now has an Indiana Jones ride at its Universal Studios park in Orlando. In this case, the film came first and the amusement ride was developed based on the success of the film.

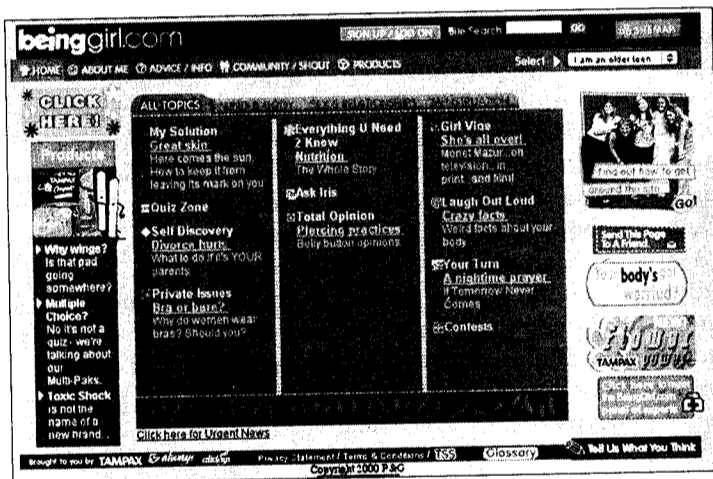


EXHIBIT 3.50

P&G's communal Web site *beinggirl.com* is a good example of online brand community building with global reach. <http://www.beinggirl.com>



EXHIBIT 3.51

The ultimate in branded entertainment, the BMW Web films entertain viewers by featuring BMW cars in short Web-accessed films. The films have attracted millions of viewers who stay at the BMW site for an average of 16 to 20 minutes—far longer viewership than any traditional advertising could ever hope for. <http://www.bmwfilms.com>

As you can imagine, advertisers love the exposure that branded entertainment can provide. And entertainment venues are fully protected (as artistic expression) by the First Amendment provisions of free speech and therefore skirt much of the regulation imposed on traditional advertising. But not all consumers are wildly enthusiastic about the blurring line between advertising and entertainment. One survey showed that 52 percent of respondents were worried about advertisers influencing entertainment content. The same survey showed that 62 percent of respondents found product placement distracting rather than entertaining.<sup>34</sup>

Advertisers should take note of this generally negative attitude among consumers. What happens if branded entertainment gets to be too prominent, too intrusive? Consumers will turn to solutions like TiVo. **TiVo** is a service that automatically records a consumer's favorite television shows every time they air. With technology like TiVo, consumers can skip commercials, and 63 percent of TiVo users report that they do just that.<sup>35</sup>

**The Value of an Evolutionary Perspective.** As intriguing as new technology like wi-fi is and as exciting as new communications options like Web films may be, we shouldn't jump to the conclusion that the very nature of advertising as a process will change. So far, it hasn't. Advertising will still be a paid, mass-mediated attempt to persuade. As a business process, advertising will still be one of the primary marketing mix tools that contribute to revenues and profits by stimulating demand and nurturing brand loyalty. Even though the executives at P&G believe there is a whole new world of communication and have developed dozens of Web sites to take advantage of this new world, the firm still spends over \$3 billion a year on traditional advertising through traditional media.<sup>36</sup> It is also safe to argue that consumers will still be highly involved in some product decisions and not so involved in others, so that some messages will be particularly relevant and others will be completely irrelevant to forming and maintaining beliefs and feelings about brands. To this date, technology (particularly e-commerce) has changed the way people shop, gather information, and purchase. And while the advance in online advertising continues, so far the big winners in the resurgence of advertising spending have been traditional media. Recall that online advertising is estimated to be about \$9 billion in 2005. Well, spending in traditional media like television, radio, newspapers, and magazines will be about \$260 billion in 2005.<sup>37</sup> Maybe things will change, maybe not.

In this chapter, we have tried to offer an evolutionary perspective on advertising. We strongly believe that to understand advertising in an evolutionary perspective is to appreciate the reasons for advertising's use in a modern industrialized society. Advertising was spawned by a market-driven system and grew through free market economies. Efficient methods of production made advertising necessary; commodities had to become brands. Urbanization, transportation expansion, and communications advancements all facilitated the use and growth of advertising. The result is that advertising has become firmly entrenched as a business function, with deeply rooted economic and cultural foundations. This evolutionary perspective allows us to understand the more basic aspects of the role and impact of advertising. An important chapter in any discussion of the evolution of advertising is, of course, the evolution of integrated brand promotion. While the advances in technology have taken center stage in our discussion of the latest era in advertising, integrated brand promotion (IBP) strategies and tactics have evolved as well. Remember from Chapter 2 that more and more money is being allocated to IBP tools other than advertising. And the evolution of advertising and IBP is truly a global evolution, as the Global Issues box highlights. Stay tuned.

34. Claire Atkinson, "Ad Distraction Up, Say Consumers," *Advertising Age*, January 6, 2003, 1, 19.

35. *Ibid.*, 19.

36. "100 Leading National Advertisers," *Advertising Age*, June 28, 2004, 54.

37. Projections provided by Bob Coen each year in *Advertising Age* and at [Adage.com](http://Adage.com).



## SUMMARY

- Explain why advertising is an essential feature of capitalistic economic systems.

Although some might contend that the practice of advertising began thousands of years ago, it is more meaningful to connect advertising as we know it today with the emergence of capitalistic economic systems. In such systems, business organizations must compete for survival in a free market setting. In this setting, it is natural that a firm would embrace a tool that assists it in persuading potential customers to choose its products over those offered by others. Of course, advertising is such a tool. The explosion in production capacity that marked the Industrial Revolution gave demand-stimulation tools added importance.

- Describe manufacturers' dependence on advertising, promotion, and branding in achieving balanced relationships with retailers.

Advertising and branding play a key role in the ongoing power struggle between manufacturers and their retailers. U.S. manufacturers began branding their products in the late 1800s. Advertising could thus be used to build awareness of and desire for the various offerings of a particular manufacturer. Retailers have power in the marketplace deriving from the fact that they are closer to the customer. When manufacturers can use advertising to build customer loyalty to their brands, they take part of that power back. Of course, in a capitalistic system, power and profitability are usually related.

- Discuss several significant eras in the evolution of advertising in the United States, and relate important changes in advertising practice to more fundamental changes in society and culture.

Social and economic trends, along with technological developments, are major determinants of the way advertising is practiced in any society. Before the Industrial

Revolution, advertising's presence in the United States was barely noticeable. With an explosion in economic growth around the turn of the century, modern advertising was born: The "P. T. Barnum era" and the 1920s established advertising as a major force in the U.S. economic system. With the Great Depression and World War II, cynicism and paranoia regarding advertising began to grow. This concern led to refinements in practice and more careful regulation of advertising in the 1960s and 1970s. Consumption was once again in vogue during the designer era of the 1980s. The new communication technologies that emerged in the 1990s era seem certain to effect significant changes in future practice. Finally, the interactive, wireless, and broadband technologies that are leading advertising into the 21st century hold great promise but a hard-to-predict future.

- Identify forces that will continue to affect the evolution of advertising.

*Integrated*, *interactive*, and *wireless* have become the advertising buzzwords of the early 21st century. These words represent notable developments that are reshaping advertising practice. This is so because the technologies present advertisers with new options like Web films or feature films that highlight brands—a process known as advertainment. In addition, consumers can use wi-fi systems, limited-area wireless access systems, to provide more mobility in their use of computers. Integrated brand promotion may continue to grow in importance as advertisers work with more-varied media options to reach markets that are becoming even more fragmented. A variety of advertisers are using interactive media to reach consumers in the digital realm, while services like TiVo demonstrate a consumer backlash against the ubiquity of advertising. As for creative, the ads of the '00s have become more self-aware and self-referential—they are ads that are very aware of being ads. Advertising in the next decade will continue to be a vibrant and challenging profession.

### KEY TERMS

Industrial Revolution  
principle of limited liability  
branding  
dailies  
consumer culture  
Pure Food and Drug Act

subliminal advertising  
creative revolution  
Action for Children's Television  
(ACT)  
Federal Trade Commission (FTC)  
National Advertising Review Board

infomercial  
interactive media  
e-business  
wi-fi  
branded entertainment  
TiVo

### QUESTIONS

- As formerly communist countries make the conversion to free market economies, advertising typically becomes more visible and important. Why would this be the case?
- Explain why there is a strong relationship between increasing urbanization and per capita spending.
- How do manufacturers gain or lose power in the channel of distribution? What other parties are involved in this power struggle?
- Describe the various factors that produced an explosion of advertising activity in the "P. T. Barnum era."
- The 1950s were marked by great suspicion about advertisers and their potential persuasive powers. Do you see any lingering effects of this era in attitudes about advertising today?
- There were many important developments in the 1970s that set the stage for advertising in the Reagan era. Which of these developments are likely to have the most enduring effects on advertising practice in the future?
- Ed Artzt, then chairman and CEO of Procter & Gamble, made a speech in May 1994 that rattled the cages of many advertising professionals. What did Artzt have to say that got people in the ad business so excited?
- Review the technological developments that have had the greatest impact on the advertising business. What new technologies are emerging that promise more profound changes for advertisers in the next decade?
- What creative trends in ads have emerged in the period from 2001 to the present?

### EXPERIENTIAL EXERCISES

- Advertising has changed throughout the past century, reflecting the social, economic, and cultural forces of the times. The ads of the '00s are becoming more hip and self-referential. Many of today's most prominent ads are full of irony and quirky attempts at comedy with a wink. Select three prominent ads from television, radio, or new media, and analyze the content and themes used in the ads to communicate the brands. For each, answer the following questions: Does the theme rely on high fashion, comedy, patriotism, or pop-culture trends? How well does the ad communicate the value of the brand? In what way is the ad a product of the times in which we live?
- In this chapter, manufacturers' pursuit of power in the channel of distribution is listed as an important influence on the emergence and growth of advertising. Manufacturers depend on other members of the distribution channel (such as retailers and wholesalers) for the success of their brands. Hoping to pressure channel members to purchase manufacturers' brands, advertisers use ads to stimulate demand for their products at the consumer level, which in turn spurs retailers to purchase from manufacturers to meet that demand.  
Contact a local retail store and set up a brief phone interview with the manager or retail buyer. Ask the manager what role customer requests and fashion trends play in determining the store's product offerings. Find out how they keep track of those requests and trends and how they respond to them. Finally, ask the manager to describe the role of advertisers in stimulating consumer demand and how that places leverage on them to carry certain brands. Ask for real-world examples.

3. During the period from 1980 to 1992, half-hour television product demonstrations known as infomercials emerged and became popular. Infomercials sell a variety of popular products—from diets and cosmetics to housewares and body training—and are designed to prompt a direct response from viewers. While many viewers question the integrity of these advertising programs, they have earned respect for their success in eliciting spontaneous purchases from broad target audiences.

The Carlton Sheets infomercial for his *No Down Payment* real estate investment program is seen all over the

country on late-night television. Go to a search engine and search for the Carlton Sheets Internet site. Compare and contrast the message of the infomercial with the message of the site. Do you think these two media reach the same target audience? Which medium do you think is more persuasive for this particular kind of product advertisement? Why? What social and economic conditions of the 1980s produced the advertising method known as the infomercial? If you are not familiar with Carlton Sheets, pick any infomercial and answer these same questions.



### 3-1 The Value of an Evolutionary Perspective

While many aspects of advertising have remained constant over the course of its evolution, other aspects have changed dramatically. Emerging forces in technology and globalization have challenged advertisers to develop and promote brands in widely fragmented markets. As the evolutionary perspective of the history of advertising demonstrates, social, cultural, and economic shifts of the past have radically influenced the overall progression of the industry. As we would expect, many of today's important trends will guide the future evolution of advertising.

**InfoWorld:** <http://www.infoworld.com>

1. The final sections of the chapter examine some of the forces that will shape the next decade of advertising. What changes can be expected for the advertising industry, and why? What aspects of advertising are likely to remain constant?
2. Since new technologies will continue to play an important role in shaping the evolution of advertising, choose a relevant news story from InfoWorld and explain how you think the news might relate to the future evolution of the industry.

### 3-2 Important Eras in the Evolution of Advertising

The practice of advertising has emerged in modern times, owing its development largely to the social and economic changes of recent centuries and the rise of modern mass media. During the history of the United States, many important advertising eras evolved, each reflecting fundamental changes in society and culture. One of the world's largest searchable databases of classic print ads, [adflip.com](http://www.adflip.com), features ads from the 1940s to the present. Fans of advertising history visit [adflip.com](http://www.adflip.com) to enjoy these retro ads and the evolution of pop culture they represent.

**adflip:** <http://www.adflip.com>

1. Browse [adflip](http://www.adflip.com) and select two ads from various decades of advertising history. Briefly describe the ads and explain how they fit the general characteristics of advertisements for their era as defined in the chapter.
2. Select an ad from the site that does not seem to reflect the general characteristics of its era. How does it differ from ads typical to this period? Would it fit better in a different general era of advertising history? Explain.

**Introductory Scenario: I Didn't Sign Up for This!** Has this ever happened to you? You see an ad in a magazine or the newspaper that announces a "Big Sweepstakes" where you can win a fabulous vacation to Hawaii, a killer speedboat, or \$1 million in a drawing. You fill in the entry form, mail it and wait. After a few months, it dawns on you that you haven't won the sweepstakes, but what you have won is a mailbox (or e-mail box) full of stuff from advertisers who got your name from the outfit that ran the sweepstakes!

This is exactly what happened to Anne Marie when she saw the Eddie Bauer edition of a Ford Explorer as a sweepstakes giveaway. It was her dream car and she entered the sweepstakes. But in the end, she decided that entering the sweepstakes created a nightmare. "Every Jeep dealer in the Galaxy was calling me after that," she said. "There was a span of about two weeks that a different car dealer called or mailed something [every day] about me coming in to test drive a car. I was furious."<sup>1</sup>

What happened to Anne Marie happens to millions of Americans every day. Advertisers call it "database marketing." Contests, sweepstakes, supermarket dis-

count cards, and product warranty cards are common methods used by marketers to gather information about customers and create a database to be used for advertising and integrated brand promotion (IBP) strategies.<sup>2</sup> Big data "warehouse" companies such as Metromail, Acxiom, and R. L. Polk specialize in collecting massive amounts of consumer information. They then sell the data—including names, addresses, phone numbers, and e-mail addresses—to companies that use direct marketing, such as catalog publishers, Internet companies, charities, credit card issuers, book clubs, and music clubs—you know, the ones who send you all the stuff in the (e-)mail. (See Exhibit 4.1.) Some companies, however, do not infringe on customer privacy because they do not collect individual data. One such company is Watchfire. At Watchfire (<http://www.watchfire.com>), the firm provides aggregate data only on visitors to a company's Web site with respect to where the visitors came from and what behavior they exhibited while at the site.

While marketers call this process database marketing, some consumer advocates are calling it an invasion of privacy. The leader of Junkbusters, a consumer advocacy group that opposes invasions of consumer privacy, calls the practice of database development "Orwellian" because "George Orwell's 1984 described a world where each home had a television-like device that actually watched what individuals were doing."<sup>3</sup> And there is ample and growing evidence that consumers are getting more and more aggravated with these database marketing efforts. A recent survey by Planetfeedback.com showed that 80 percent of respondents were "very annoyed" by pop-up ads and spam e-mail; in comparison, only about 10–15 percent of these respondents reported being "very annoyed" by print or TV ads.<sup>4</sup>

**Some Things Are Still A Mystery.**

**Your Online Visitors Shouldn't Be One Of Them.**

Our strategy: Help you gain an in-depth understanding of your visitors. Where do they come from? What do they do while they're on your site? Capturing, analyzing and reporting on visitor behavior is what Watchfire is all about. We provide powerful analytics and reporting software with optional 24-hour consulting services. That means strategic, clear, insightful analysis that is customized to your business strategy. Intelligence that cuts through the data clutter to reveal visitor behavior and important trends.

For more information about the software and services that deliver actionable intelligence that is customized to your needs, visit [www.watchfire.com](http://www.watchfire.com) or call 1.800.281.1726.

© 2003 Watchfire. All rights reserved. Watchfire is a registered trademark of Watchfire, Inc.

#### EXHIBIT 4.1

Many firms are in the business of providing information for advertisers to effectively and efficiently deliver advertising and integrated brand promotion messages to target audiences. Firms like Buystream (now owned by Watchfire) sell consumers names and addresses they have gathered and organized into easy-to-use databases.

1. Teena Massingill, "Buyer Beware: Retailers Sharing Data," Knight Ridder News Service, September 17, 1999.
2. Alissa Quart, "O! College Pry," *Business 2.0*, April 3, 2001, 68.
3. Bradley Johnson, "Gov't Agencies Eye Online Profiling," *Advertising Age*, November 8, 1999, 102.
4. Jack Neff, "Spam Research Reveals Disgust with Pop-Up Ads," *Advertising Age*, August 23, 2003, 1, 21.

But advertisers defend themselves by saying that good marketing research (including database development) leads to greater efficiency and more value for customers. As one direct marketer put it, “The more effective direct marketers get, the more they know about you, the better they can serve you.”<sup>5</sup> For example, grocers argue that with the databases they can target coupons and other specially advertised offers to the people most likely to use them, instead of wasting money on coupons and mailings that are never used.

Consumer advocates argue that any good that might come from the “data mining” process is far outweighed by the annoyance created by the avalanche of offers plaguing consumers. These advocates are arguing for “permission marketing,” in which marketers can direct advertising and promotions *only* to people who give them express permission to do so by indicating clearly that they “opt-in” to receiving offers through the mail or e-mail.<sup>6</sup>

The repercussions of database marketing and not heeding consumers’ frustration are already being felt in the form of new regulations. The year 2004 saw the implementation of two restrictive pieces of legislation. The “do-not-call list” devised by the Federal Trade Commission is expected to include 60 million American phone numbers registered in an attempt to restrict telemarketing calls.<sup>7</sup>

We have to realize that nothing about database development or sending advertising messages and promotional offers to consumers is unethical or illegal—yet. We will need to wait and see whether any restrictions are placed on the database process by either government mandate or consumer pressure. Or we could all do what some people do. They don’t enter sweepstakes, they never shop on the Internet, they throw junk mail and surveys directly into the trash, and they have unlisted phone numbers.

The story of Anne Marie (and perhaps even your own experience) highlights that the social, ethical, and regulatory aspects of advertising are as dynamic and controversial as any of the strategic or creative elements of the process. What is socially responsible or irresponsible, ethically debatable, politically correct, or legal? The answers are constantly changing. As a society changes, so, too, do its perspectives. Like anything else with social roots and implications, advertising will be affected by these changes.

Advertising history includes all sorts of social, ethical, and legal lapses on the part of advertisers. However, advertising has also had its triumphs, moral as well as financial. Whether justified or not, many criticisms of advertising can be naïve and simplistic, often failing to consider the complex social and legal environment in which contemporary advertising operates. Don’t get us wrong; sometimes criticisms of advertising are right on. Other times, the criticism comes from intuition and emotion not supported by facts or reality. In this chapter, we will consider a wide range of social, ethical, and legal issues related to advertising and the many tools of integrated brand promotion in an analytical and straightforward fashion.



**The Social Aspects of Advertising.** The social aspects of advertising are often volatile. For those who feel that advertising and promotion are intrusive and manipulative, the social aspects usually provide the most fuel for heated debate.

We can consider the social aspects of advertising in several broad areas. On the positive side, we’ll consider advertising’s effect on consumers’ knowledge, standard of living, and feelings of happiness and well-being, and its potential positive effects on the mass media. On the negative side, we’ll examine a variety of social criticisms of advertising, ranging from the charge that advertising wastes resources and promotes materialism to the argument that advertising perpetuates stereotypes.

5. Erika Rasmusson, “What Price Knowledge?” *Sales and Marketing Management*, December 1998, 56.

6. Stephen Baker, “Where Danger Lurks,” *BusinessWeek*, August 25, 2003, 114–118.

7. Ira Teinowitz, “FCC Extends Do-Not-Call-List,” *Advertising Age*, June 30, 2003, 1, 29.

Our approach is to offer the pros and cons on several issues that critics and advertisers commonly argue about. Be forewarned—these are matters of opinion, with no clear right and wrong answers. You will have to draw your own conclusions. But above all, be analytical and thoughtful. These are important issues and without understanding and contemplating these issues, you really haven't studied advertising and promotion at all.

**Advertising Educates Consumers.** Does advertising provide valuable information to consumers, or does it seek only to confuse or entice them? Here's what the experts on both sides have to say.

**Pro: Advertising Informs.** Supporters of advertising argue that advertising educates consumers, equipping them with the information they need to make informed purchase decisions. By regularly assessing information and advertising claims, consumers become more educated regarding the features, benefits, functions, and value of products. Further, consumers can become more aware of their own tendencies toward being persuaded and relying on certain types of product information. The argument has been offered that advertising is "clearly an immensely powerful instrument for the elimination of ignorance."<sup>8</sup> Now, that might be a *little* bit overstated, but according to this argument, better-educated consumers enhance their lifestyles and economic power through astute marketplace decision making.

A related argument is that advertising *reduces product search time*—that is, the amount of time an individual must spend to search for desired products and services is reduced because of advertising. The large amount of information readily available through advertising allows consumers to easily assess the potential value of brands without spending time and effort traveling from retail store to retail store trying to evaluate each one. The information contained in an advertisement "reduces drastically the cost of search."<sup>9</sup>

Another aspect of informing the public has to do with the role advertising can play in communicating about important social issues. Miller Brewing devotes millions of dollars a year promoting responsible drinking with both print and television advertisements like the one shown in Exhibit 4.2. As described in the IBP box, there is also a unique Web site at <http://www.beeresponsible.com> as part of an IBP campaign designed to combat drunk driving, underage drinking, and binge drinking.

**Con: Advertising Is Superficial and Intrusive.** Critics argue that advertising does not provide good product information at all and that it is so pervasive and intrusive to daily life that it is impossible to escape. The basic criticism of advertising with respect to it being superficial focuses on the claim that many ads carries little, if any, actual product infor-



**EXHIBIT 4.2**

Advertising can be used to inform the public about important social issues. Miller Brewing spends millions of dollars a year promoting responsible drinking behavior (<http://www.millerbrewing.com>).

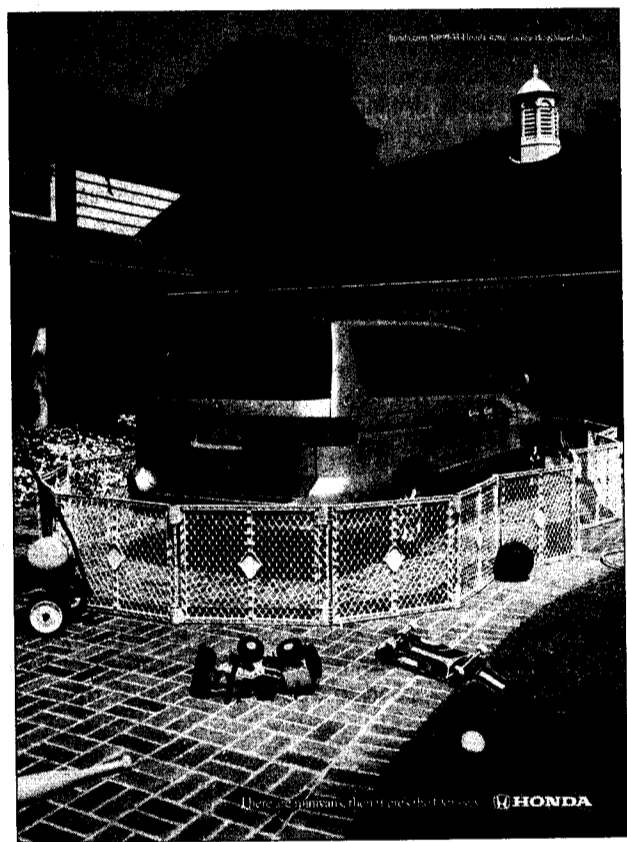
8. George J. Stigler, "The Economics of Information," *Journal of Political Economy* (June 1961), 213–220.

9. *Ibid.*, 220.

mation (Exhibit 4.3). What it does carry is said to be hollow ad-speak. Ads are rhetorical; there is no pure “information.” All information in an ad is biased, limited, and inherently deceptive.

Critics of advertising believe that ads should contain information on brands that relates to functional features and performance results. Advertisers argue in response that, in many instances, consumers are interested in more than a physical, tangible material good with performance features and purely functional value. The functional features of a brand may be secondary in importance to consumers in both the information search and the choice process and emotional factors play an important role in consumer’s choices (Exhibit 4.4). The advertisers’ point is that critics often dismiss or ignore the totality of brand benefits, including emotional, hedonic (pleasure-seeking), or aesthetic aspects. The relevant information being used by a buyer relates to criteria being used to judge the satisfaction potential of the product, and that satisfaction is quite often nonutilitarian or nonfunctional in nature. On the other hand, defenders of advertising often don’t really understand how limited this sort of “information” really is. As evidence, analysts note how often the truth about brands comes about only after regulatory or legal action. In truth, advertisers don’t have the best record.

With respect to the intrusive aspect of advertising, the argument is that advertising has become so widespread (in some critics’ view, ubiquitous) that consumers are starting to revolt. In the same Planetfeedback.com survey where respondents



#### EXHIBITS 4.3 AND 4.4

Critics of advertising complain that ads often carry little, if any, product information and would prefer that all advertising be rich in “information” like the Toyota ad in Exhibit 4.3. Is the Honda ad in Exhibit 4.4 devoid of “information”?

expressed their annoyance with pop-ups, the study found that over 95 percent of consumers considered themselves “angry” or “furious” over spam and pop-up ads.<sup>10</sup> Similarly, consumers are getting increasingly concerned and frustrated with brands working their way into entertainment programming. The so-called commerce-content crossover—product placement and the like—was rated as allowing advertising to become too pervasive by 72 percent of consumers surveyed.<sup>11</sup> Despite widespread consumer aggravation, it would seem that advertisers really aren’t paying much attention. On the one hand, consumers seem to be saying loud and clear that advertising is getting just too widespread and intruding on their lives and lifestyles. On the other hand, big advertisers like American Express are pushing to become more “relevant” to consumers than a mere 30-second advertising spot and to make their brands part of consumer lifestyles. So much so that the chief marketing officer at American Express said in a keynote speech to a large advertising audience, “We need to adapt to the new-landscape by thinking not in day-parts [referring to television advertising schedules] but to mindparts.”<sup>12</sup> We’ll let you decide what you think of that one.

## IBP

### Tackling Alcohol Abuse through Integrated Brand Promotion

Since 1982, when Anheuser-Busch launched its “Know When to Say When” ad campaign, the firm has spent over \$500 million on advertising and other programs to promote responsible drinking among adults who choose to drink. In November 1997, Anheuser-Busch celebrated the 15-year anniversary of this campaign by launching the Web site <http://www.beeresponsible.com> to continue the fight against alcohol abuse “one person at a time.”

Anheuser-Busch’s approach to fighting alcohol abuse is no different from its philosophy about selling beer: They want to be the best and they want to get results. The firm has been at the forefront of alcohol awareness and education initiatives since the early 1900s, when it ran a series of print ads reminding Americans to drink responsibly, with the slogan “Budweiser Means Moderation.” In 1982, with the launch of the now famous “Know When to Say When” campaign, Anheuser-Busch began a new era in its efforts to fight alcohol abuse and underage drinking by promoting personal responsibility.

Successful promotions to prevent drunk driving through the use of designated drivers and cab rides home began in 1984. The following year, Anheuser-Busch was the first in the alcohol beverage industry to bring responsible drinking messages to television. Their efforts have helped to make *designated driver* a household term and changed public attitudes about drinking and driving.

Anheuser-Busch’s strong opposition to underage drinking then led to the development in 1990 of the “Let’s Stop Underage Drinking Before It Starts” campaign. Ads in this campaign were focused on helping parents (who children say are the leading influence in their decision whether to drink) address this important issue with their children and are also designed to be used with students in schools.

In the fall of 1999, a new chapter in its awareness and education efforts began with the launch of its “We All Make a Difference” advertising campaign. “We All Make a Difference” reinforces the good practices of drinkers who exercise personal responsibility, designate a driver, or call a cab; salutes those parents who talk to their children about illegal underage drinking; and builds on the momentum of the positive downward trend in drunk driving fatalities and the decline in teen drinking.

Anheuser-Busch is a good example of a firm that has made a commitment to social responsibility and has used advertising and promotion in a consistent manner over many years to achieve a positive effect. This is IBP applied to a social issue rather than to promote the company’s brands.

Source: <http://www.beeresponsible.com>, accessed March 22, 2004.

**Advertising Improves the Standard of Living.** Whether advertising raises or lowers the general standard of living is hotly debated. Opinions vary widely on this issue and go right to the heart of whether advertising is a good use or a waste of energy and resources.

**Pro: Advertising Lowers the Cost of Products.** First, supporters argue that due to the economies of scale (it costs less to produce products in large quantities) produced by advertising, products cost less than if there were no advertising at all. As broad-

10. Jack Neff, “Spam Research Reveals Disgust with Pop-Up Ads,” *Advertising Age*, August 23, 2003, 1, 21.

11. Clair Atkinson, “Ad Intrusion Up, Say Consumers,” *Advertising Age*, January 6, 2003, 1, 19.

12. Hank Kim, “Just Risk It,” *Advertising Age*, February 9, 2004, 1, 51.



based demand stimulation results in lower production and administrative costs per unit produced, lower prices are passed on to consumers. Second, it is also argued that consumers have a greater variety of choice in products and services because advertising increases the probability of success that new products will succeed. Third, the pressures of competition and the desire to have fresh, marketable brands stimulates firms to produce improved products and brands. Fourth, the speed and reach of the advertising process aids in the diffusion of innovations. This means that new discoveries can be communicated to a large percentage of the marketplace very quickly. Innovations succeed when advertising communicates their benefits to the customer.

All four of these factors can contribute positively to the standard of living and quality of life in a society. Advertising may be instrumental in bringing about these effects because it serves an important role in demand stimulation and keeping customers informed.

**Con: Advertising Wastes Resources and Raises the Standard of Living Only for Some.** One of the traditional criticisms of advertising is that it represents an inefficient, wasteful process that channels monetary and human resources in a society to the “shuffling of existing total demand,” rather than to the expansion of total demand.<sup>13</sup> Advertising thus brings about economic stagnation and a *lower* standard of living, not a higher standard of living. Critics say that a society is no better off with advertising because it does not stimulate demand—it only shifts demand from one brand to another. Similarly, critics argue that brand differences are trivial and the proliferation of brands does not offer a greater variety of choice, but rather a meaningless waste of resources, with confusion and frustration for the consumer. Further, they argue that advertising is a tool of capitalism that just helps widen the gap between rich and poor, creating strife between social classes.

**Advertising Affects Happiness and General Well-Being.** Critics and supporters of advertising differ significantly in their views about how advertising affects consumers’ happiness and general well-being. As you will see, this is a complex issue with multiple pros and cons.

**Con: Advertising Creates Needs.** A common cry among critics is that advertising creates needs and makes people buy things they don’t really need or even want. The argument is that consumers are relatively easy to seduce into wanting the next shiny bauble offered by marketers. Critics would say, for example, that a quick examination of any issue of *Seventeen* magazine reveals a magazine intent on teaching the young women of the world to covet slim bodies and a glamorous complexion. Cosmetics giants like Estée Lauder and Revlon typically spend from 15 to 30 cents from every dollar of sales to promote their brands as the ultimate solution for those in search of the ideal complexion.

**Pro: Advertising Addresses a Wide Variety of Basic Human Needs.** A good place to start in discussing whether advertising can create needs or not is to consider the basic nature of human needs. Abraham Maslow, a pioneer in the study of human motivation (and someone you probably read about in your psych class), conceived that human behavior progresses through the following hierarchy of need states:<sup>14</sup>

- **Physiological needs:** Biological needs that require the satisfaction of hunger, thirst, and basic bodily functions.

13. Richard Caves, *American Industry: Structure, Conduct, Performance* (Englewood Cliffs, N.J.: Prentice-Hall, 1964), 102.

14. A. H. Maslow, *Motivation and Personality* (New York: Harper & Row, 1970).

- **Safety needs:** The need to provide shelter and protection for the body and to maintain a comfortable existence.
- **Love and belonging needs:** The need for affiliation and affection. A person will strive for both the giving and receiving of love.
- **Esteem needs:** The need for recognition, status, and prestige. In addition to the respect of others, there is a need and desire for self-respect.
- **Self-actualization needs:** This is the highest of all the need states and is achieved by only a small percentage of people, according to Maslow. The individual strives for maximum fulfillment of individual capabilities.

It must be clearly understood that Maslow was describing *basic* human needs and motivations, not consumer needs and motivations. But in the context of an affluent society, individuals will turn to goods and services to satisfy needs. Many products are said to directly address the requirements of one or more of these need states. Food and health care products, for example, relate to physiological needs (see Exhibit 4.5). Home security systems and smoke detectors help address safety needs. Many personal care products, such as the skin care system shown in Exhibit 4.6, promote feelings of self-esteem, confidence, glamour, and romance.

In the pursuit of esteem, many consumers buy products they perceive to have status and prestige: expensive jewelry, clothing, automobiles, and homes are exam-

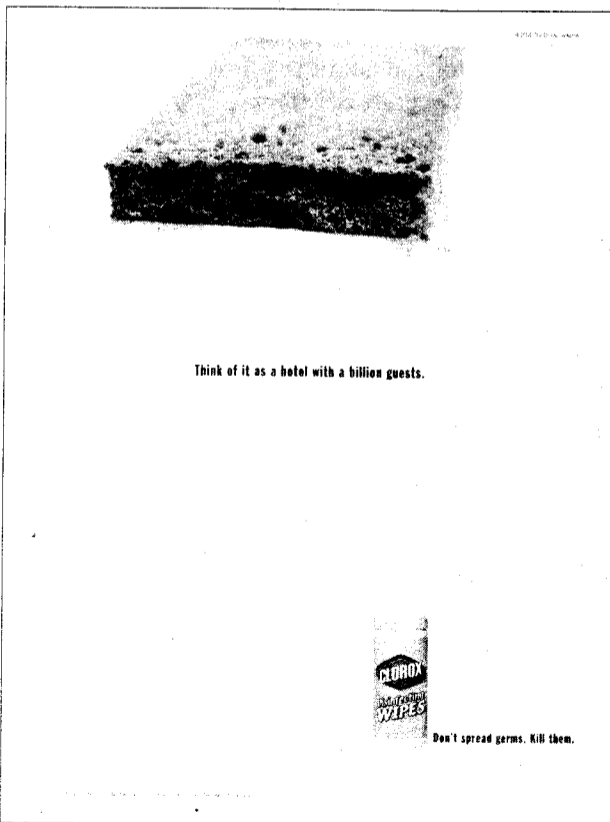


EXHIBIT 4.5

An ad like this appeals to our physiological needs (protecting our health) in Maslow's Hierarchy of Human Needs.

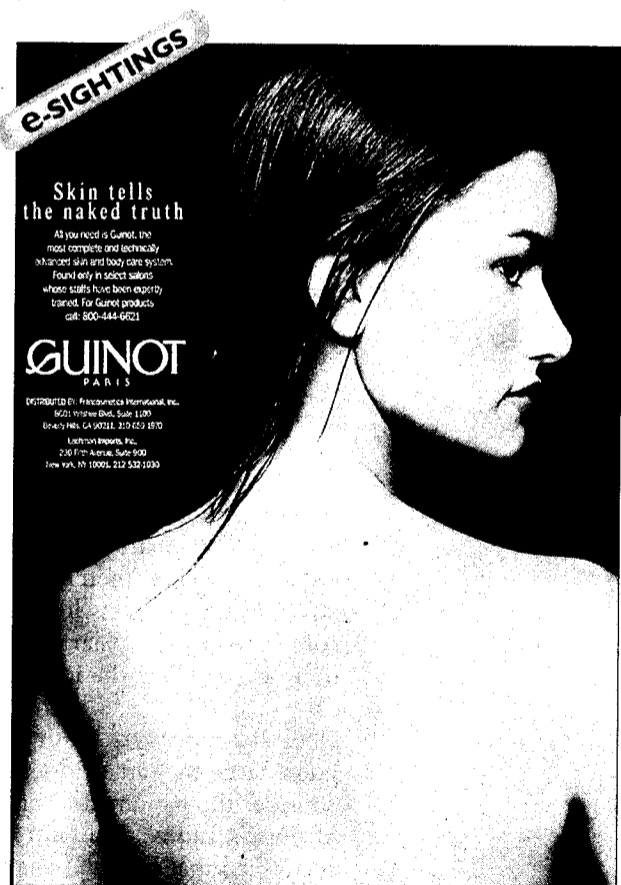


EXHIBIT 4.6

"All you need is Guinot." In what sense might a person need Guinot? Does the Guinot site (<http://www.guinot.com>) tie in to consumers' happiness and general well-being? Click around the site and identify message and design elements that target consumers' various need states.

ples. Though it may be difficult to buy self-actualization, educational pursuits and high-intensity leisure activities (e.g., extreme sports) can certainly foster the feelings of pride and accomplishment that contribute to self-actualization. Supporters maintain that advertising may be directed at many different forms of need fulfillment, but it is in no way powerful enough to create basic human needs.

**Con: Advertising Promotes Materialism.** It is also claimed that individuals' wants and aspirations may be distorted by advertising. The long-standing argument is that in societies characterized by heavy advertising, there is a tendency for conformity and status-seeking behavior, both of which are considered materialistic and superficial.<sup>15</sup> Material goods are placed ahead of spiritual and intellectual pursuits. Advertising, which portrays products as symbols of status, success, and happiness, contributes to the materialism and superficiality in a society. It creates wants and aspirations that are artificial and self-centered. This results in an overemphasis on the production of private goods, to the detriment of public goods (such as highways, parks, schools, and infrastructure).<sup>16</sup> It is also thought by some that long-term exposure to advertising will destroy your soul and blind you to what really matters in life.

**Pro: Advertising Only Reflects Society's Priorities.** Although advertising is undeniably in the business of promoting the good life, defenders of advertising argue that it did not create the American emphasis on materialism. For example, in the United States, major holidays such as Christmas (gifts), Thanksgiving (food), and Easter (candy and clothing) have become festivals of consumption. This is the American way. Historian and social observer Stephen Fox concludes his treatise on the history of American advertising as follows:

*One may build a compelling case that American culture is—beyond redemption—money-mad, hedonistic, superficial, rushing heedlessly down a railroad track called Progress. Tocqueville and other observers of the young republic described America in these terms in the early 1800s, decades before the development of national advertising. To blame advertising now for these most basic tendencies in American history is to miss the point. . . . The people who have created modern advertising are not hidden persuaders pushing our buttons in the service of some malevolent purpose. They are just producing an especially visible manifestation, good and bad, of the American way of life.<sup>17</sup>*

While we clearly live in the age of consumption, goods and possessions have been used by all cultures to mark special events, to play significant roles in rituals, and to serve as vessels of special meaning long before there was modern advertising. Still, have we taken it too far? Is excess what we do best in consumer cultures?

**Advertising: Demeaning and Deceitful, or Liberating and Artful?** Without a doubt, advertisers are always on the lookout for creative and novel ways to grab and hold the attention of their audience. Additionally, many times an advertiser has a particular profile of the target customer in mind when an ad is being created. Both of these fundamental propositions about how ads get developed can spark controversy.

**Con: Advertising Perpetuates Stereotypes.** Advertisers often portray people in advertisements that look like members of their target audience with the hope that people who see the ad will be more prone to relate to the ad and attend to its message. Critics charge that this practice yields a very negative effect—it perpetuates stereotypes. The portrayal of women, the elderly, and ethnic minorities is of particular

15. Vance Packard, *The Status Seekers* (New York: David McKay, 1959).

16. See, for example, George Katona, *The Mass Consumption Society* (New York: McGraw-Hill, 1964), 54–61; and John Kenneth Galbraith, *The Affluent Society* (Boston: Houghton Mifflin, 1958).

17. Stephen Fox, *The Mirror Makers: A History of American Advertising and Its Creators* (New York: William Morrow, 1984), 330.

concern. It is argued that women are still predominantly cast as homemakers or objects of desire (see Exhibit 4.7), despite the fact that women now hold top management positions and deftly head households. The elderly are often shown as helpless or ill, even though many active seniors enjoy a rich lifestyle. Critics contend that advertisers' propensity to feature African-American or Latin athletes in ads is simply a more contemporary form of stereotyping.

**Pro: Advertisers Are Showing Much More Sensitivity.** Much of this sort of stereotyping is becoming part of the past. Advertisements from prior generations do show a vivid stereotyping problem. But in today's setting, the ad in Exhibit 4.8 shows that women can be featured as strong and feminine in contemporary advertising. Advertisers are realizing that a diverse world requires diversity in the social reality that ads represent and help construct. However, many remain dissatisfied with the pace of change; the Body Shop ad in Exhibit 4.9, promoting something other than the body of a supermodel as a valid point of reference for women, is still the exception, not the rule.

**Con: Advertising Is Often Offensive.** A pervasive and long-standing criticism of advertising is that it is often offensive and the appeals are in poor taste. Moreover, some would say that the trend in American advertising is to be rude, crude, and sometimes lewd, as advertisers struggle to grab the attention of consumers who have learned to tune out the avalanche of advertising messages they are confronted with



EXHIBIT 4.7

What is the advertiser claiming in this ad? How about—a Versace gown is the ultimate in chic. <http://www.versace.com>



EXHIBIT 4.8

Advertisers today realize the diverse reality of consumers' lives. This Dove ad is a beautiful example of advertisers' efforts to represent diversity. <http://www.dovespa.com>

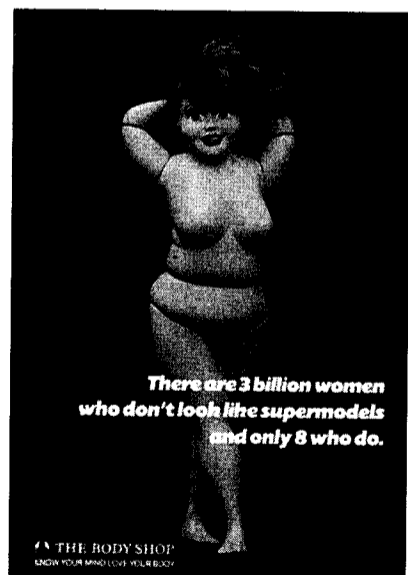


EXHIBIT 4.9

The Body Shop (<http://www.bodyshop.com>) is bucking trends by protesting the "supermodel" imagery often used in product advertising. While men's magazine sites, such as Playboy (<http://www.playboy.com>), triumphantly display airbrushed perfection and countless companies adorn everything from automobiles to breakfast cereal with the svelte and athletic, the Web is (currently) a rather low-fidelity medium for transmitting glossy photographs. Sex may sell, but simple, bold, and clever graphics may be as useful for "eye candy" as anything ever exhibited by Versace Couture.

SOME THOUGHTS ON...

## "LADIES AND GENTLEMEN... I'M HAVING MY PERIOD."

It's "tampon" season!

You know the feeling. It's when you're absolutely positive that everybody in the universe knows you're having your period. You feel different, you feel like you look different... and those pads aren't exactly what you'd call discreet. Ugh.

It's totally invisible. When you wear a Tampax tampon on the inside, you won't look any different on the outside. So you can wear the clothes you want to wear, and do all the stuff you want to do. There's no bunching or shifting like with pads and shields. So, all they'll see... is you. And, because a Tampax tampon is worn internally, there's no odor.

Once you insert a Tampax tampon properly, you won't feel anything. And if you use a tampon made especially for you, like Tampax Satin Touch:


you'll see how easy insertion can be. It's small, smooth and has a gently rounded tip. It's really comfortable, and you can flush it. Perfect.

How bigger isn't always better! Because nothing protects better than a little Tampax tampon. Not pads, not shields, nothing. Once inserted, a Tampax tampon expands three ways to contour to your inside shape. So you can relax and not obsess about embarrassing leaks. Discretion, protection and comfort all together, all at once. What's to think about? Just finding the Tampax tampon that's right for you.

For more thoughts on tampons and other stuff you might wanna know, jump to the Tampax website at <http://www.tampax.com>

TAMPAX SATIN TOUCH. YOUR COMFORTABLE CHOICE.

**TAMPAX**  
WOMEN KNOW.


**EXHIBIT 4.10**

Oddly, frank talk about real-life issues is not all that common in advertising. Do you know anyone who would be put off by such frankness? <http://www.tampax.com>

each day.<sup>18</sup> Of course, taste is just that, a personal and inherently subjective evaluation. What is offensive to one person is merely satiric to another. What should we call an ad prepared for the Australian market that shows the owner of an older Honda Accord admiring a newer model? The owner's admiration of the new car spurs the old version to lock its doors, rev its motor, and drive off a cliff—with the owner still inside. Critics decry the ad as trivializing suicide—an acute problem among young people, who are also the target market for this ad.<sup>19</sup>

But not all advertising deemed offensive has to be as extreme as these examples. Many times, advertisers get caught in a firestorm of controversy because certain, and sometimes relatively small, segments of the population are offended. The history of advertising is loaded with examples. The AIDS prevention campaign run by the Centers for Disease Control and Prevention (CDC), a highly respected government agency, has been criticized for being too explicit. A spokesperson for the Family Research Council said about the ads, "They're very offensive—I thought I was watching *NYPD Blue*." A highly popular ad seen as controversial by some was the "People Taking Diet Coke Break" ad (this ad was featured in Exhibit 1.14 in Chapter 1). In this television spot, a group of female office workers is shown eyeing a construction worker as he takes off his T-shirt and enjoys a Diet Coke. Coca-Cola was criticized for using reverse sexism in this ad. While Coca-Cola and the CDC may have ventured into delicate areas, consider these advertisers, who were caught completely by surprise in finding that their ads were deemed offensive.<sup>20</sup>

- In a public service spot developed by Aetna Life & Casualty insurance for a measles vaccine, a wicked witch with green skin and a wart was cause for a challenge to the firm's ad from a witches' rights group.
- A Nynex spot was criticized by animal-rights activists because it showed a rabbit colored with blue dye.
- A commercial for Black Flag bug spray had to be altered after a war veterans' group objected to the playing of "taps" over dead bugs.

It should be emphasized that most consumers probably did not find these ads particularly offensive. Perhaps the spirit of political correctness causes such scrutiny, or maybe consumers are so overwhelmed with ads that they have simply lost their tolerance. Or maybe some people just have too much time on their hands. And sometimes they correctly point to insensitivity on the part of advertisers. Whatever the explanation, marketers today are well advised to take care in broadly considering the tastefulness of their ads. Expect the unexpected. An unpretentious ad like that in Exhibit 4.10, featuring frank copy about mundane aspects of menstruation, could be expected to breach some consumers' sensibilities. However, the marketer in this case is willing to take the risk in the hopes that the frank approach will get attention and ring true with the target customer.

In the end, we have to consider whether advertising is offensive or whether society is merely pushing the limits of what is appropriate for freedom of speech and expression. The now infamous "costume malfunction" that plagued Janet Jackson

18. Stuart Elliott, "A New Pitch for US Ads: Lewd, Crude and Rude," *Herald International Tribune*, June 20, 1998, 1, 4.

19. Normandy Madden, "Honda Pulls Suicide Car Ad from Australian TV Market," *Advertising Age*, September 22, 2003, 3.

20. Kevin Goldman, "From Witches to Anorexics, Critical Eyes Scrutinize Ads for Political Correctness," *Wall Street Journal*, May 19, 1994, B1, B10.



EXHIBIT 4.11

Artist Andy Warhol demonstrated that the most accessible art was advertising. Intel (Blue Man Group) and Microsoft (butterflies) have both used art in their advertising. What message would Intel seek to convey about its Pentium brand by associating its processor with this innovative, critically acclaimed theater troupe (<http://www.blueman.com>)?

during a Super Bowl halftime show and incidents like shock radio DJs' profanity are drawing attention not just from fed-up consumers, but from the U.S. Congress as well.<sup>21</sup> And while Congress may move to provide a legal remedy to deter offensive broadcasts—advertising messages or programming—the fact is that what is acceptable and what is offensive changes over time in a culture.

**Pro: Advertising Is a Source of Fulfillment and Liberation.** On the other end of the spectrum, some argue that the consumption that advertising glorifies is actually quite good for society. Most people sincerely appreciate modern conveniences that liberate us from the more foul facets of everyday life, such as body odor, close contact with dirty diapers, and washing clothes by hand. Furthermore, this view holds that consumption is more likely to set one free than the slavish worship of an unpleasant, uncomfortable, and likely odoriferous—but natural—condition. Some observers remind us that when the Berlin Wall came down, those in East Germany did not immediately run to libraries and churches—they ran to department stores and shops. Before the modern consumer age, the consumption of many goods was restricted by social class. Modern advertising has helped bring us a “democracy” of goods. Observers argue that there is a liberating quality to advertising and consumption that should be appreciated and encouraged.

**Con: Advertisers Deceive via Subliminal Stimulation.** There is much controversy, and almost a complete lack of understanding, regarding the issue of subliminal (below the threshold of consciousness) communication and advertising. Since there is much confusion surrounding the issue of subliminal advertising, perhaps this is the most appropriate point to provide some clarification: No one ever sold anything by putting images of breasts in ice cubes or the word *sex* in the background of an ad. Furthermore, no one at an advertising agency, except the very bored or the very eager to retire, has time to sit around dreaming up such things (see the Controversy box). We realize it makes for a great story, but hiding pictures in other pictures doesn't work to get anyone to buy anything. Although there is some evidence for some types of unconscious ad processing, these effects are very short-lived and found only in laboratories, not the Svengali-type hocus-pocus that has become advertising mythology.<sup>22</sup> If the rumors are true that advertisers are actually using subliminal messages in their ads, the conclusion should be that they're wasting their money.<sup>23</sup> As of yet, there is no practical application of subliminal advertising.

**Pro: Advertising Is Democratic Art.** Some argue that one of the best aspects of advertising is its artistic nature. The pop art movement of the late 1950s and 1960s, particularly in London and New York, was characterized by a fascination with commercial culture. Some of this art critiqued consumer culture and simultaneously celebrated it. Above all, Andy Warhol (see Exhibit 4.11), himself a com-

21. Ann Oldenburg, “TV Indecency Draws Congress’ Icy Stare,” *USA Today*, February 12, 2004, D1.

22. Murphy, Monahan, and Zajonc, “Additivity of Nonconscious Affect: Combined Effects of Priming and Exposure,” *Journal of Personality and Social Psychology*, vol. 69 (1995), 589–602.

23. Timothy E. Moore, “Subliminal Advertising: What You See Is What You Get,” *Journal of Marketing*, vol. 46 (Spring 1982), 38–47; Timothy E. Moore, “The Case Against Subliminal Manipulation,” *Psychology and Marketing*, vol. 5, no. 4 (Winter 1988), 297–317.

mercial illustrator, demonstrated that art was for the people and that the most accessible art was advertising. Art was not restricted to museum walls; it was on Campbell's

soup cans, LifeSavers candy rolls, and Brillo pads. Advertising is anti-elitist, democratic art. As Warhol said about America, democracy, and Coke,

*What's great about this country is that America started the tradition where the richest consumers buy essentially the same things as the poorest. You can be watching TV and see Coca-Cola, and you can know that the President drinks Coke, Liz Taylor drinks Coke, and just think, you can drink Coke, too. A Coke is a Coke and no amount of money can get you a better Coke than the one the bum on the corner is drinking. All the Cokes are the same and all the Cokes are good. Liz Taylor knows it, the President knows it, the bum knows it, and you know it.<sup>24</sup>*

### Subliminal Advertising: A Really Bad Idea

Every few years, a story will surface claiming that an advertiser tried to sell a brand by putting subliminal (below the conscious threshold of awareness) messages or images in an ad. To set the record straight, subliminal advertising doesn't work—and you'll get in a lot of trouble if you try it.

This is how subliminal communication does work. Research has shown that people can, indeed, process information that is transmitted to them below the level of conscious awareness, that is, subliminally. What is not proven is that you can send a persuasive message subliminally. Ever since a crack-pot inserted the phrases "eat popcorn" and "drink Coca-Cola" in a movie back in the 1950s, the world has been terrified that unscrupulous marketers will use the technique to sell products. Well, you can rest easy. Subliminal advertising doesn't work, but it does make for some really interesting stories:

- French TV network M6 and its production house Expand got in hot water in 2001 with French regulators over the alleged insertion of 33 subliminal images of a Kodak disposable camera during the airing of an episode of a hit reality TV show called "Popstars."
- Russian TV network ATN was pulled off the air in 2000 when Russian officials discovered that the broadcaster had been inserting the message "sit and watch only ATN" into every 25th frame of its broadcasting during the summer of 2000. The station was off the air for nearly two years.
- During the 2000 presidential election campaigns in the United States, Democrats accused Republicans of using subliminal advertising in the so-called Rats ad, which attacked Democratic candidate Al Gore's prescription drug plan. The allegation charged that during the ads the word "bureaucrats" was reduced to the word "rats," visible for a split second.

Whether subliminal advertising works or not, it does provide some great entertainment. And as long as people are suspicious of advertising, claims will surface that subliminal advertising is being used on unsuspecting consumers.

Sources: Lawrence J. Speer, "Off in a Flash," *Ad Age Global*, February 2002, 6; Bob Garfield, "Subliminal Seduction and Other Urban Myths," *Advertising Age*, September 18, 2000, 41.

this sort of monetary support of the media, citizens have access to a variety of information and entertainment sources at low cost. Network television and radio broadcasts would not be free commodities, and newspapers and magazines would likely cost two to four times more in the absence of advertising support.

Others argue that advertising provides invaluable exposure to issues. When non-commercial users of advertising rely on the advertising process, members of society

### Advertising Has a Powerful Effect on the Mass Media.

One final issue that advertisers and their critics debate is the matter of advertising's influence on the mass media. Here again, we find a very wide range of viewpoints.

**Pro: Advertising Fosters a Diverse and Affordable Mass Media.** Advertising fans argue that advertising is the best thing that can happen to an informed democracy. Magazines, newspapers, and television and radio stations are supported by advertising expenditures. In 2003, advertising expenditures in the United States reached nearly \$270 billion.<sup>25</sup> Much of this spending went to support television, radio, magazines, and newspapers. If you include online advertising, the number approaches \$300 billion. With

24. Andy Warhol, *The Philosophy of Andy Warhol: From A to B and Back Again* (New York: Harcourt Brace Jovanovich, 1975), 101.

25. "100 Leading National Advertisers," *Advertising Age*, June 28, 2004, S1.

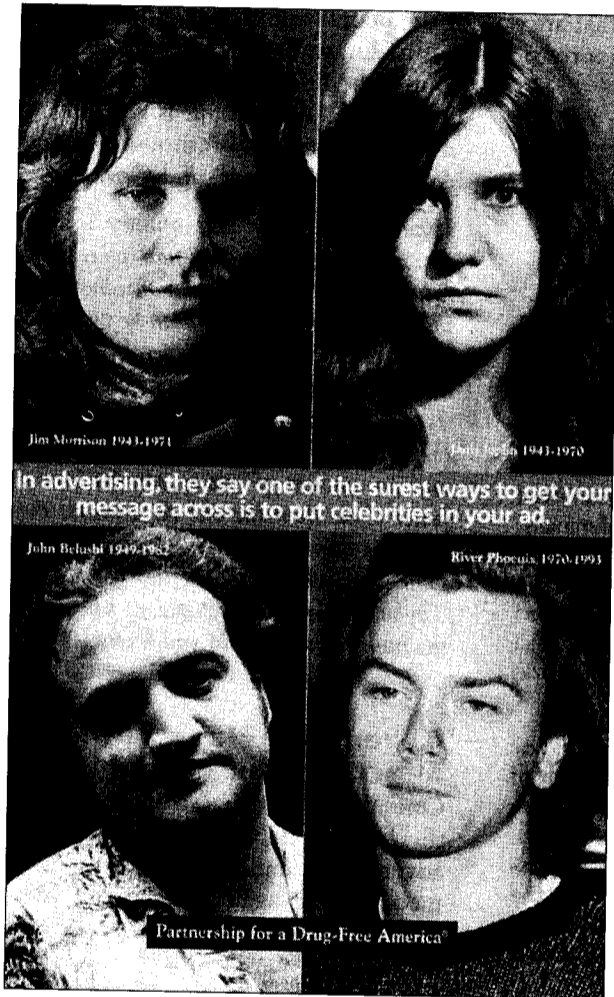


EXHIBIT 4.12

This ad both appeals to our fascination with celebrity and shocks the viewer with the realization that drug use can be fatal. At <http://www.drugfreeamerica.org>, the Partnership for a Drug-Free America hones its message that drug use is anything but glamorous.

receive information on important social and political issues. A dramatic example of the noncommercial use of advertising was the multimedia campaign launched in 1998 by the U.S. government, working in conjunction with the Partnership for a Drug-Free America.<sup>26</sup> At the campaign's launch in July 1998, President Clinton pledged to outspend major advertisers such as Nike and Sprint to remind the American public of the ruinous power of drugs such as heroin. Estimates at that time indicated that spending on the campaign over five years could approach \$1 billion. A stockpile of nearly 400 ads was available for use in this comprehensive campaign. Some, like the one shown in Exhibit 4.12, involved powerful messages about the ultimate consequence of drug abuse.

### Con: Advertising Affects Programming.

Critics argue that advertisers who place ads in media have an unhealthy effect on shaping the content of information contained in the media. For example, if a magazine that reviews and evaluates stereo equipment tests the equipment of one of its large advertisers, the contention is that the publication will hesitate to criticize the advertiser's equipment. This allegation would seem to be supported when you consider the decision by ESPN network to cancel a highly rated series about a fictional football team. The series was criticized by the commissioner of the NFL and owners of NFL teams because it occasionally featured story lines about drug and spousal abuse. While the show drew an audience for ESPN of nearly 1.65 million households, ESPN had to consider its \$600 million annual rights fee to broadcast NFL games.<sup>27</sup>

Another charge leveled at advertisers is that they purchase air time only on programs that draw large audiences. Critics argue that these mass market programs lower the quality of television because cultural and educational programs, which draw smaller and more selective markets, are dropped in favor of mass market programs. Additionally, television programmers have a difficult time attracting advertisers to shows that may be valuable, yet controversial. Programs that deal with abortion, sexual abuse, or AIDS may have trouble drawing advertisers who fear the consequences of any association with controversial issues.

## The Ethical Aspects of Advertising.

Many of the ethical aspects of advertising border on and interact with both the social and legal considerations of the advertising process. **Ethics** are moral standards and principles against which behavior is judged. Honesty, integrity, fairness, and sensitivity are all included in a broad definition of ethical behavior. Much of what is judged as ethical or unethical comes down to personal judgment. We will discuss the ethical aspects of advertising in three areas: truth in advertising, advertising to children, and advertising controversial products.

26. B. G. Gregg, "Tax Funds Bankroll New Anti-Drug Ads," *Cincinnati Enquirer*, July 10, 1998, A1, A17.

27. Rudy Martzke, "NFL's Ire with 'Playmakers' Causes ESPN to Pull the Plug," *USA Today*, February 4, 2004, C1.



**Truth in Advertising.** While truth in advertising is a key legal issue, it has ethical dimensions as well. The most fundamental ethical issue has to do with **deception**—making false or misleading statements in an advertisement. The difficulty regarding this issue, of course, is in determining just what is deceptive. A manufacturer who claims a laundry product can remove grass stains is exposed to legal sanctions if the product cannot perform the task. Another manufacturer who claims to have “The Best Laundry Detergent in the World,” however, is perfectly within its rights to employ superlatives. Just what constitutes “The Best” is a purely subjective determination; it cannot be proved or disproved. The use of absolute superlatives such as “Number One” or “Best in the World” is sometimes called **puffery** and is considered completely legal. The courts have long held that superlatives are understood by consumers as simply the standard language of advertising and are interpreted by consumers as such.

We also need to be aware that various promotional tools are often challenged as being deceptive. The “small print” that accompanies many contests or sweepstakes are often challenged by consumers. Similarly, the appeal of a “free” gift for listening to a pitch on a resort condo or time share often draws a harsh reaction from consumers. Now, a consumer watchdog group is challenging brand placements in television shows as deceptive. The group Commercial Alert argues that television networks are deceiving consumers by not disclosing that they are taking money for highlighting brands within shows like NBC’s “The Restaurant,” which features Coors beer and American Express credit cards.<sup>28</sup> This could cause a bit of conflict for government agencies that regulate television programming since another branch of the government, the U.S. Treasury, used product placement in TV quiz shows and late night talks shows to help introduce the new colorized \$20 bills in late 2003.

Another area of debate regarding truth in advertising relates to emotional appeals. It is likely impossible to legislate against emotional appeals such as those made about the beauty- or prestige-enhancing qualities of a brand, because these claims are unquantifiable (take another look at Exhibit 4.6). Since these types of appeals are legal, the ethics of such appeals fall into a gray area. Beauty and prestige, it is argued, are in the eye of the beholder, and such appeals are neither illegal nor unethical. Although there are some narrowly defined legal parameters for truth in advertising (as we will discuss shortly), the ethical issues are not as clear-cut.

**Advertising to Children.** The desire to restrict advertising aimed at children is based on a wide range of concerns, particularly since it is estimated that children between two and 11 years old may see over 20,000 advertisements in a year. One concern is that advertising promotes superficiality and values founded in material goods and consumption, as we discussed earlier in the broader context of society as a whole. Another is that children are inexperienced consumers and easy prey for the sophisticated persuasions of advertisers, and as such, advertising influences children’s demands for everything from toys to snack foods. These demands, in turn, create an environment of child-parent conflict. Parents find themselves having to say no over and over again to children whose desires are piqued by effective advertising. Most recently, child psychologists are contending that advertising advocates violence, is responsible for child obesity, creates a breakdown in early learning skills, and results in a destruction of parental authority.<sup>29</sup>

There is also concern that many programs aimed at children constitute program-length commercials. Many critics argue that programs featuring commercial products, especially products aimed at children, are simply long advertisements. This movement began in 1990 when critics argued that 70 programs airing at the time were based on commercial products such as He-Man, the Smurfs, and the

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

29. Richard Linnett, “Psychologists Protest Kids’ Ads,” *Advertising Age*, September 11, 2000, 4.

Muppets.<sup>30</sup> A similar charge was leveled at elaborate, hour-long television productions such as *Treasure Island: The Adventure Begins*, which features a young boy's vacation at the Las Vegas resort Treasure Island. Critics claim that programs such as this blur the boundary between programming and advertising: The *Treasure Island* program was produced by the owners of the Treasure Island resort, and the one-hour time slot was purchased from a major network, as advertising time, for an estimated \$1.7 million.<sup>31</sup> While the program looks like an adventure show, critics argue that it merely promotes the theme park and casino to kids, without ever revealing its sponsor. There have been several attempts by special-interest groups to strictly regulate this type of programming aimed at children, but, to date, the Federal Communications Commission permits such programming to continue.

One restriction on advertising to children that was successfully implemented came about due to the efforts of the special-interest group Action for Children's Television. The group disbanded in 1992, but before it did, it helped get the Children's Television Act passed in 1990. This regulation restricts advertising on children's programming to 10.5 minutes per hour on weekends and 12 minutes per hour on weekdays.<sup>32</sup>

Finally, the issue of advertising and promotion in schools has come about as public schools face declining government support and are cash strapped for needed resources like books and computer technology. One of the most active organizations involved in placing advertising in schools is Channel One. Channel One provides direct broadcasting of news shows and commercials to 12,000 middle, junior, and high schools reaching about 8 million students.<sup>33</sup>

A broad coalition of companies, organizations, and activists, ranging from Focus on the Family to Ralph Nader, have kicked off a campaign to stop Channel One from what they call exploiting school children for commercial gain. The coalition is asking all Channel One's advertisers to stop advertising on Channel One and asking the top 50 U.S. advertising agencies not to place ads on Channel One. Other promotions are also used in and around schools like advertising on the sides of school buses and on textbook covers.

**Advertising Controversial Products.** Some people question the wisdom of allowing the advertising of controversial goods and services, such as tobacco, alcoholic beverages, gambling and lotteries, and firearms.

Critics charge that tobacco and alcoholic beverage firms are targeting adolescents with advertising and with making dangerous and addictive products appealing.<sup>34</sup> This is, indeed, a complex issue. Many medical journals have published survey research that claims that advertising "caused" cigarette and alcohol consumption—particularly among teenagers.<sup>35</sup>

It is interesting to note, however, that these recent studies contradict research conducted since the 1950s carried out by marketing, communications, psychology, and economics researchers—including assessments of all the available research by the Federal Trade Commission.<sup>36</sup> These early studies (as well as several Gallup polls dur-

30. Patrick J. Sheridan, "FCC Sets Children's Ad Limits," *1990 Information Access Company*, vol. 119, no. 20 (1990), 33.

31. Laura Bird, "NBC Special Is One Long Prime-Time Ad," *Wall Street Journal*, January 21, 1994, B1, B4.

32. For more information on this act and other acts related to advertising and children go to the Federal Trade Commission Web site, <http://www.ftc.gov>.

33. Information obtained from Channel One at the company Web site, <http://www.channelone.com>, accessed March 14, 2004.

34. Kathleen Deveny, "Joe Camel Ads Reach Children, Research Finds," *Wall Street Journal*, December 11, 1991, B1, B6.

35. See, for example, Joseph R. DiFranza et al., "RJR Nabisco's Cartoon Camel Promotes Camel Cigarettes to Children," *Journal of the American Medical Association*, vol. 266, no. 22 (1991), 3168–3153.

36. For a summary of more than 60 articles that address the issue of alcohol and cigarette advertising and the lack of a relationship between advertising and cigarette and alcohol industry demand, see Mark Frankena et al., "Alcohol, Consumption, and Abuse," Bureau of Economics, Federal Trade Commission, March 5, 1985. For a similar listing of research articles where the same conclusions were drawn during Congressional hearings on the topic, see "Advertising of Tobacco Products," Hearings before the Subcommittee on Health and the Environment, Committee on Energy and Commerce, House of Representatives, Ninety-Ninth Congress, July 18 and August 1, 1986, Serial No. 99–167.

ing the 1990s) found that family, friends, and peers—not advertising—are the primary influence on the use of tobacco and alcohol products. Studies published in the late 1990s and early in this decade have reaffirmed the findings of this earlier research.<sup>37</sup> While children at a very early age can, indeed, recognize tobacco advertising characters like “Joe Camel,” they also recognize as easily the Energizer Bunny (batteries), the Jolly Green Giant (canned vegetables), and Snoopy (life insurance)—all characters associated with adult products. Kids are also aware that cigarettes cause disease and know that they are intended as an adult product. Research in Europe offers the same conclusion: “Every study on the subject [of advertising effects on the use of tobacco and alcohol] finds that children are more influenced by parents and playmates than by the mass media.”<sup>38</sup>

Why doesn’t advertising cause people to smoke and drink? The simple answer is that advertising just isn’t that powerful. Eight out of 10 new products fail and if advertising were so powerful, no new products would fail. The more detailed answer is that advertising cannot create primary demand in mature product categories. **Primary demand** is demand for an entire product category (recall the discussion from Chapter 1). With mature products—like milk, automobiles, toothpaste, cigarettes, and alcohol—advertising isn’t powerful enough to have that effect. Research across several decades has demonstrated repeatedly that advertising does not create primary demand for tobacco or alcohol.<sup>39</sup>

No one has ever said that smoking or drinking is good for you. (Except for maybe that glass of wine with dinner.) That’s not what we’re saying here, either. The point is that these behaviors emerge in a complex social context, and the vast weight of research evidence over 40 years suggests that advertising is not a significant causal influence on initiation behavior (e.g., smoking, drinking). Rather, advertising plays its most important role in consumers’ choice of brands (e.g., Camel, Coors) after they have decided to use a product category (e.g., cigarettes, beer).

Gambling and state-run lotteries represent another controversial product area with respect to advertising. What is the purpose of this advertising? Is it meant to inform gamblers and lottery players of the choices available? This would be selective demand stimulation. Or is such advertising designed to stimulate demand for engaging in wagering behavior? This would be primary demand stimulation. What about compulsive gamblers? What is the state’s obligation to protect “vulnerable” citizens by restricting the placement or content of lottery advertising? When these vulnerable audiences are discussed, questions as to the basis for this vulnerability can become complex and emotionally charged. Those on one side of the issue argue that special audiences are among the “information poor,” while those on the other side find such claims demeaning, patronizing, and paternalistic. And a new era of gaming is upon us with its own set of problems and controversies. Online gambling is widespread and providing a fast and easy way for people to lose their life savings. The most recent estimates put total online gaming revenues at \$4.2 billion with some sites boasting more than 300,000 active members.<sup>40</sup> Stories of out-of-control online gambling are

37. For examples of the more recent studies that reaffirm peers and family rather than advertising as the basis for smoking initiation see Charles R. Taylor and P. Greg Bonner, “Comment on ‘American Media and the Smoking-Related Behaviors of Asian Adolescents,’” *Journal of Advertising Research* (December 2003), 419–430; Bruce Simons Morton, “Peer and Parent Influences on Smoking and Drinking Among Early Adolescents,” *Journal of Health Education and Behavior* (February 2000); and Karen H. Smith and Mary Ann Stutz, “Factors that Influence Adolescents to Smoke,” *Journal of Consumer Affairs*, vol. 33, no. 2 (Winter 1999), 321–357.

38. With regard to cartoon characters see, for example, Lucy L. Henke, “Young Children’s Perceptions of Cigarette Brand Advertising: Awareness, Affect and Target Market Identification,” *Journal of Advertising*, vol. 24, no. 4 (Winter 1995), 13–27; and Richard Mizerski, “The Relationship between Cartoon Trade Character Recognition and Attitude toward the Product Category,” *Journal of Marketing*, vol. 59 (October 1995), 58–70. The evidence in Europe is provided by Jeffrey Goldstein, “Children and Advertising—the Research,” *Commercial Communications*, July 1998, 4–8.

39. For research on this topic across several decades, see Richard Schmalensee, *The Economics of Advertising* (Amsterdam-London: North-Holland, 1972); Mark S. Albion and Paul W. Farris, *The Advertising Controversy* (Boston: Auburn House, 1981); and Michael J. Waterson, “Advertising and Tobacco Consumption: An Analysis of the Two Major Aspects of the Debate,” *International Journal of Advertising*, 9 (1990), 59–72.

40. Ralph King, “On-line Gambling’s ‘Mr. Big,’” *Business 2.0*, April 2003, 87–91.


widespread.<sup>41</sup> And whose responsibility is it to control people's gambling behavior—the Internet portal or the individual who chooses to log on and give his or her credit card information?

The issue of advertising controversial products is complex. This is something we wrote for the previous edition of this text published in 2003:

*But consider this as you contemplate the role advertising plays in people's decisions regarding these types of products. Currently, one in three children in the United States is diagnosed as clinically obese.<sup>42</sup> Will parents of these kids begin to sue McDonald's, Coca-Cola, Kellogg's, and General Mills because they advertise food products to children? Think this is unbelievable? Think again.*

Now that's a little spooky! As you are now well aware, this is *exactly* what has happened. McDonald's and other food companies have had to prepare themselves for lawsuits where people are claiming food providers "made them fat." The food industry has countered with the proposition that kids are fat because of unconcerned parents, underfunded school systems that have dropped physical activity programs, and sedentary entertainment like home video games.<sup>43</sup> This issue is troublesome enough that the U.S. government has had to pass legislation barring people from suing food companies for their obesity. In March 2004, the U.S. House of Representatives overwhelmingly approved legislation nicknamed the "cheeseburger bill" that would block lawsuits blaming the food industry for making people fat. During the debate on the bill, one of the bill's sponsors said it was about "common sense and personal responsibility."<sup>44</sup> That certainly seems to make sense.

While we can group these ethical issues of advertising into some reasonable categories, it is not as easy to make definitive statements about the status of ethics in advertising. Ethics will always be a matter of personal values and personal interpretation. And as long as there are unethical people in the world, there will be ethics problems in advertising just like in every other phase of business and life.

 **The Regulatory Aspects of Advertising.** The term *regulation* immediately brings to mind government scrutiny and control of the advertising process. Indeed, various government bodies do regulate advertising. But consumers themselves and several different industry organizations exert as much regulatory power over advertising as government agencies. Three primary groups—consumers, industry organizations, and government bodies—regulate advertising in the truest sense: Together they shape and restrict the process. The government relies on legal restrictions, while consumers and industry groups use less-formal controls. Like the other topics in this chapter, regulation of advertising can be controversial, and opinions about what does and doesn't need to be regulated can be highly variable. Moreover, the topic of regulation could easily be an entire course of study in its own right, so here we present just an overview of major issues and major players.

First we'll consider the areas of regulation pursued most ardently, whether it be by the government, consumers, or industry groups. Then we'll examine the nature of the regulation and influence exerted by these groups.

**Areas of Advertising Regulation.** There are three basic areas of advertising regulation: deception and unfairness in advertising, competitive issues, and advertising to children. Each area is a focal point for regulation.

41. Ira Singer, et al., "The Underground Web," *BusinessWeek*, September 2, 2002, 67–74.

42. Pat Wingert et al., "Generation XXL," *Newsweek*, July 3, 2000, 40–47.

43. Mercedes M. Cardona, "Marketers Bite Back as Fat Fight Flares Up," *Advertising Age*, March 1, 2004, 3, 35.

44. Rep. Ric Keller (R-Florida), quoted in Joanne Kenen, "U.S. House Backs Ban on Obesity Lawsuits," Reuters, published on the Internet at [http://biz.yahoo.com/rc/040310/congress\\_obesity\\_3.html](http://biz.yahoo.com/rc/040310/congress_obesity_3.html) on March 10, 2004; accessed March 14, 2004.

**Deception and Unfairness.** Agreement is widespread that deception in advertising is unacceptable. The problem, of course, is that it is as difficult to determine what is deceptive from a regulatory standpoint as it is from an ethical standpoint. The Federal Trade Commission's (FTC's) policy statement on deception is the authoritative source when it comes to defining deceptive advertising. It specifies the following three elements as essential in declaring an ad deceptive:<sup>45</sup>

1. There must be a representation, omission, or practice that is likely to mislead the consumer.
2. This representation, omission, or practice must be judged from the perspective of a consumer acting reasonably in the circumstance.
3. The representation, omission, or practice must be a "material" one. The basic question is whether the act or the practice is likely to affect the consumer's conduct or decision with regard to the product or service. If so, the practice is material, and consumer injury is likely because consumers are likely to have chosen differently if not for the deception.

If this definition of deception sounds like carefully worded legal jargon, that's because it is. It is also a definition that can lead to diverse interpretations when it is actually applied to advertisements in real life. Fortunately, the FTC now provides highly practical advice for anticipating what can make an ad deceptive (go to <http://www.ftc.gov/bcp/guides/guides.htm> under the section "Frequently Asked Advertising Questions"). One critical point about the FTC's approach to deception is that both implied claims and information that is *missing* from an ad can be bases for deeming an ad deceptive. Obviously, the FTC expects any explicit claim made in an ad to be truthful, but it also is on the lookout for ads that deceive through allusion and innuendo or ads that deceive by not telling the whole story.

Many instances of deceptive advertising and packaging have resulted in formal government programs designed to regulate such practices. But as we discussed earlier, there can be complications in regulating puffery. Conventional wisdom has argued that consumers don't actually believe extreme claims and realize that advertisers are just trying to attract attention. There are those, however, who disagree with this view of puffery and feel that it actually represents "soft-core" deception, because some consumers may believe these exaggerated claims.<sup>46</sup>

While the FTC and the courts have been reasonably specific about what constitutes deception, the definition of unfairness in advertising has been left relatively vague until recently. In 1994, Congress ended a long-running dispute in the courts and in the advertising industry by approving legislation that defines **unfair advertising** as "acts or practices that cause or are likely to cause substantial injury to consumers, which is not reasonably avoidable by consumers themselves, and not outweighed by the countervailing benefits to consumers or competition."<sup>47</sup> This definition obligates the FTC to assess both the benefits and costs of advertising, and rules out reckless acts on the part of consumers, before a judgment can be rendered that an advertiser has been unfair.

**Competitive Issues.** Because the large dollar amounts spent on advertising may foster inequities that literally can destroy competition, several advertising practices relating to maintaining fair competition are regulated. Among these practices are cooperative advertising, comparison advertising, and the use of monopoly power.

45. For additional discussion of the FTC's definition of deception, see Gary T. Ford and John E. Calfee, "Recent Developments in FTC Policy on Deception," *Journal of Marketing*, vol. 50 (July 1986), 82-103.

46. Ivan Preston, *The Great American Blow Up* (Madison: University of Wisconsin Press, 1975), 4.

47. Christy Fisher, "How Congress Broke Unfair Ad Impasse," *Advertising Age*, August 22, 1994, 34. For additional discussion of the FTC's definition of unfairness, see Ivan Preston, "Unfairness Developments in FTC Advertising Cases," *Journal of Public Policy and Marketing*, vol. 14, no. 2 (1995), 318-321.



The advertising industry provides guidelines to advertisers to ensure that comparison ads, like this one, offer fair comparisons between brands. <http://www.ziploc.com>

nizations. The ad in Exhibit 4.13 is an example of straightforward and completely legal comparison advertising.

But in recent years, the frequency of use of comparison ads has resulted in a similarly large increase in complaints to the National Advertising Division of the Better Business Bureau from marketers who dispute the competitive comparative claims.<sup>48</sup> If an advertisement is carried out in such a way that the comparison is not a fair one, then there is an unfair competitive effect. The American Association of Advertising Agencies (4As) has issued a set of guidelines, shown in Exhibit 4.14, regarding the use of comparison ads. Further, the FTC may require a firm using comparison to substantiate claims made in an advertisement and prove that the claims do not tend to deceive.<sup>49</sup> A slightly different remedy is the use of a disclaimer to help consumers understand comparative product claims. That's what Duracell had to do when it claimed its "Coppertop" battery lasted longer than Energizer's heavy duty battery. While the claim was technically true, the Coppertop is an alkaline battery and was not being compared to Energizer's alkaline battery. Gillette, makers of Duracell, agreed to include a disclaimer in subsequent ads and then finally pulled the campaign altogether.<sup>50</sup>

Finally, some firms are so powerful in their use of advertising that **monopoly power** by virtue of their advertising spending can become a problem. This issue normally arises in the context of mergers and acquisitions. As an example, the U.S. Supreme Court blocked the acquisition of Clorox by Procter & Gamble because the advertising power of the two firms combined would (in the opinion of the Court) make it nearly impossible for another firm to compete.

**Vertical cooperative advertising** is an advertising technique whereby a manufacturer and dealer (either a wholesaler or retailer) share the expense of advertising. This technique is commonly used in regional or local markets where a manufacturer wants a brand to benefit from a special promotion run by local dealers. There is nothing illegal, per se, about the technique, and it is used regularly. The competitive threat inherent in the process, however, is that dealers (especially since the advent of first department store chains and now mega retailers like Wal-Mart, Target, and Home Depot) can be given bogus cooperative advertising allowances. These allowances require no effort or expenditure on the part of the dealer/retailer and thus represent hidden price concessions. As such, they are a form of unfair competition and are deemed illegal. If an advertising allowance is granted to a dealer, that dealer must demonstrate that the funds are applied specifically to advertising.

The potential exists for firms to engage in unfair competition if they use comparison ads inappropriately. **Comparison advertisements** are those in which an advertiser makes a comparison between the firm's brand and competitors' brands. The comparison may or may not explicitly identify the competition. Again, comparison ads are completely legal and are used frequently by all sorts of orga-

48. Jack Neff, "Household Brands Counter Punch," *Advertising Age*, November 1, 1999, 26.

49. Maxine Lans Retsky, "Lanham Have It: Law and Comparative Ads," *Marketing News*, November 8, 1999, 16.

50. Daniel Golden and Suzanne Vranica, "Duracell's Duck Will Carry Disclaimer," *Wall Street Journal*, February 7, 2002, B2.

*American Association of Advertising Agencies guidelines for comparison advertising.* <http://www.aaaa.org>

The Board of Directors of the American Association of Advertising Agencies recognizes that when used truthfully and fairly, comparative advertising provides the consumer with needed and useful information. However, extreme caution should be exercised. The use of comparative advertising, by its very nature, can distort facts and, by implication, convey to the consumer information that misrepresents the truth. Therefore, the Board believes that comparative advertising should follow certain guidelines:

1. The intent and connotation of the ad should be to inform and never to discredit or unfairly attack competitors.
2. When a competitive product is named, it should be one that exists in the marketplace as significant competition.
3. The competition should be fairly and properly identified, but never in a manner or tone of voice that degrades the competitive product or service.
4. The advertising should compare related or similar properties or ingredients of the product, dimension to dimension, feature to feature.
5. The identification should be for honest comparison purposes and not simply to upgrade by association.
6. If a competitive test is conducted, it should be done by an objective testing source, preferably an independent one, so that there will be no doubt as to the veracity of the test.
7. In all cases, the test should be supportive of all claims made in the advertising based on the test.
8. The advertising should never use partial results or stress insignificant differences to cause the consumer to draw an improper conclusion.
9. The property being compared should be significant in terms of value or usefulness of the product to the consumer.
10. Comparatives delivered through the use of testimonials should not imply that the testimonial is more than one individual's thought unless that individual represents a sample of the majority viewpoint.

Source: American Association of Advertising Agencies.

**Advertising to Children.** As we discussed in the area of ethics, critics argue that continually bombarding children with persuasive stimuli can alter their motivation and behavior. While government organizations such as the FTC have been active in trying to regulate advertising directed at children, industry and consumer groups have been more successful in securing restrictions. Recall that the consumer group known as Action for Children's Television (disbanded in 1992) was actively involved in getting Congress to approve the Children's Television Act (1990). This act limits the amount of commercial airtime during children's programs to 10.5 minutes on weekends and 12 minutes on weekdays. The Council of Better Business Bureaus established a Children's Advertising Review Unit and has issued a set of guidelines for advertising directed at children. These guidelines emphasize that advertisers should be sensitive to the level of knowledge and sophistication of children as decision makers. The guidelines also urge advertisers to make a constructive contribution to the social development of children by emphasizing positive social standards in advertising, such as friendship, kindness, honesty, and generosity. Similarly, the major television networks have set their own guidelines for advertising aimed at children. The guidelines restrict the use of celebrities, prohibit exhortative language (such as "Go ask Dad"), and restrict the use of animation to one-third of the total time of the commercial.

**Regulatory Agents.** Earlier in this section, it was noted that consumer and industry groups as well as government agencies all participate in the regulation of advertising. We will now

*Primary government agencies regulating advertising.*

Government Agency	Areas of Advertising Regulation
<b>Federal Trade Commission (FTC)</b>	Most widely empowered agency in government. Controls unfair methods of competition, regulates deceptive advertising, and has various programs for controlling the advertising process.
<b>Federal Communications Commission (FCC)</b>	Prohibits obscenity, fraud, and lotteries on radio and television. Ultimate power lies in the ability to deny or revoke broadcast licenses.
<b>Food and Drug Administration (FDA)</b>	Regulates the advertising of food, drug, cosmetic, and medical products. Can require special labeling for hazardous products such as household cleaners. Prohibits false labeling and packaging.
<b>Securities and Exchange Commission (SEC)</b>	Regulates the advertising of securities and the disclosure of information in annual reports.
<b>U.S. Postal Service (USPS)</b>	Responsible for regulating direct mail advertising and prohibiting lotteries, fraud, and misrepresentation. It can also regulate and impose fines for materials deemed to be obscene.
<b>Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF)</b>	Most direct influence has been on regulation of advertising for alcoholic beverages. This agency was responsible for putting warning labels on alcoholic beverage advertising and banning active athletes as celebrities in beer ads. It has the power to determine what constitutes misleading advertising in these product areas.

discuss examples of each of these agents along with the kinds of influence they exert. Given the multiple participants, this turns out to be a highly complex activity that we can only overview in this discussion. Additionally, our discussion focuses on regulatory activities in the United States, but advertising regulation can vary dramatically from country to country. Chapter 9, *Advertising Planning: An International Perspective*, provides additional insights on advertising regulation around the world, but we must caution that becoming an expert on the complex and dynamic topic of global ad regulation would literally require a lifetime of study.

**Government Regulation.** Governments have a powerful tool available for regulating advertising: the threat of legal action. In the United States, several different government agencies have been given the power and responsibility to regulate the advertising process. Exhibit 4.15 identifies the six agencies that have legal mandates concerning advertising and their areas of regulatory responsibility.

Several other agencies have minor powers in the regulation of advertising, such as the Civil Aeronautics Board (advertising by air carriers), the Patent Office (trademark infringement), and the Library of Congress (copyright protection). The agencies listed in Exhibit 4.15 are the most directly involved in advertising regulation. Most active among these agencies is the Federal Trade Commission, which has the



most power and is most directly involved in controlling the advertising process. The FTC has been granted legal power through legislative mandates and also has developed programs for regulating advertising.

**The FTC's Legislative Mandates.** The Federal Trade Commission was created by the FTC Act in 1914. The original purpose of the agency was to prohibit unfair methods of competition. In 1916, the FTC concluded that false advertising was one way in which a firm could take unfair advantage of another, and advertising was established as a primary concern of the agency.

It was not until 1938 that the effects of deceptive advertising on consumers became a key issue for the FTC. Until the passage of the Wheeler-Lea Amendment (1938), the commission was primarily concerned with the direct effect of advertising on competition. The amendment broadened the FTC's powers to include regulation of advertising that was misleading to the public (regardless of the effect on competition). Through this amendment, the agency could apply a cease-and-desist order, which required a firm to stop its deceptive practices. It also granted the agency specific jurisdiction over drug, medical device, cosmetic, and food advertising.

Several other acts provide the FTC with legal powers over advertising. The Robinson-Patman Act (1936) prohibits firms from providing phantom cooperative-advertising allowances as a way to court important dealers. The Wool Products Labeling Act (1939), the Fur Products Labeling Act (1951), and the Textile Fiber Products Identification Act (1958) provided the commission with regulatory power over labeling and advertising for specific products. Consumer protection legislation, which seeks to increase the ability of consumers to make more-informed product comparisons, includes the Fair Packaging and Labeling Act (1966), the Truth in Lending Act (1969), and the Fair Credit Reporting Act (1970). The FTC Improvement Act (1975) expanded the authority of the commission by giving it the power to issue trade regulation rules.

Recent legislation has expanded the FTC's role in monitoring and regulating product labeling and advertising. For example, the 1990 Nutrition Labeling and Education Act (NLEA) requires uniformity in the nutrition labeling of food products and establishes strict rules for claims about the nutritional attributes of food products. The standard "Nutrition Facts" label required by the NLEA now appears on everything from breakfast cereals to barbecue sauce. The NLEA is a notable piece of legislation from the standpoint that two government agencies—the FTC and the FDA—play key roles in its enforcement.

Of course, the Internet has spawned all sorts of scrutiny by the FTC. One area of particular scrutiny regarding children is privacy, which led to the Children's Online Privacy Act of 1998 in which the FTC states explicitly that

*It is unlawful for an operator of a website or online service directed to children, or any operator that has actual knowledge that it is collecting personal information from a child, to collect personal information from a child in a manner that violates the regulations prescribed under subsection (b).<sup>51</sup>*

Subsection (b) mandates that full disclosure of the Web site's information gathering (if any) must plainly appear on the Web site.

Regulations also provide the FTC and other agencies with various means of recourse when advertising practices are judged to be deceptive or misleading. The spirit of all these acts relates to the maintenance of an equitable competitive environment and the protection of consumers from misleading information. It is interesting to note, however, that direct involvement of the FTC in advertising practices more often comes about from its regulatory programs and remedies than from the application of legal mandates.

51. The full text and specifications of the Children's Online Privacy Act can be found at <http://www.ftc.gov/ogc/coppa1.htm>.

**The FTC's Regulatory Programs and Remedies.** The application of legislation has evolved as the FTC exercises its powers and expands its role as a regulatory agency. This evolution of the FTC has spawned several regulatory programs and remedies to help enforce legislative mandates in specific situations.

The **advertising substantiation program** of the FTC was initiated in 1971 with the intention of ensuring that advertisers make supporting evidence for their claims available to consumers. The program was strengthened in 1972 when the commission forwarded the notion of "reasonable basis" for the substantiation of advertising. This extension suggests not only that advertisers should substantiate their claims, but also that the substantiation should provide a reasonable basis for believing the claims are true.<sup>52</sup> Simply put, before a company runs an ad, it must have documented evidence that supports the claim it wants to make in that ad. The kind of evidence required depends on the kind of claim being made. For example, health and safety claims will require competent and reliable scientific evidence that has been examined and validated by experts in the field (go to <http://www.ftc.gov> for additional guidance).

The consent order and the cease-and-desist order are the most basic remedies used by the FTC in dealing with deceptive or unfair advertising. In a **consent order**, an advertiser accused of running deceptive or unfair advertising agrees to stop running the advertisements in question, without admitting guilt. For advertisers who do not comply voluntarily, the FTC can issue a **cease-and-desist order**, which generally requires that the advertising in question be stopped within 30 days so that a hearing can be held to determine whether the advertising is deceptive or unfair. For products that have a direct effect on consumers' health or safety (for example, foods), the FTC can issue an immediate cease-and-desist order.

Affirmative disclosure is another remedy available to the FTC. An advertisement that fails to disclose important material facts about a product can be deemed deceptive, and the FTC may require **affirmative disclosure**, whereby the important material absent from prior ads must be included in subsequent advertisements. The absence of important material information may cause consumers to make false assumptions about products in comparison to the competition.

The most extensive remedy for advertising determined to be misleading is **corrective advertising**.<sup>53</sup> In cases where evidence suggests that consumers have developed incorrect beliefs about a brand based on deceptive or unfair advertising, the firm may be required to run corrective ads in an attempt to dispel those faulty beliefs. The commission has specified not only the message content for corrective ads, but also the budgetary allocation, the duration of transmission, and the placement of the advertising. The goal of corrective advertising is to rectify erroneous beliefs created by deceptive advertising, but it hasn't always worked as intended. Corrective advertising has a long history ranging from Warner Lambert's Listerine mouthwash claims that it could "cure and prevent colds" (which it couldn't) to more recent ad campaigns that tout new flavors and other brand features.

Another area of FTC regulation and remedy involves **celebrity endorsements**. The FTC has specific rules for advertisements that use an expert or celebrity as a spokesperson for a product. In the case of experts (those whose experience or training allows a superior judgment of products), the endorser's actual qualifications must justify his or her status as an expert. In the case of celebrities (such as Tiger Woods as a spokesperson for Buick or Nike), FTC guidelines state that the celebrity must be an actual user of the product, or the ad is considered deceptive.

52. For a discussion of the FTC advertising substantiation program and its extension to require reasonable basis, see Debra L. Scammon and Richard J. Semenik, "The FTC's 'Reasonable Basis' for Substantiation of Advertising: Expanded Standards and Implications," *Journal of Advertising*, vol. 12, no. 1 (1983), 4-11.

53. A history of the corrective-advertising concept and several of its applications are provided by Debra L. Scammon and Richard J. Semenik, "Corrective Advertising: Evolution of the Legal Theory and Application of the Remedy," *Journal of Advertising*, vol. 11, no. 1 (1982), 10-20.

These regulatory programs and remedies provide the FTC a great deal of control over the advertising process. Numerous ads have been interpreted as questionable under the guidelines of these programs, and advertisements have been altered. It is likely also that advertisers and their agencies, who are keenly aware of the ramifications of violating FTC precepts, have developed ads with these constraints in mind.

Yet it is certainly fair to conclude that advertising regulation is a dynamic endeavor that will challenge regulators far into the future. Of course, the most notable new challenge that regulators around the world must learn to cope with is advertising on the Internet. For instance, while U.S. government agencies such as the FTC and FDA intend to extend their jurisdiction to the Internet, they clearly have a tiger by the tail.

**State Regulation.** State governments do not have extensive policing powers over the promotional activities of firms. Since the vast majority of companies are involved in interstate marketing of goods and services, any violation of fair practice or existing regulation is a federal government issue.

There is typically one state government organization, the attorney general's office, that is responsible for investigating questionable promotional practices. It was the attorneys general offices in Texas and New York that launched an investigation of claims made by Kraft that its Cheez Whiz spread used real cheese.<sup>54</sup> Similarly, it was the state attorney general's office in Texas that claimed a demonstration used by Volvo was misleading. In the ad, a monster truck with oversized tires was shown rolling over the roofs of a row of cars, crushing all of them except a Volvo. The problem was, the Volvo in the test had its roof reinforced while the other cars' roof supports had been weakened.<sup>55</sup>

Since the 1980s, the National Association of Attorneys General, whose members include the attorneys general from all 50 states, has been active as a group in monitoring advertising and sharing its findings. In 1988, attorneys general from 22 states challenged the safety of Honda's three-wheeled ATV, claiming that the vehicle posed an unreasonable risk of injury. Part of the challenge was that Honda advertising encouraged dangerous riding behavior.<sup>56</sup> Overall, states will rely on the vigilance of the federal agencies discussed earlier to monitor promotional practices and then act against firms with questionable activities.

Finally, in 1995, thirteen states passed prize notification laws regarding sweepstakes and contests. The new laws require marketers to make full disclosure of rules, odds, and retail value of prizes. The states were responding to what they felt was widespread fraud and deception. Some states aggressively prosecuted the sweepstakes companies in court.



**Industry Self-Regulation.** The promotion industry has come far in terms of self-control and restraint. Some of this improvement is due to tougher government regulation, and some to industry self-regulation. **Self-regulation** is the promotion industry's attempt to police itself. Supporters say it is a shining example of how unnecessary government intervention is, while critics point to it as a joke, an elaborate shell game. According to the critics, meaningful self-regulation occurs only when the threat of government action is imminent. How you see this controversy is largely dependent on your own personal experience and level of cynicism.

Several industry and trade associations and public service organizations have voluntarily established guidelines for promotion within their industries. The reasoning is that self-regulation is good for the promotion community as a whole and creates credibility for, and therefore enhances the effectiveness of, promotion itself. Exhibit

54. "Deceptive Ads: The FTC's Laissez-Faire Approach Is Backfiring," *BusinessWeek*, December 2, 1985, 130.

55. Steven W. Colford and Raymond Serafin, "Scali Pays for Volvo Ad: FTC," *Advertising Age*, August 26, 1991, 4.

56. Paul Harris, "Will the FTC Finally Wake Up?" *Sales and Marketing Management*, January 1988, 57.

*Selected business organizations and industry associations with advertising self-regulation programs*

Organization	Code Established
American Advertising Federation	1965
American Association of Advertising Agencies	1924
Association of National Advertisers	1972
Business/Professional Advertising Association	1975
<b>Council of Better Business Bureaus</b>	
Household furniture	1978
Automobiles and trucks	1978
Carpet and rugs	1978
Home improvement	1975
Charitable solicitations	1974
Children's Advertising Review Unit	1974
National Advertising Division/National Advertising Review Board	1971
American Business Press	1910
Direct Mail Marketing Association	1960
Direct Selling Association	1970
<b>National Association of Broadcasters</b>	
Radio	1937
Television	1952
Outdoor Advertising Association of America	1950
American Wine Association	1949
Wine Institute	1949
Distilled Spirits Association	1934
United States Brewers Association	1955
Pharmaceutical Manufacturers Association	1958
Proprietary Association	1934
Bank Marketing Association	1976
Motion Picture Association of America	1930
National Swimming Pool Institute	1970
Toy Manufacturers Association	1962

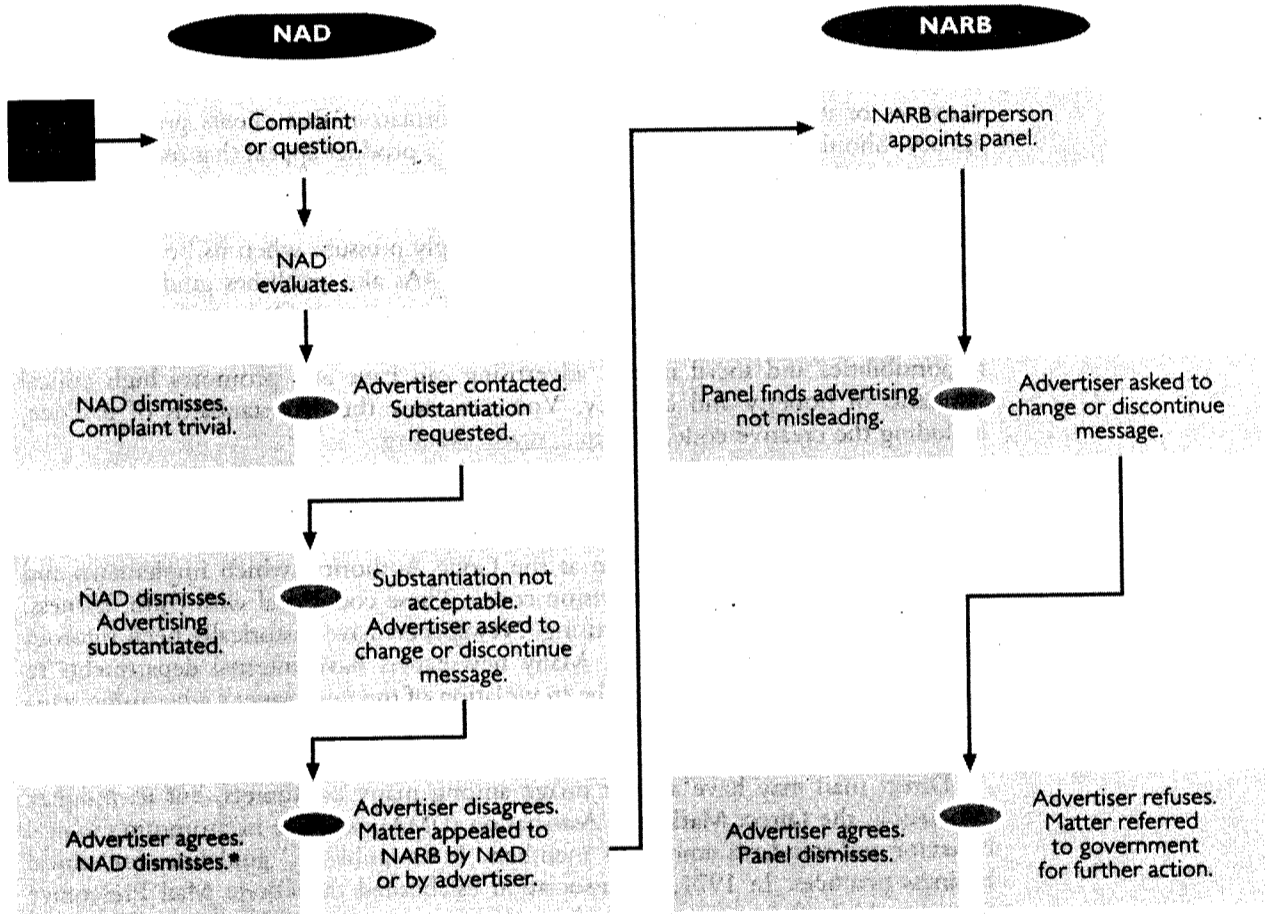
4.16 lists some organizations that have taken on the task of regulating and monitoring promotional activities, and the year when each established a code of standards.

The purpose of self-regulation by these organizations is to evaluate the content and quality of promotion specific to their industries. The effectiveness of such organizations depends on the cooperation of members and the policing mechanisms used.

Each organization exerts an influence on the nature of promotion in its industry. Some are particularly noteworthy in their activities and warrant further discussion.

**The National Advertising Review Board.** One important self-regulation organization is the National Advertising Review Board (NARB). The NARB is the operations arm of the National Advertising Division (NAD) of the Council of Better Business Bureaus. Complaints received from consumers, competitors, or local branches of the Better Business Bureau (BBB) are forwarded to the NAD. Most such complaints come from competitors. After a full review of the complaint, the issue may be forwarded to the NARB and evaluated by a panel. The complete procedure for dealing with complaints is detailed in Exhibit 4.17.

The NAD maintains a permanent professional staff that works to resolve complaints with the advertiser and its agency before the issue gets to the NARB. If no resolution is achieved, the complaint is appealed to the NARB, which appoints a panel made up of three advertiser representatives, one agency representative, and one public representative. This panel then holds hearings regarding the advertising in question. The advertiser is allowed to present the firm's case. If no agreement can be reached by the panel either to dismiss the case or to persuade the advertiser to change



\*If the complaint originated outside the system, the outside complainant can appeal at this point to the NARB chairperson for a panel adjudication. Granting of such an appeal is at the chairperson's discretion.

The NAD and NARB regulatory process.

the advertising, then the NARB initiates two actions. First, the NARB publicly identifies the advertiser, the complaint against the advertiser, and the panel's findings. Second, the case is forwarded to an appropriate government regulatory agency (usually the FTC).

The NAD and the NARB are not empowered to impose penalties on advertisers, but the threat of going before the board acts as a deterrent to deceptive and questionable advertising practices. Further, the regulatory process of the NAD and the NARB is probably less costly and time-consuming for all parties involved than if every complaint were handled by a government agency.

**State and Local Better Business Bureaus.** Aside from the national BBB, there are more than 140 separate local bureaus. Each local organization is supported by membership dues paid by area businesses. The three divisions of a local BBB—merchandise, financial, and solicitations—investigate the advertising and selling practices of firms in their areas. A local BBB has the power to forward a complaint to the NAD for evaluation.

Beyond its regulatory activities, the BBB tries to avert problems associated with advertising by counseling new businesses and providing information to advertisers and agencies regarding legislation, potential problem areas, and industry standards.

**Advertising Agencies and Associations.** It makes sense that advertising agencies and their industry associations would engage in self-regulation. An individual agency is legally responsible for the advertising it produces and is subject to reprisal for deceptive claims. The agency is in a difficult position in that it must monitor not only the activities of its own people, but also the information that clients provide to the agency. Should a client direct an agency to use a product appeal that turns out to be untruthful, the agency is still responsible.

The American Association of Advertising Agencies (4As) has no legal or binding power over its agency members, but it can apply pressure when its board feels that industry standards are not being upheld. The 4As also publishes guidelines for its members regarding various aspects of advertising messages. One of the most widely recognized industry standards is the 4As' Creative Code. The code outlines the responsibilities and social impact advertising can have and promotes high ethical standards of honesty and decency. You can view the 4As standards of practice, including the creative code, at <http://www.aaaa.org>.

**Media Organizations.** Individual media organizations evaluate the advertising they receive for broadcast and publication. The National Association of Broadcasters (NAB) has a policing arm known as the Code Authority, which implements and interprets separate radio and television codes. These codes deal with truth, fairness, and good taste in broadcast advertising. Newspapers have historically been rigorous in their screening of advertising. Many newspapers have internal departments to screen and censor ads believed to be in violation of the newspaper's advertising standards. While the magazine industry does not have a formal code, many individual publications have very high standards.

Direct mail may have a poor image among many consumers, but its industry association, the Direct Marketing Association (DMA), is active in promoting ethical behavior and standards among its members. It has published guidelines for ethical business practices. In 1971, the association established the Direct Mail Preference Service, which allows consumers to have their names removed from most direct mail lists.

A review of all aspects of industry self-regulation suggests not only that a variety of programs and organizations are designed to monitor advertising, but also that many of these programs are effective. Those whose livelihoods depend on advertis-

ing are just as interested as consumers and legislators in maintaining high standards. If advertising deteriorates into an unethical and untrustworthy business activity, the economic vitality of many organizations will be compromised. Self-regulation can help prevent such a circumstance and is in the best interest of all the organizations discussed here.

**Internet Self-Regulation.** Because there are few federal guidelines established for advertising and promotion on the Internet (with the exception of anti-spam legislation), the industry itself has been the governing body. So far, no industry-wide trade association has emerged to offer guidelines or standards. You will see later in this chapter that several special interest groups are questioning the ethics of some Internet promotional practices. And there are those who are skeptical that the industry can regulate itself.

A new group, the Global Business Dialog on Electronic Commerce (GBDe), is trying to establish itself as a trade association for the online industry. But while it counts some big companies among its 200 members—Time Warner, Daimler-Chrysler, Toshiba—not one of the Internet heavyweights, like Amazon.com or Yahoo!, have joined the ranks. The GBDe has drawn up a proposal for dealing with harmful content (pornography), protecting personal information, enforcing copyrights, and handling disputes in e-commerce. But the organization's efforts have not created great enthusiasm. Lester Thurow, the prominent public policy professor from MIT, said, "Self-regulation can play a role if you have real regulation that will come piling in if you don't do it."<sup>57</sup>

**Consumers as Regulatory Agents.** Consumers themselves are motivated to act as regulatory agents based on a variety of interests, including product safety, reasonable choice, and the right to information. Advertising tends to be a focus of consumer regulatory activities because of its conspicuousness. Consumerism and consumer organizations have provided the primary vehicles for consumer regulatory efforts.

**Consumerism,** the actions of individual consumers or groups of consumers designed to exert power in the marketplace, is by no means a recent phenomenon. The earliest consumerism efforts can be traced to 17th-century England. In the United States, there have been recurring consumer movements throughout the 20th century. *Adbusters* magazine and Web site is a recent example.

In general, these movements have focused on the same issue: Consumers want a greater voice in the whole process of product development, distribution, and information dissemination. Consumers commonly try to create pressures on firms by withholding patronage through boycotts. Some boycotts have been effective. Firms as powerful as Procter & Gamble, Kimberly-Clark, and General Mills all have historically responded to threats of boycotts by pulling advertising from programs consumers found offensive. Sparked by the Janet Jackson Super Bowl incident, advertisers themselves are threatening to withhold their advertising dollars unless they can be assured of decency in programming by producers and networks.<sup>58</sup>

**Consumer Organizations.** The other major consumer effort to bring about regulation is through established consumer organizations. The following are the most prominent consumer organizations and their prime activities:

- **Consumer Federation of America (CFA).** This organization, founded in 1968, now includes more than 200 national, state, and local consumer groups and labor


57. Neal Boudette, "Internet Self-Regulation Seen Lacking Punch," Reuters News Services, September 14, 1999, accessed via the Internet at [biz.yahoo.com/](http://biz.yahoo.com/) on September 14, 1999.

58. An Advertising Age Roundup, "Upstaged Advertisers Riled by Bowl Stunt," *Advertising Age*, February 9, 2004, 1.

unions as affiliate members. The goals of the CFA are to encourage the creation of consumer organizations, provide services to consumer groups, and act as a clearinghouse for information exchange between consumer groups (<http://www.consumerfed.org>).

- **Consumers Union.** This nonprofit consumer organization is best known for its publication of *Consumer Reports*. Established in 1936, Consumers Union has as its stated purpose “to provide consumers with information and advice on goods, services, health, and personal finance; and to initiate and cooperate with individual and group efforts to maintain and enhance the quality of life for consumers.”<sup>59</sup> This organization supports itself through the sale of publications and accepts no funding, including advertising revenues, from any commercial organization (<http://www.consumersunion.org>).
- **Consumer Alert.** Founded in 1977, Consumer Alert champions consumer causes through testimony and comments to legislative and regulatory bodies, legal action, issues management, and media outreach. In addition, the organization promotes the need for sound science and sound economic data in public policy decisions (<http://www.consumeralert.org>).
- **Commercial Alert.** Commercial Alert is headed by Ralph Nader, a historic figure in consumer rights and protection. The organization’s stated mission is to keep the commercial culture within its proper sphere and to prevent it from exploiting children and subverting the higher values of family, community, environmental integrity, and democracy (<http://www.commercialalert.org>).

These four consumer organizations are the most active and potent of the consumer groups, but there are hundreds of such groups organized by geographic location or product category. Consumers have proven that when faced with an organized effort, corporations can and will change their practices. In one of the most publicized events in recent times, consumers applied pressure to Coca-Cola and, in part, were responsible for forcing the firm to re-market the original formula of Coca-Cola (as Coca-Cola Classic). If consumers are able to exert such a powerful and nearly immediate influence on a firm such as Coca-Cola, one wonders what other changes they could effect in the market.

 **The Regulation of Other Promotional Tools.** As firms broaden the scope of the promotional effort beyond advertising, the regulatory constraints placed on other IBP tools become relevant. We will consider the current and emerging regulatory environment for direct marketing, e-commerce, sales promotion, and public relations.

**Regulatory Issues in Direct Marketing and E-Commerce.** The most pressing regulatory issue facing direct marketing and e-commerce was actually discussed at the outset of the chapter—database development and the privacy debate that accompanies the practice. But that discussion just scratched the surface. The real privacy issue has to do with the developing ability of firms to merge offline databases with the online Web search and shopping behavior of consumers.

**Privacy.** E-commerce privacy issues focus on a wide range, from database development (talked about earlier in this chapter) to **cookies**, those online tracking markers that advertisers place on a Web surfer’s hard drive to track that person’s online behavior. The current environment is annoying and feels like a huge invasion of privacy. But it is nothing compared to the emerging possibilities. Currently, cookies do not reveal a person’s name or address. But what is looming as a real possibility is the widespread use of offline databases that *do* include a consumer’s name, address,

59. This statement of purpose can be found inside the cover of any issue of *Consumer Reports*.



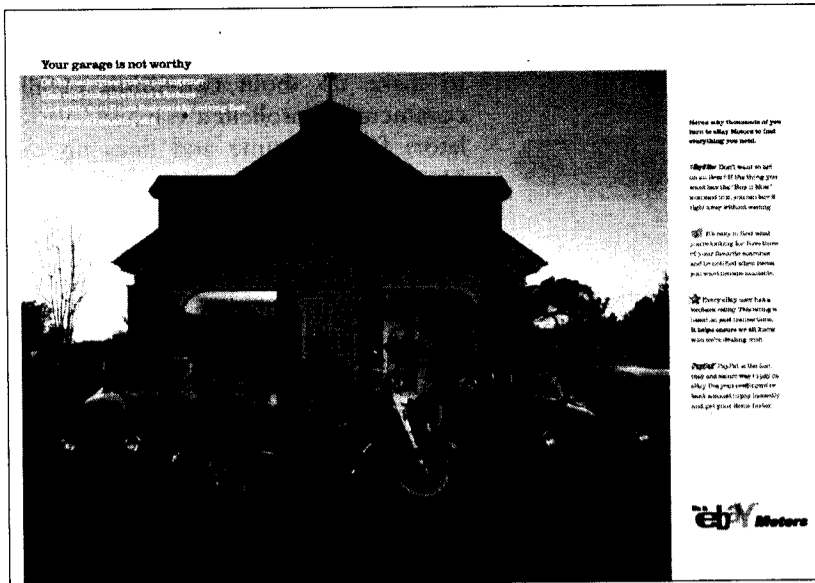


EXHIBIT 4.10

Web sites like eBay are very conscientious about protecting the privacy of their customers and have detailed privacy statements that explain their efforts. <http://pages.ebay.com/help/privacycentral2.html>

than 3.6 billion transactions by 90 million U.S. households. (By the way, there are only about 102 million households in the United States.) DoubleClick has signed up more than 275 online retailers who contribute detailed transaction, geographic, and demographic information to the database.<sup>61</sup> Sure feels like an invasion of privacy. Firms are searching for ways to guarantee to consumers that their privacy will be preserved (see Exhibit 4.18). In the meantime, the concern is great enough that Congress and the FTC are carefully scrutinizing mergers of firms that would create such comprehensive online and offline databases and privacy advocates are trying to alert people to the invasion.<sup>62</sup> We have to realize, though, that while this tracking of behavior seems pretty scary, many people don't really seem to care. A recent survey of Web surfers asked if they read a site's privacy policy before making a purchase—only 6 percent responded that they always do, and 77 percent said they rarely or never do. The story in the IBP box certainly supports those results.

**Spam.** Few of us would argue with the allegation that **spam**, unsolicited commercial messages sent through the e-mail system, is the scourge of the Internet. To put spam into perspective, it is estimated that 10.4 million spam e-mails are sent every minute worldwide—that comes out to about 15 billion messages a day.<sup>63</sup> Spam can be so bad it has actually shut down a company's entire operations. To cope with the onslaught, individuals and companies are turning to spam filtering software to stem flow and take back control of their e-mail systems. The rise in spam has prompted Internet services providers to form a coalition against spammers. In the spring of 2003, Yahoo!, AOL, and MSN announced a joint anti-spam offensive relying on technological and legal remedies. About that same time, the FTC convened a brainstorming session to determine what, if anything, could be done legally.<sup>64</sup> Then in October of 2003, the U.S. Senate voted unanimously 97–0 to implement the CAN SPAM Act. The Senate followed in November of 2003 with its support, voting

phone number, credit card numbers, medical records, credit records, and Social Security number that are merged with online tracking data from Web browsing behavior.<sup>60</sup> With this combination of data, the following could easily happen: You are browsing a Web page on mutual funds and seconds later, you get a phone call from a telemarketer trying to sell you financial services!

This scenario may not be too far in the future, and the data/browsing merge has already occurred. The merger of DoubleClick with Abacus Direct created a database that contains transactional data from 1,700 cataloguers, retailers, and publishers—data that chronicles more

60. Marcia Stepanek, "Protecting E-Privacy: Washington Must Step In," *Business Week E.Biz*, July 26, 1999, EB30; Michael Krauss, "Get a Handle on the Privacy Wild Card," *Marketing News*, February 28, 2000, 12.

61. G. Beato, "Big Data's Big Business," *Business 2.0*, February 2001, 62.

62. Jennifer Gilbert and Ira Teinowitz, "Privacy Debate Continues to Rage," *Advertising Age*, February 7, 2000, 44; Ann Harrison, "Privacy? Who Cares," *Business 2.0*, June 12, 2001, 48–49.

63. Stephen Baker, "The Taming of the Internet," *BusinessWeek*, December 15, 2003, 78–82.

64. Lorraine Woellert et al., "Slamming Spam," *BusinessWeek*, May 12, 2003, 40.

392–5 in favor of the legislation. The act does not outlaw all unsolicited e-mail, but rather targets fraudulent, deceptive, and pornographic messages, which is estimated to make up about two-thirds of all commercial unsolicited e-mail.<sup>65</sup> Violators face jail time and fines up to \$1 million.

Spammers are not taking the legislation lying down, as you might expect. They are challenging the legislation on legal grounds, claiming that it violates First Amendment free speech rights. And they are doing what they do best—slamming their opponents with a barrage of e-mails.<sup>66</sup> The concern of course is that legitimate marketers and advertisers who could use e-mail in a reasonable way will be caught in this legislation.

**Contests and Sweepstakes.** While privacy and spam are huge direct marketing and e-commerce issues, they are not the only ones. The next biggest legal issue has to do with sweepstakes and contests. Because of the success and widespread use of sweepstakes in direct marketing (such as the Publishers Clearing House sweepstakes), Congress has imposed limits on such promotions. The limits on direct mail sweepstakes include the requirement that the phrases “No purchase is necessary to win” and “A purchase will not improve an individual’s chance of winning” must be repeated three times in letters to consumers and again on the entry form. In addition, penalties can be imposed on marketers who do not promptly remove consumers’ names from mailing lists at the consumer’s request.<sup>67</sup>

The online version of sweepstakes and contests also has the attention of

the U.S. Congress. Sweepstakes, like the ones promoted at LuckySurf.com (shown in Exhibit 4.19), play a lot like traditional sweepstakes, lotteries, games, or contests. At the LuckySurf site, you merely need to register (providing name, home address, e-mail address, and password), pick seven numbers, then click on one of four banner ads to activate your entry in a \$1 million a day drawing. So far, these online games have avoided both lawsuits and regulation, but they have attracted the attention of policymakers.<sup>68</sup>

65. “Senate Approves Antispam Bill,” Reuters News, reported on the Internet on October 22, 2003 at <http://news.reuters.com>.

66. Stephen Baker, “The Taming of the Internet,” op. cit., 82.

67. Ira Teinowitz, “Congress Nears Accord on Sweepstakes Limits,” *Advertising Age*, August 9, 1999, 33.

68. James Heckman, “Online, but Not on Trial, though Privacy Looms Large,” *Marketing News*, December 6, 1999, 8.

## Privacy? What Privacy?

What does it take to get 200 college students to surrender their e-mail addresses and other personal information to a company in a single day? Would you guess \$50 each? \$100 each? Maybe even \$200 each? How about some mouse pads and T-shirts? That’s all it took for Kangaroo.net (now Entopia) to get a couple of college kids to sign up 200 other college kids for a Web-based research effort for its client The Magma Group, a youth marketing firm in Brighton, Massachusetts.

Despite all the hoopla and hand-wringing over the threat of privacy invasions that new technology may be bringing, over 46 percent of online shoppers never read a site’s privacy statement and another 31 percent rarely read it. Only 6 percent of online shoppers say they always read the privacy policy of the merchants with whom they do business. If privacy were such a big deal, you would expect a lot more people to act a lot more carefully to protect their privacy.

With this little protest, you can be sure that firms will proceed posthaste with creating large and comprehensive databases—especially databases containing information on young adults in the United States. In 2004, U.S. teens spent over \$200 billion on everything from clothes to cell phones to movie tickets. In addition, college students spent another nearly \$100 billion on products from books to food and clothing to cell phones. But that’s not the really good news. The really good news is that this “peer to peer” marketing, as it is called, costs peanuts. Peer programs, where kids sign up other kids, cost from \$25,000 at the low end to \$300,000 at the very top end—not a lot of money in today’s world of marketing and advertising.

What may be driving this willing invasion of privacy, though, is the fact that there is usually something in it for the “invadee.” In the simplest terms, one of Kangaroo.com’s willing participants put it this way: “I don’t have to give them any money, I get a free T-shirt, and if I am interested in the product, I’ll get an e-mail about it and find out more.” Well, there you have it—direct and personal, and not that big a deal for some people.

Sources: Alissa Quart, “Ol’ College Pry,” *Business 2.0*, April 3, 2001, 68; *Business 2.0.com* Snapshot, *Business 2.0*, January 23, 2001, 17.

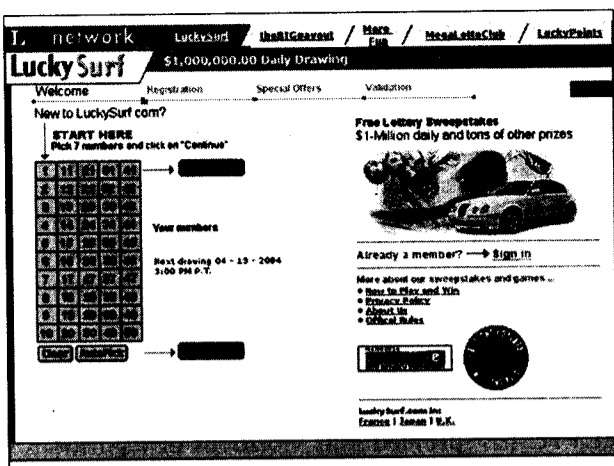


EXHIBIT 4.19

Online contests and sweepstakes are being monitored by government regulatory agents. <http://www.luckysurf.com>

At the center of new regulation restricting telemarketing is the "Do Not Call Law," which allows consumers to sign up for a Do Not Call Registry (see Exhibit 4.20) (<http://www.donotcall.gov>). The Federal Trade Commission, the Federal Communications Commission, and states started to enforce the registry on October 1, 2003. The program exempts political and charitable fund-raisers as well as pollsters. When the program was launched, about 60 million phone numbers were registered by consumers as "do not call" numbers.<sup>69</sup>

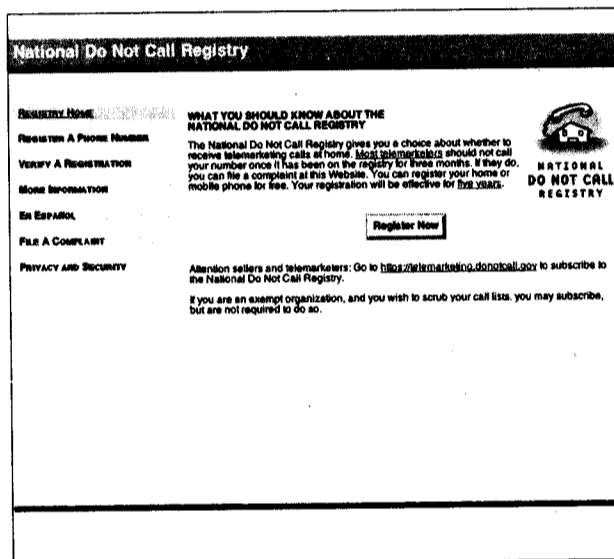


EXHIBIT 4.20

The Federal Trade Commission, the Federal Communications Commission, and states started to enforce the Do Not Call Registry on October 1, 2003. Registering your phone number(s) with the registry blocks a wide variety of telemarketers from calling you with a sales pitch. <http://www.donotcall.gov>

**Regulatory Issues in Sales Promotion.** Regulatory issues in sales promotion focus on three areas: premium offers, trade allowances, and contests and sweepstakes.

**Premium Offers.** With respect to **premiums** (an item offered for "free" or at a greatly reduced price with the purchase of another item), the main area of regulation

**Telemarketing.** Another legal issue in direct marketing that has hit the headlines in recent years has to do with telemarketing practices. The first restriction on telemarketing was the Telephone Consumer Fraud and Abuse Prevention Act of 1994 (later strengthened by the FTC in 1995) which requires telemarketers to state their name, the purpose of the call, and the company they work for. The guidelines in the act prohibit telemarketers from calling before 8 AM and after 9 PM, and they cannot call the same customer more than once every three months. In addition, they cannot use automatic dialing machines that contain recorded messages, and they must keep a list of consumers who do not want to be called.

That original telemarketing law was benign compared to recent legislation aimed at telemar-

eters. There is much at stake in this regulation, and firms dependent on telemarketing for their main promotional communication are not taking this legislation lightly. Estimates put telemarketing revenues at \$700 billion annually, and this sort of legislation will be a huge compromise in telemarketers' processes.<sup>70</sup> Telemarketers are challenging the legislation as a compromise of their First Amendment rights to free speech. And the legislation does not stop all calls. Those with rights to keep calling include<sup>71</sup>

- Charities, politicians, pollsters, and market researchers
- Companies you do business with
- Companies that have sold you something or delivered something to you within the previous 18 months
- Businesses you've contacted in the past three months
- Companies that obtain your permission to call you

69. Ira Teinowitz, "FCC Extends Do-Not-Call List," *Advertising Age*, June 30, 2003, 3.

70. Ibid.

71. Lorraine Woellert, "The Do-Not-Call Law Won't Stop the Calls," *BusinessWeek*, September 29, 2003, 89.

has do with requiring marketers to state the fair retail value of the item offered as a premium.

**Trade Allowances.** In the area of trade allowances, marketers need to be familiar with the guidelines set forth in the Robinson-Patman Act of 1936. Even though this is an old piece of legislation, it still applies to contemporary trade promotion practices. The guidelines of the Robinson-Patman Act require marketers to offer similar customers similar prices on similar merchandise. This means that a marketer cannot use special allowances as a way to discount the price to highly attractive customers. This issue was raised earlier in the context of vertical cooperative advertising.

**Contests and Sweepstakes.** In the area of sweepstakes and contests, the issues discussed in the previous section under direct marketing and e-commerce apply, but there are other issues as well. The FTC has specified four violations of regulations that marketers must avoid in carrying out sweepstakes and contests:

- Misrepresentations about the value (for example, stating an inflated retail price) of the prizes being offered
- Failure to provide complete disclosure about the conditions necessary to win (are there behaviors required on the part of the contestant?)
- Failure to disclose the conditions necessary to obtain a prize (are there behaviors required of the contestant after the contestant is designated a “winner”?)
- Failure to ensure that a contest or sweepstakes is not classified as a lottery, which is considered gambling—a contest or sweepstakes is a lottery if a prize is offered based on chance and the contestant has to give up something of value in order to play

**Product/Brand Placement.** The area of sales promotion to receive attention most recently in the regulatory arena is brand/product placement in television programs and films. As discussed earlier, consumer groups feel that unless television networks and film producers reveal that brands are placed into a program or film for a fee, consumers could be deceived into believing that the product use is natural and real. The industry counterclaim is, “There is a paranoia about our business that shouldn’t be there. We don’t control the storyline, or the brands that are included. The writers and producers do.”<sup>72</sup>

**Regulatory Issues in Public Relations.** Public relations is not bound by the same sorts of laws as other elements of the promotional mix. Because public relations activities deal with public press and public figures, much of the regulation relates to these issues. The public relations activities of a firm may place it on either side of legal issues with respect to privacy, copyright infringement, or defamation through slander and libel.

**Privacy.** The privacy problems facing a public relations firm center on the issue of appropriation. **Appropriation** is the use of pictures or images owned by someone else without permission. If a firm uses a model’s photo or a photographer’s work in an advertisement or company brochure without permission, then the work has been appropriated without the owner’s permission. The same is true of public relations materials prepared for release to the press or as part of a company’s public relations kit.

**Copyright Infringement.** Copyright infringement can occur when a public relations effort uses written, recorded, or photographic material in public relations materials. Much as with appropriation, written permission must be obtained to use such works.

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

**Defamation.** When a communication occurs that damages the reputation of an individual because the information in the communication was untrue, this is called **defamation** (you may have heard it referred to as “defamation of character”). Defamation can occur either through slander or libel. **Slander** is oral defamation and in the context of promotion would occur during television or radio broadcast of an event involving a company and its employees. **Libel** is defamation that occurs in print and would relate to magazine, newspaper, direct mail, or Internet reports.

The public relations practitioner’s job is to protect clients from slanderous or libelous reports about a company’s activities. Inflammatory TV “investigative” news programs are often sued for slander and libel and are challenged to prove the allegations they make about a company and personnel working for a company. The issues revolve around whether negative comments can be fully substantiated.<sup>73</sup> Erroneous reports in major magazines and newspapers about a firm can result in a defamation lawsuit as well. Less frequently, public relations experts need to defend a client accused of making defamatory remarks.

73. One of the most widely publicized lawsuits of this time involved Philip Morris’s \$10 billion libel suit against ABC’s news program *DayOne*. For a summary of this suit, see Steve Weinberg, “ABC, Philip Morris and the Infamous Apology,” *Columbia Journalism Review*, November/December 1995, available at <http://www.cjr.org>, accessed December 7, 1999.

## SUMMARY

- Identify the benefits and problems of advertising and promotion in a capitalistic society and debate a variety of issues concerning their effects on society's well-being.

Advertisers have always been followed by proponents and critics. Proponents of advertising argue that it offers benefits for individual consumers and society at large. At the societal level, proponents claim, advertising helps promote a higher standard of living by allowing marketers to reap the rewards of product improvements and innovation. Advertising also “pays for” mass media in many countries and provides consumers with a constant flow of information not only about products and services, but also about political and social issues.

Over the years critics have leveled many charges at advertising and advertising practitioners. Advertising expenditures in the multibillions are condemned as wasteful, offensive, and a source of frustration for many in society who see the lavish lifestyle portrayed in advertising, knowing they will never be able to afford such a lifestyle. Critics also contend that advertisements rarely furnish useful information but instead perpetuate superficial stereotypes of many cultural subgroups. For many years, some critics have been concerned that advertisers are controlling us against our will with subliminal advertising messages.

- Explain how ethical considerations affect the development of advertising and IBP campaigns.

Ethical considerations are a concern when creating advertising, especially when that advertising will be targeted to children or will involve controversial products such as firearms, gambling, alcohol, or cigarettes. While ethical standards are a matter for personal reflection, it certainly is the case that unethical people can create unethical advertising. But there are also many safeguards against such behavior, including the corporate and personal integrity of advertisers.

- Discuss the role of government agencies in the regulation of advertising and promotion.

Governments typically are involved in the regulation of advertising. It is important to recognize that advertising regulations can vary dramatically from one country to the next. In the United States, the Federal Trade Commis-

sion (FTC) has been especially active in trying to deter deception and unfairness in advertising. The FTC was established in 1914, and since then a variety of legislation has been passed to clarify its powers. The FTC has also developed regulatory remedies that have expanded its involvement in advertising regulation, such as the advertising substantiation program.

- Explain the meaning and importance of self-regulation for firms that develop and use advertising and promotion.

Some of the most important controls on advertising are voluntary; that is, they are a matter of self-regulation by advertising and marketing professionals. For example, the American Association of Advertising Agencies has issued guidelines for promoting fairness and accuracy when using comparative advertisements. Many other organizations, such as the Better Business Bureau, the National Association of Broadcasters, and the Direct Marketing Association, participate in the process to help ensure fairness and assess consumer complaints about advertising and promotion.

- Discuss the regulation of the full range of techniques used in the IBP process.

The regulation of other tools in the IBP process focuses on direct marketing, e-commerce, sales promotions, and public relations. In direct marketing and e-commerce, the primary concern has to do with consumer privacy. New legislation, like the Do Not Call Registry and the CAN SPAM Act, is restricting ways in which companies can contact consumers with a sales offer. The legislation is a reaction to new technologies that have enabled firms to match consumers' online behavior with offline personal information. Another aspect of e-commerce has to do with contests and sweepstakes and the potential for such games to actually be gambling opportunities. In sales promotions, premium offers, trade allowances, and offline contests and sweepstakes are subject to regulation. Firms are required to state the fair value of “free” premiums, trade allowances must follow the guidelines of fair competition, and contests and sweepstakes must follow strict rules specified by the FTC. The regulation of public relations efforts has to do with privacy, copyright infringement, and defamation. Firms must be aware of the strict legal parameters of these factors.

## KEY TERMS

ethics  
deception  
puffery  
primary demand  
unfair advertising  
vertical cooperative advertising  
comparison advertisements  
monopoly power

advertising substantiation program  
consent order  
cease-and-desist order  
affirmative disclosure  
corrective advertising  
celebrity endorsements  
self-regulation  
consumerism

cookies  
spam  
premiums  
appropriation  
defamation  
slander  
libel

## QUESTIONS

1. How does consumer involvement with sweepstakes, contests, discount cards, warranty registrations, and other marketing initiatives lead to an increase in spam and junk mail?
2. What are the pros and cons of database marketing, and what can consumers do to protect themselves and their privacy from unwanted or intrusive advertising and promotion campaigns?
3. Advertising has been a focal point of criticism for many decades. In your opinion, what are some of the key factors that make advertising controversial?
4. You have probably been exposed to hundreds of thousands of advertisements in your lifetime. In what ways does exposure to advertising make you a better or worse consumer?
5. Use Maslow's Hierarchy of Needs to address critics' concerns that too much advertising is directed at creating demand for products that are irrelevant to people's true needs.
6. One type of advertising that attracts the attention of regulators, critics, and consumer advocates is advertising directed at children. Why is it the focus of so much attention?
7. What is comparison advertising, and why does this form of advertising need a special set of guidelines to prevent unfair competition?
8. Explain why a marketer might be tempted to misuse cooperative-advertising allowances to favor some kinds of retailers over others. What piece of legislation empowered the FTC to stop these bogus allowances?
9. The Nutrition Labeling and Education Act of 1990 is unique for a number of reasons. How has this act affected the day-to-day eating habits of many U.S. consumers? What makes this a special piece of legislation from an enforcement standpoint?
10. Some contend that self-regulation is the best way to ensure fair and truthful advertising practices. Why would it be in the best interests of the advertising community to aggressively pursue self-regulation?

## EXPERIENTIAL EXERCISES

1. The Federal Trade Commission's National Do Not Call Registry is one of the most popular and successful consumer initiatives undertaken by the federal government, attracting millions of registrants and permitting consumers to block most telemarketers from calling their personal telephone numbers. Violators face steep fines. While the registry's popularity is without question, its constitutionality is not. Commerce groups have taken the FTC to court, claiming that the registry violates free speech rights—in this case, commercial speech. The case could eventually make it all the way to the Supreme Court. Write a report on the current progress of the National Do Not Call Registry (<http://www.donotcall.gov>), and be sure to discuss the latest court judgments concerning its constitutionality. Provide your opinion on whether the registry violates the constitutional right to free speech, and defend your position. Finally, discuss the effect it is having on the direct marketing industry.

2. Cut out an ad from a magazine. Choose three pros or cons in the social aspects of advertising. Explain how the ad you chose educates consumers, affects the standard of living, affects happiness, influences mass media, and is demeaning or artful.

3. List two product categories (other than cigarettes) that you think require some kind of advertising regulation and explain why. Do you think they require government regulation, industry self-regulation, or consumer regulation? Explain. Based on your answer, list regulatory agents that might get involved in controlling the advertising process for these products. Finally, go to the Internet and do a search for one or more agency or watchdog sites that would be relevant to the regulatory process. How does the site encourage consumers to get involved, and what resources does the site offer to empower their participation in the process?

## EXPERIENCING THE INTERNET

### 4-1 Social and Ethical Considerations of Advertising

Although all advertising has pros and cons, one particularly divisive issue in the past 50 years has been the promotion of cigarettes. Critics claim that cigarette manufacturers create ads that target children and make potentially dangerous or addictive products seem appealing. The ongoing clash between the industry and the federal government resulted in the 1998 Master Settlement Agreement. This legislation requires manufacturers to take down advertising from billboards and sports arenas and to stop using cartoon characters to sell cigarettes. The tobacco companies also agreed to not market or promote their products to young people. This strict regulatory environment is a far cry from the heyday of the tobacco advertising of past decades. Truth in Advertising, a site that contains historic ads for well-known cigarette products, is a virtual shrine to the *laissez-faire* days of tobacco advertising.

**Truth in Advertising:** <http://www.chickenhead.com/truth>

1. Go to this site and choose an ad from the 1940s or 1950s and describe how it reflects the priorities of society in that era. Is the advertisement guilty of promoting materialism? Explain.
2. In what way does the ad inform the consumer? In what way is the ad superficial?
3. What needs does the product claim to satisfy? How does the advertisement create artificial needs?

4. What do you think is the advertiser's ethical and social responsibility concerning the promotion of cigarettes? Apply relevant chapter concepts in your answer.

### 4-2 Advertising to Children

Protecting children's privacy online is a hot topic in advertising regulation. Advertisers routinely acquire important market information from Internet users, gathering data from consumer registration forms as well as from hidden browser cookie files. The Children's Online Privacy Protection Act of 1998 sets guidelines for Internet businesses, requiring full disclosure of their sites' data-gathering procedures. Sites like [popsicle.com](http://www.popsicle.com) are a good example of how online brands seek to comply with regulatory standards and conduct socially responsible marketing and advertising practices.

**Popsicle:** <http://www.popsicle.com>

1. Using the text, list some of the main concerns regarding advertising targeted to children.
2. Describe the purpose and features of [popsicle.com](http://www.popsicle.com). How might the site's marketers help protect children from the potentially harmful effects of advertising and marketing?
3. Click on Popsicle's "privacy policy" link and describe the types of information disclosed about the site's data-gathering practices.



**PART I****Cincinnati Bell™****Cincinnati Bell Wireless: From IMC to IBP****Client: Cincinnati Bell****Agency: Northlich**

**Background and Participants.** In Chapter 1, we introduced the concept of integrated brand promotion (IBP) as an extension of conventional thinking about integrated marketing communication (IMC). The rise in prominence of IBP makes it essential that this evolving perspective on marketing communication be understood in conjunction with traditional mass media advertising. On the client side, sophisticated marketers such as Procter & Gamble, McDonald's, American Express, and General Motors are integrating communication tools such as direct marketing, event sponsorship, sales promotions, the Internet, and public relations, with or without mass media advertising, to build their brands.<sup>1</sup> On the agency side, new organizational designs continue to evolve in search of just the right mix that will deliver clients the integrated expertise they need for building their brands.<sup>2</sup> Coordination and synergy in communication have become the key themes in a world where the advertiser with the strongest brand is the winner in the marketplace.

The five sections at the end of each part of this text will help you better understand advertising and integrated brand promotion by examining topics in two ways. First, each section will discuss IBP relative to each part of the text to provide more concepts and principles for understanding this important approach. Second, we will bring these concepts to life through an in-depth and ongoing case history. This in-depth case history features the working relationship between a client and an ad agency in pursuit of the initial launch and subsequent growth of a wireless phone-service brand (Cincinnati Bell Wireless). The featured client and agency are Cincinnati Bell and Northlich. You will learn a great deal about these two organizations over the course of our five-part, five-year case history. More important, by closely examining the work of Northlich in launching and growing Cincinnati Bell Wireless, we can gain a concrete appreciation for the challenges and benefits of sophisticated advertising and IBP campaigns.

1. For discussions of how these and other marketers are using multiple communications options in an integrated way, see Betsy Spethmann, "Is Advertising Dead?" *PROMO Magazine*, September 1998, 32-36, 159-162; Suzanne Vranica, "For Big Marketers Like AmEx, TV Ads Lose Starring Role," *Wall Street Journal*, May 17, 2004, B1, B3; Anthony Bianco, "The Vanishing Mass Market," *BusinessWeek*, July 12, 2004, 61-68.

2. For example, see Kate Fitzgerald, "Beyond Advertising," *Advertising Age*, August 3, 1998, 1, 14; Kathryn Kranhold, "FCB Makes Itself a New Economy Shop," *Wall Street Journal*, June 14, 2000, B8; Suzanne Vranica, "Y&R's Partilla Reshapes Ad Approach," *Wall Street Journal*, November 29, 2000, B6; Peter Breen, "Six Degrees of Integration," *PROMO Magazine*, October 2001, 75-80; Lisa Sanders, "Brand Buzz Gains Independence," *Advertising Age*, March 22, 2004, 8.

**From IMC to IBP.** There is always some risk in advancing new terminology to replace existing terminology, as we are doing here. As champions of advertising and integrated brand promotion, we are not arguing that integrated marketing communication is no longer a valid perspective. The emphasis on synergy and coordination that are at the heart of IMC are also at the heart of IBP. Moreover, we draw explicitly on the analysis of IMC provided by Esther Thorson and Jeri Moore in their 1996 book *Integrated Communication: Synergy of Persuasive Voices*. In their words,

*IMC is the strategic coordination of multiple communication voices. Its aim is to optimize the impact of persuasive communication on both consumer and nonconsumer (e.g., retailers, sales personnel, opinion leaders) audiences by coordinating such elements of the marketing mix as advertising, public relations, promotions, direct marketing, and package design.*<sup>3</sup>

However, Thorson and Moore also make it clear that achieving synergy and coordination must be based on an understanding of the brand. They note that the first task in planning an integrated communications campaign is to “define and understand in detail the brand itself and the ‘equity’ it possesses . . . [one] must explore extensively the brand’s essence—both current and intended.”<sup>4</sup> We concur with this view that a clear focus on a brand’s current and desired brand equity is essential for creating effective, integrated campaigns. Branding gurus like Donald Schultz and Kevin Keller also endorse this position with their recommendations to “align all [marketing] actions with the brand’s value proposition”<sup>5</sup> and evaluate marketing communication options strategically to determine how they can contribute to brand equity.<sup>6</sup> Without an explicit focus on brand building, there can be no integrated communication. Hence, the task at hand is not simply integrated marketing communication, but rather advertising and integrated brand promotion.

**Factors Contributing to the Need for an Integrated Approach.** Why have synergy and coordination of communication tools for brand-building purposes become a necessity? Several significant and pervasive changes in the communications environment have contributed to the need for an integrated approach:<sup>7</sup>

- **Fragmentation of media.** Media options available to marketers have proliferated at an astounding rate. Broadcast media now offer “narrowcasting” so specific that advertisers can reach consumers at precise locations, such as airports and supermarket checkout counters. The print media have proliferated dramatically as well. At one point, there were 197 different sports magazines on the market in the United States! The proliferation and fragmentation of media have resulted in less reliance on mass media and more emphasis on other promotional options, such as point-of-purchase promotions and event sponsorship.
- **Better audience assessment.** More-sophisticated research methods have made it possible to more accurately identify and target specific market segments such as Asian-Americans, teenagers, Hispanics, and dual-income households with no kids (DINKs). This leads the marketer away from mass media to promotional tools that reach only the segment that has been targeted.
- **Consumer empowerment.** Consumers today are more powerful and sophisticated than their predecessors. Fostering this greater power are more single-person households, smaller families, higher education levels, and more experienced con-

3. Esther Thorson and Jeri Moore, *Integrated Communication: Synergy of Persuasive Voices* (Mahwah, N.J.: Lawrence Erlbaum, 1996), 1.

4. Thorson and Moore, *Integrated Communication: Synergy of Persuasive Voices*, 3.

5. Don E. Schultz, “A Boatload of Branders,” *Marketing Management*, Fall 2000, 9.

6. Kevin Keller, *Strategic Brand Management* (Upper Saddle River, N.J.: Prentice Hall, 2003), ch. 6.

7. In the opening chapter of his influential book *Permission Marketing* (New York: Simon & Schuster, 1999), Seth Godin argues that increasing fragmentation of the mass media and rampant ad clutter are due to cause a cataclysmic decline in the effectiveness of conventional mass media advertising. Perhaps that day has arrived. In an influential speech delivered at the meetings of the American Association of Advertising Agencies, Jim Stengel, P&G’s chief marketing officer, declared any marketing approach based on mass media advertising as “broken.” See “Stengel’s Call to Arms,” *Advertising Age*, February 16, 2004, 16, 17.

sumers. Empowered consumers are more skeptical of commercial messages and demand information tailored to their needs. Technology plays a huge role here as well. PVR/DVR/TiVo systems, which make ad zapping quick and easy, put the consumer in total control.

- **Increased advertising clutter.** Not only are consumers becoming more sophisticated, they are becoming more jaded as well. The proliferation of advertising stimuli has diluted the effectiveness of any single message. There is no end in sight to this “message” proliferation.
- **Database technology.** The ability of firms to generate, collate, and manage databases has created diverse communications opportunities beyond mass media. These databases can be used to create customer and noncustomer profiles. With this information, highly targeted direct response and telemarketing programs can be implemented. Growth of the Internet will foster more of this type of marketing activity.
- **Channel power.** In many product and market categories, there has been a shift in power away from big manufacturers toward big retailers. The new “power retailers,” such as Wal-Mart and Home Depot, are able to demand promotional fees and allowances from manufacturers, which diverts funds away from advertising and into special events or other retail promotions.
- **Accountability.** In an attempt to achieve greater accountability, firms have reallocated marketing resources from advertising to more short-term and more easily measurable methods, such as direct mail and sales promotion.

All these factors have contributed to an increase in the diversity and complexity of the communication tools used by firms in building their brands. Mass media advertising still plays an important role for many companies, but the opportunity to use other communication and promotional tools makes coordination and integration ever more challenging. Learning to cope with this challenge is what our book and this case history is all about.

### Sounds Great . . . So What's So Hard about Advertising and Integrated Brand Promotion?

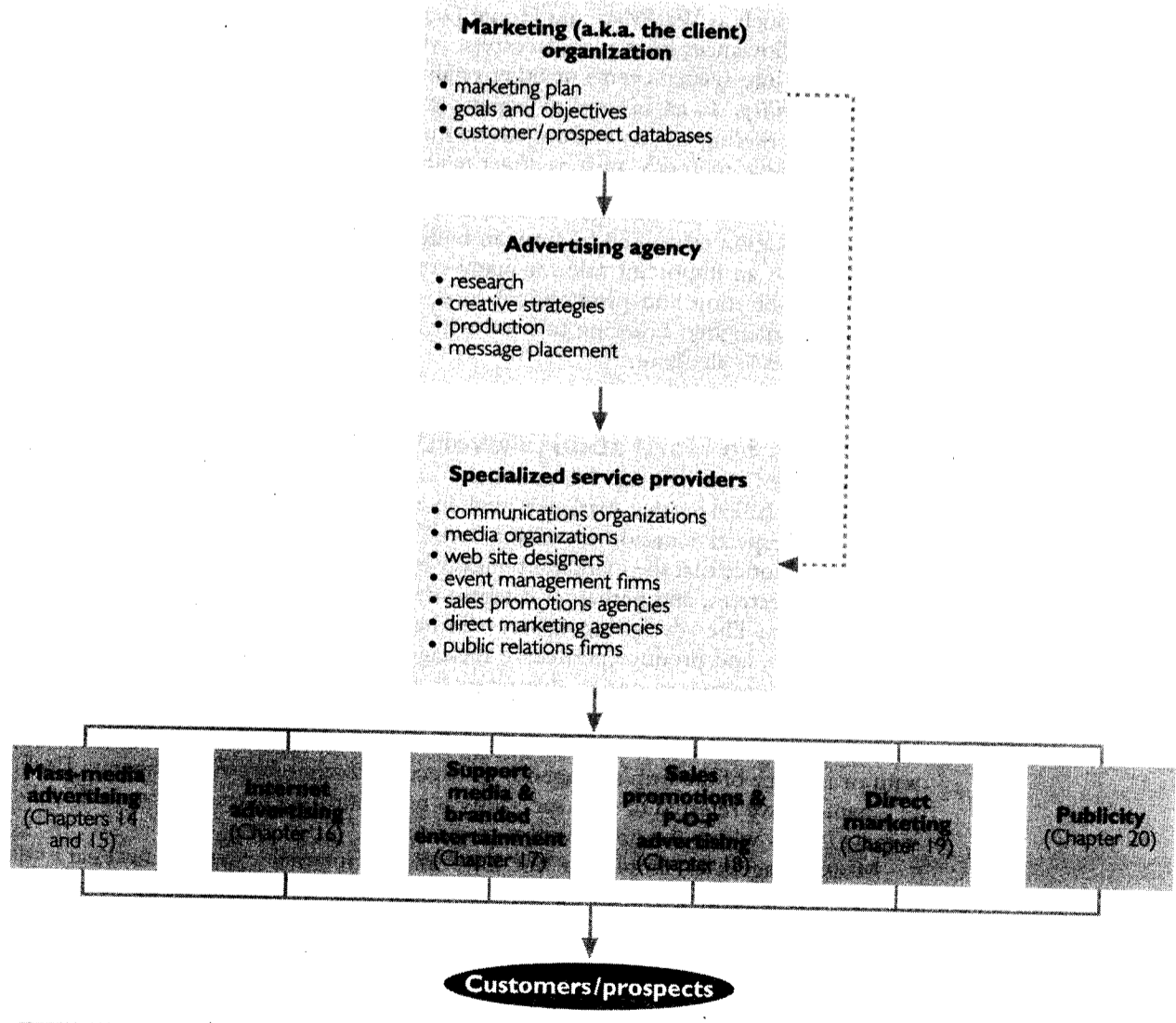
Exhibit IBP 1.1 presents a hierarchy of participants that helps to illustrate the challenges that marketers will encounter when attempting to surround current or prospective customers with a “wall” of advertising and integrated brand promotion. Notice that the marketer typically brings to the process a marketing plan, goals and objectives, and perhaps a database that will identify current and prospective customers. The advertising agency will help research the market, suggest creative strategies, and produce persuasive messages. In addition, agencies can assist in placing these messages in outlets that range from conventional mass media to event sponsorship to Internet advertising. The exhibit also shows a number of specialized marketing communication organizations that may need to be hired in conjunction with or in place of the firm’s ad agency to execute a comprehensive campaign. Back in Chapter 2 we referred to such specialists as promotion agencies and external facilitators. This is where the process starts to get messy.

Most ad agencies simply do not have all the internal expertise necessary to develop and manage every marketing communication tool. First and foremost, the ad agency is the expert in the development and placement of mass media advertising. This is especially the case for large advertising agencies. Mega-agencies such as those listed in Exhibit 2.8 became mega-agencies because of their prowess in mass media advertising. Because they have a lot invested in their mass media expertise, large ad agencies are often criticized for the tendency to push mass media as the best communication solution for any and all clients.<sup>8</sup>

8. For example, see Fitzgerald, “Beyond Advertising”; Spethmann, “Is Advertising Dead?”; Daniel Klein, “Disintegrated Marketing,” *Harvard Business Review*, March 2003, 18, 19; Joe Cappel, *The Future of Advertising* (Chicago, IL: Crain Communications, 2003), ch. 8.

Hence, when marketers want other communication options, they often must turn to specific types of promotion agencies to get the expertise they are looking for. For example, companies including Avon and Ford's Lincoln Mercury division have retained Wunderman Cato Johnson-Chicago just to help them with event management, and Pepsi and Philip Morris have hired Cyrk-Simon Worldwide to design and run their Pepsi Stuff and Marlboro Miles branded-merchandise reward programs.<sup>9</sup> As reflected by the dashed line in Exhibit IBP 1.1, in many instances marketing organizations must bypass their traditional advertising agency to get the expertise they require for building their brands.

Coordination and integration of a marketing communications program becomes much more complex as various promotion agencies are brought into the picture. These diverse specialists often will view one another as competitors for clients' marketing dollars, and will most likely champion their particular specialty, be it event



**EXHIBIT IBP 1.1**

The advertising and integrated brand promotion hierarchy.

9. Spethmann, "Is Advertising Dead?"

sponsorship, sales promotions, Web site development, direct marketing, or whatever. This is just human nature in a free enterprise system. But instead of ending up with coordination and integration, we often find the situation characterized by conflict and disintegration.<sup>10</sup> Of course, conflict and disintegration are *not* what the marketer wants for his or her brand.

Advertising agencies of all sizes are well aware of these challenges, and as we noted in Chapter 2, many are attempting to redesign themselves to add more expertise that can foster the goals of IBP. Sometimes this redesign comes in the form of a new unit launched within the traditional agency under a nifty name, such as Young & Rubicam's Brand Buzz—a unit now totally devoted to guerrilla marketing.<sup>11</sup> Other times, expertise is added when big companies buy out smaller specialist firms to supplement their range of services.<sup>12</sup> As you can see, this whole business of advertising and IBP is about bringing together the right combination of expertise to serve a client's brand-building needs. This is always a complex undertaking with no easy answers.

The process depicted in Exhibit IBP 1.1 shows a complex array of participants and tools. Our Cincinnati Bell Wireless case history will bring this process to life for you. Additionally, each of the chapters in Parts Four and Five of the book will examine different tools to help you master the complexity of advertising and integrated brand promotion. Specifically, Chapters 14 and 15 will emphasize traditional mass media tools; Chapter 16 looks at advertising and IBP on the Internet; Chapter 17 will consider support media and branded entertainment; Chapter 18 reviews the array of possibilities in sales promotion and point-of-purchase advertising; Chapter 19 provides a comprehensive look at direct marketing; and Chapter 20 completes the set by discussing the public relations function. So if Exhibit IBP 1.1 is not completely clear to you at this point, fear not. There's more to come on all this! But enough about what's to come. Now let's meet the participants in our comprehensive case history.

## An Agency in Pursuit of Integrated Brand Promotion . . .

**Northlich, <http://www.northlich.com>.** Northlich (pronounced "North-lick"), based in Cincinnati, Ohio, was founded in 1949. Still one of a small group of blue-chip, independent agencies, Northlich defines its essence as "Innovating for business growth and brand value." This essence is implemented via a unique business model that brings together two distinct entities—Northlich, a full-service IBP agency, and BrandStorm, a new-product and brand revitalization consultancy. The expressed purpose of the total organization is to generate inspiring ideas that then deliver a measurable return on investment for clients.

As of 2003, Northlich ranked No. 89 in *Adweek* magazine's ranking of the top 100 U.S. agencies. In 2003 Northlich enjoyed a 12 percent increase in billings over the previous year to nearly \$127 million, which generated revenues for the company of about \$19 million. Northlich and BrandStorm's client base is diverse and includes familiar names like Ashland, Valvoline, KeyCorp, Humana, Jacuzzi, Procter & Gamble, Chiquita, and Sara Lee Corp., to name a few. Northlich is also the agency behind the highly recognized Ohio anti-smoking campaign appealing to the state's youth. A few samples of Northlich's recent work are shown in Exhibit IBP 1.2.

10. Klein, "Disintegrated Marketing."

11. Vranica, "Y&R's Partilla Reshapes Ad Approach"; Sanders, "Brand Buzz Gains 'Independence.'"

12. Spethmann, "Is Advertising Dead?"; Gerry Khermouch, "Interpublic Group: Synergy—Or Sinkhole?" *BusinessWeek*, April 21, 2003, 76, 77.

10,000 people put an end to soaring health benefit costs

HUMANA

Procter & Gamble Chemicals  
The Hidden Ingredient

BUY ONE. GET ONE FREE.

We don't always get what you pay for. Sometimes you get more. Deep down REG Cleaners, Febreze, and other products in the Febreze family are made with Febreze's "Hidden Ingredient" - a special fragrance that helps you get more out of your cleaning products. It's the difference between just cleaning and making your home smell like a spa. And if a sponge doesn't clean your dishes, our Dishwasher Cleaners will clean your dishes for you. And if a sponge doesn't clean your dishes, our Dishwasher Cleaners will clean your dishes for you. And if a sponge doesn't clean your dishes, our Dishwasher Cleaners will clean your dishes for you. Call us at 1-800-4-A-GAMMA or visit us online at [www.pg.com](http://www.pg.com) to learn more.

Didn't the IRS just give you 1040 reasons to soak in a hot tub?

**BOYCOTT STRESS** Here's how!

**\$500**

**SECOND**

**BOYCOTT STRESS** Here's how!

As mandated by the Constitution, the government is required to reimburse the entire U.S. population for imposed indirect income taxes. Assuming you've met the strict statutory deadline, you've earned the right to relax. And there's no better way to relax than by soaking in a Jacuzzi Premium hot tub.

Your refund and/or audit are weeks away. So in the meantime, let the soft, soothing bubbles of a Jacuzzi Premium hot tub relax any remaining tax tensions. We'll make it as easy as possible by giving you a "refund" of our own.

Buy a Jacuzzi Premium hot tub by May 31 and you'll get a \$500 instant refund off the price of the tub. And you won't have to fill out any government issued forms to get it. Find your nearest dealer at [jacuzzipremium.com](http://jacuzzipremium.com) or call 800-899-7727.

**Jacuzzi**

© 2004 Jacuzzi Inc. All rights reserved.

Calzones \$3.89 CHEESE AND MEAT LaRosa's 347-1111

EXHIBIT IBP 1.2

Recent Northlich advertising samples.  
Used with permission from Northlich. All rights reserved.

Northlich executives attribute their success as a full-service advertising and IBP agency to their people and their underlying shared purpose. The following six values are displayed proudly throughout the Northlich office complex:

1. A visceral connection to our clients' consumers and constituents.
2. A reverence for breakthrough ideas as the nourishment of growth.
3. Agility in our thinking and action.
4. A captivating work environment.
5. An independent spirit.
6. Great style, fine taste, and a big heart.

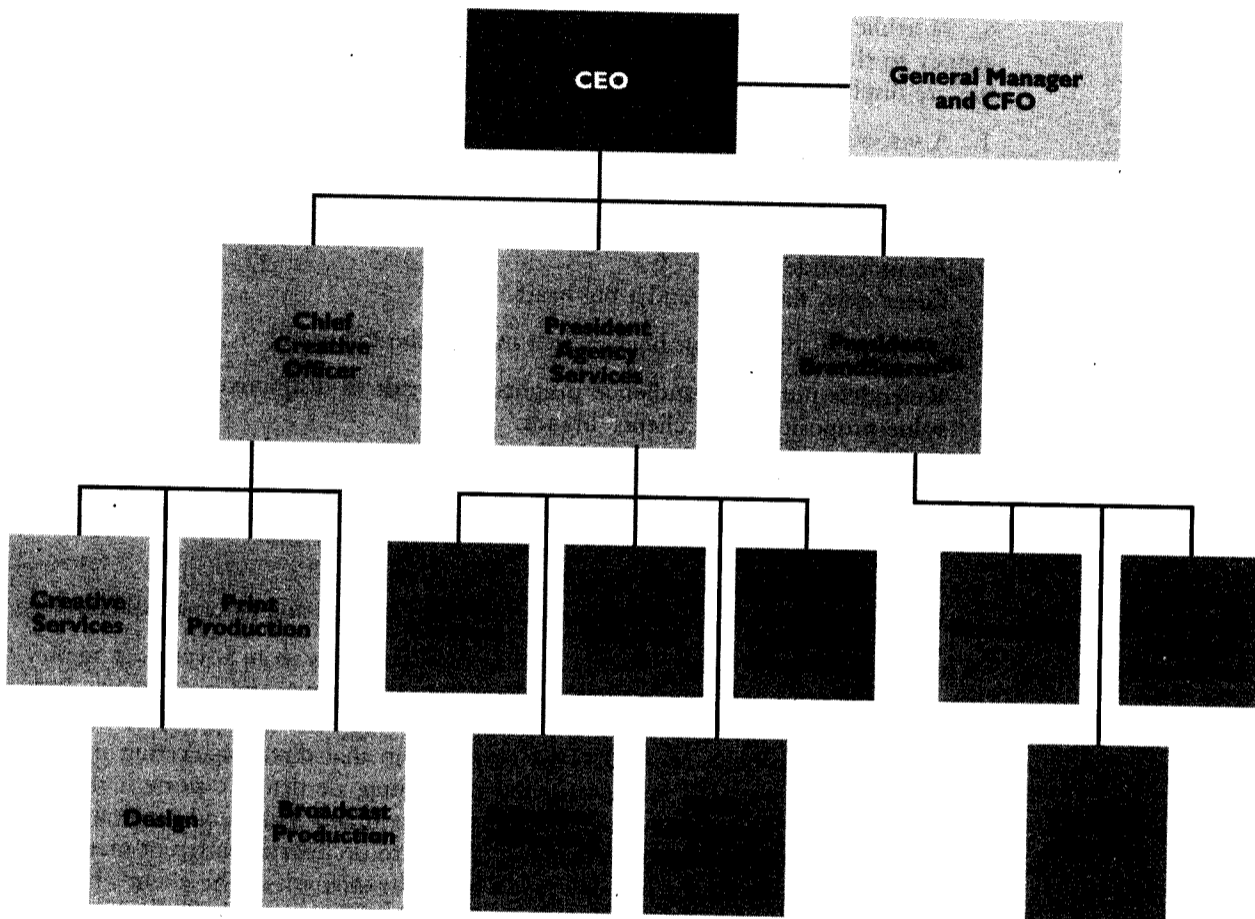
Other elements of the Northlich model include the following:

- Relentless pursuit of audience insights that leads to distinctive and preemptive value propositions for clients' brands.
- Building equity by soaking up the consumer's mind-space, leaving little room for the competition.
- Methods for helping companies "find their voice" and understand the drama of their business strategies.
- Superior visualization of benefits.
- Delivery of holistic programs designed to reach internal and external stakeholders.

While the folks at Northlich usually refer to their company as an advertising agency, it is probably more accurate to think of them as an IBP agency and consultancy. Integration at Northlich means using whatever marketing tools are appropriate for the brand-building problem at hand. That could mean that direct marketing must be used in conjunction with image-oriented advertising, or that PR alone is the best way to proceed. To truly leverage the power of a brand name and motivate consumers, it takes an intimate understanding of how to orchestrate different media and messages. The overriding goal is always to build the strength of the client's brand.

Northlich employs about 125 full-time people. The agency's leadership team, featured in Exhibit IBP 1.3, gives an indication of the range of expertise that Northlich can marshal to serve clients' brand-building needs. This starts with an extensive client-service capability that includes strategic marketing planning, product positioning, and market research expertise. Northlich also provides a full line of creative and production services for development of media advertising, collateral, packaging, point-of-purchase, direct marketing, and other IBP materials. The client services team will assist with program design, strategy development, program oversight, measurement, and effectiveness evaluation. Northlich offers complete media planning, buying, and post-buy evaluation, and has additional expertise in interactive marketing with specific capabilities in Web site design and construction. The public relations group also has full-service capabilities including media and community relations, employee relations, and crisis management. The combination of Northlich's unique business model, its value system, its manageable size, its collocation of diverse capabilities, a team-oriented work environment, and its excellent range and depth of expertise puts it in an excellent position to fulfill its promise of integrated brand builder.

In 1998, after 23 years with the agency, Mark Serrienne was named Northlich's president and CEO. He is clearly an advocate for IBP. As executive vice president in 1987, Serrienne began the redesign of Northlich from a conventional, mass media-oriented ad agency to a full-service IBP firm. One conclusion should be obvious: The transformation from conventional to integrated does not happen overnight. In Serrienne's view, Northlich has created an internal culture that embraces and rewards integration. Simple aspects of the daily work environment feed into the drive for integration. For example, no one, including the CEO, has a private office. In Serrienne's view, the open-office policy "has created more energy . . . culturally sends a good message to everyone . . . and breaks down barriers between departments."



**EXHIBIT IBP 1.3**

Northlich's organizational structure.

At the same time, Northlich's office complex is filled with numerous breakout rooms of various sizes that allow teams of employees to retreat and focus on clients' problems from a cross-departmental perspective. "Clients are convinced to buy integrated services," says Serianne, "once you have some pretty good case histories and they have experience with our multidisciplinary teams."<sup>13</sup> We will see those multidisciplinary teams at work in the case history of the launch of Cincinnati Bell Wireless.

## A Client in Pursuit of Integrated Brand Promotion . . .

**Cincinnati Bell, <http://www.cincinnatiBell.com>.** The other key player in our ongoing IBP case history is Cincinnati Bell, a diversified and innovative telecommunications company that began in 1873 as the City & Suburban Telegraph Association. Today, Cincinnati Bell supplies the Greater Cincinnati region with an array of services and business solutions that cannot be found anywhere else in the United States, such as local, long distance, wireless, Internet, and broadband services from a single source,

13. Sue Fulton, "Local to National: One Agency's Strategy," *Ad Business Report*, June 1998, 1.



billed together with one point of contact. Cincinnati Bell's residential customers routinely score the company among the highest in the country for customer service, as measured in the annual J. D. Power & Associates customer satisfaction survey. In fact, Cincinnati Bell is the only company in Greater Cincinnati to ever win a J. D. Power award, and is the only telecommunications provider to ever win three awards in one year. Additionally, Cincinnati Bell's high-speed, asymmetrical digital subscriber line service, called ZoomTown, helps make Cincinnati one of the most wired communities in America, with service available to more than 85 percent of households, versus a 70 percent national average. Here we'd expect you to conclude that Cincinnati Bell is a lot more than just a sleepy little telephone service provider nestled on the banks of the Ohio River.

Cincinnati Bell has launched numerous brand-building campaigns for innovative products like ZoomTown, Fuse Internet Access, Cincinnati Bell Any Distance, Complete Connections and Custom Connections. Sample ads for some of these branded services are displayed in Exhibit IBP 1.4. However, the star of our case history is Cincinnati Bell's wireless category. Although now combined and led by CEO John F. (Jack) Cassidy, Cincinnati Bell originally launched wireless as a separate subsidiary. Our case history officially begins in late fall 1997, when Cincinnati Bell Wireless (CBW) was conceived.

In the fourth quarter of 1997, having already hired Jack Cassidy from Cantel Cellular Services in Canada to become the subsidiary's president, Cincinnati Bell signed a landmark agreement with AT&T Wireless Services that marked the birth of CBW (<http://www.cbwireless.com>). The stage was set for a tumultuous six-month period in which Northlich and CBW would prepare to launch advanced personal communication services: voice, paging, and e-mail messaging, with other features and associated products. The strategy formulation that occurred in the period from November 1997 through the spring of 1998 will be described in the next installment of this IBP case history, at the end of Part Two.

### IBP EXERCISES

1. What is it about integrated brand promotion that extends and better focuses the perspective previously referred to as integrated marketing communication? What do these two perspectives have in common?
2. A major challenge in executing advertising and integrated brand promotion is to speak to the customer via multiple communications tools in a single voice. What does *single voice* mean, and what's so hard about achieving a single voice in an IBP campaign?
3. Examine the Northlich organizational structure, shown in Exhibit IBP 1.3. How do you think this structure would compare to the structure of a more traditional advertising agency? How does the structure of Northlich lend itself to the execution of the Cincinnati Bell Wireless launch campaign?
4. Why would a regional company like Cincinnati Bell seek out an advertising agency with IBP capabilities to launch its new wireless service? Why might Cincinnati Bell not want to rely on mass media advertising alone to promote its new service? (*Hint*: Refer to the discussion of the factors contributing to the need for integration: fragmentation of media, better audience assessment, consumer empowerment, increased advertising clutter, database technology, channel power, and accountability.)

you add, we subtract.  
a simple, money-saving idea from  
**Cincinnati Bell**

you add a bundle,  
we subtract a bundle.

To zoom or not to zoom,  
that is the question.

**Free backpack and \$50 cash back**  
with free activation by 7/1/01.

Lots of gifts will make her merry. One will make her bright.

Just! \$29.99/mo. Call 615.966.3300 or visit [cincinnatibell.com/cincinnati](http://cincinnatibell.com/cincinnati)

**Marks. Francs. Pesos.**

Save a bunch of 'em with Any Distance International.

Great new international rates. Like only 7¢ a minute to England and Canada, and just 10¢ a minute all the way to Germany. And remember, with Any Distance you get 30 minutes of domestic long distance calls free every month.

**565-FREE**

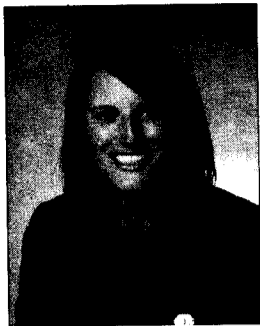
**Cincinnati Bell**  
Any Distance

Hurry, no monthly fee until July 31

EXHIBIT IBP 1.4

Recent Cincinnati Bell advertising samples.

Used with permission from Cincinnati Bell. All rights reserved.



**Darcy Ervick**  
**Account Supervisor,**  
**Freedman, Gibson & White**

Does life imitate art? For Darcy Ervick, account supervisor at Freedman, Gibson & White, the question has a certain professional relevance. Ms. Ervick's decision to pursue a career in advertising was influenced in part by *Melrose Place*, the *Beverly Hills 90210* spin-off that became one of the most popular nighttime soaps of the 1990s and of television history. "Advertising always sounded like an interesting profession to me," recalls Ervick, "and this was compounded by my obsession in college with *Melrose Place* and Amanda's career at D&D Advertising." Whatever other factors might have shaped Ms. Ervick's career ambitions, the star power provided by *Melrose* cast member Amanda Woodward (played by Heather Locklear) was enough to pique the young Ohio University student's interest and set her off in pursuit of life in the advertising world.

As with many other successful advertising professionals, Ms. Ervick followed a well-trodden path to Madison Avenue. Her journey to account supervisor passed through a series of stops along the way that included receptionist, traffic manager, print-production manager, and account executive. But it was her work for former client Subway Restaurants that was perhaps most important in earning the promotion to her current position. At a time when Subway was emerging as the market leader in health-conscious, low-carb fast food, Ms. Ervick began writing and executing annual plans for the international deli chain, functioning essentially as a marketing manager for her region. This extensive QSR (Quick Service Restaurant) experience was a key factor in being recruited to her current position with Freedman, Gibson & White, a full-service marketing communications agency that oversees advertising accounts for corporations like U.S. Bank, Supervalu Pharmacies, and Fazoli's.

As a supervisor in the account services department, Ms. Ervick provides end-to-end service for her clients. From the early strategic-planning stages to the execution and evaluation of integrated brand campaigns, Ervick maintains regular contact with clients and manages their advertising budgets in the development of copy-tested, on-target creative that produces results. "The greatest thing about advertising, and my job in particular, is seeing the results of a well-executed plan," says the account supervisor. "Clients are looking at the bottom line to measure their successes. When the goal is to increase weekly sales by  $x\%$  and your plan helped sales increase  $x+1\%$ , it's a great feeling." Of course, limited budgets and increasing demands for measurable results put pressure on today's advertising professionals to accomplish the impossible. "Clients expect miracles for minimal budgets and somehow you have to figure out a way to get it done," says Ervick.

Account-services work can be demanding, but the many job-related perks keep things fun and interesting. "There are lots of opportunities for free tickets to a variety of events such as concerts, plays, and sporting events," Ervick remarks. Her responsibility for overseeing the creative process also provides the occasional brush with fame, such as when Ervick's PR efforts centered on Jared Fogle, the Subway spokesperson and weight-loss icon who lost 245 pounds in a single year eating sub sandwiches. "Because of my association with Subway Restaurants, I got to hang out with Jared," says Ervick. On occasion, she even gets the spotlight to herself, such as when clients use her as "talent" in television spots or outdoor advertising.

Darcy Ervick enjoys her career, especially working with clients and being part of an ever-changing, well-respected industry. Asked what advice she could offer to students considering advertising as a profession, the Freedman, Gibson & White account supervisor replies, "Do anything it takes to get in: intern, answer phones, start in the mailroom—whatever it takes." She adds, "It's a difficult industry to get into without experience, but once you're in, soak up all the knowledge you can."

**CAREERS IN MARKETING  
 COMMUNICATIONS, IBP,  
 AND ADVERTISING**

## **The Planning: Analyzing the Advertising and Integrated Brand Promotion Environment**

Successful advertising and integrated brand promotion rely on a clear understanding of how and why consumers make their purchase decisions. Successful campaigns are also rooted in sound marketing strategies and careful research about a brand's market environment. This understanding of the market, sound marketing strategy, and research are brought together in a formal advertising plan. Part Two, "The Planning: Analyzing the Advertising and Integrated Brand Promotion Environment," discusses several important bases for the development of an advertising plan and concludes with a look at planning challenges in international markets.

## **Advertising, Integrated Brand Promotion, and Consumer Behavior**

Chapter 5, "Advertising, Integrated Brand Promotion, and Consumer Behavior," begins with an assessment of the way consumers make product and brand choices. These decisions depend on consumers' involvement and prior experiences with the product in question. This chapter also addresses consumer behavior and advertising from both psychological and sociological points of view. It concludes with a discussion of how culture affects consumer behavior and advertising. This includes a discussion of ads as social texts.

5

## **Market Segmentation, Positioning, and the Value Proposition**

Chapter 6, "Market Segmentation, Positioning, and the Value Proposition," details how these three fundamental planning efforts are developed by an organization. With a combination of audience and competitive information, products and services are developed to provide benefits that are both valued by target customers and different from those of the competition. Finally, the way advertising contributes to communicating value to consumers is explained and modeled.

6

## **Advertising and Promotion Research**

Chapter 7, "Advertising and Promotion Research," discusses the types of research conducted by advertisers and the role information plays in planning an advertising effort. Advertisers do research before messages are prepared, during the preparation process, and after messages are running in the market. The new "account planning process" is also covered in this chapter.

7

## **Planning Advertising and Integrated Brand Promotion**

Chapter 8, "Planning Advertising and Integrated Brand Promotion," explains how formal advertising plans are developed. The inputs to the advertising plan are laid out in detail, and the process of setting advertising objectives—both communications and sales objectives—is described. The methods for setting an advertising budget are presented, including the widely adopted and preferred objective-and-task approach.

8

## **Advertising Planning: An International Perspective**

Chapter 9, "Advertising Planning: An International Perspective," introduces issues related to planning advertising targeted to international audiences. Global forces are creating more accessible markets. In the midst of this trend toward international trade, marketers are redefining the nature and scope of the markets for their goods and services while adjusting to the creative, media, and regulatory challenges of competing across national boundaries.

9

# CHAPTER 5

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

1

Describe the four basic stages of consumer decision making.

2

Explain how consumers adapt their decision-making processes as a function of involvement and experience.

3

Discuss how advertising may influence consumer behavior through its effects on various psychological states.

4

Discuss the interaction of culture and advertising.

5

Discuss the role of sociological factors in consumer behavior and advertising response.

6

Discuss how advertising transmits sociocultural meaning.

## CHAPTER 5

### Advertising, Integrated Brand Promotion, and Consumer Behavior

## CHAPTER 6

### Market Segmentation, Positioning, and the Value Proposition

## CHAPTER 7

### Advertising and Promotion Research

## CHAPTER 8

### Planning Advertising and Integrated Brand Promotion

## CHAPTER 9

### Advertising Planning: An International Perspective



The new  
BMW 5 Series



Arrival of  
the fittest.

VIACOM



**Introductory Scenario: Bringing Joy to Japan** The Japanese marketplace is one of the toughest competitive arenas in the world. Japanese consumers are among the most affluent and educated in the world. Giant U.S. corporations such as Procter & Gamble often struggle in this challenging environment. Up until 1995, P&G—maker of dishwashing products such as Dawn, Joy, Ivory, and Cascade—did not sell any dish soap in Japan.<sup>1</sup> Soaps are P&G's core business; P&G aspires to market all its brands around the world; and P&G is one of the most sophisticated companies in the world when it comes to executing multimillion-dollar advertising campaigns. But how to get started in Japan?

P&G used a tried-and-true formula. They sent their managers into the field to talk to consumers and study Japanese dishwashing rituals. They watched the Japanese wash their dishes, videotaped them washing dishes, and talked to them before, during, and after dishwashing. As a result of this careful observation, P&G researchers discovered one critical habit: Japanese homemakers, one after another, squirted out more liquid than was called for, more than was needed, and more than was effective. P&G managers interpreted this as a clear sign of consumers' frustrations with existing products. Implicitly, these consumers wanted a more powerful cleaning liquid, and were trying to get it by simply using more of their current brand. But it wasn't working.

P&G's chemical engineers in Kobe, Japan, went to work on a new, highly concentrated soap formula just for the frustrated Japanese consumer. The marketing pitch would be simple and to the point: A little bit of Joy cleans better, yet is easier on the hands. Encouraged by positive results in test marketing, P&G prepared for a nationwide launch in Japan.

For its advertising campaign P&G settled on a documentary-style TV ad in which a famous Japanese comedian named Junji Takada dropped in on unsuspecting homemakers (see Exhibit 5.1), with his camera crew in tow, to test Joy on the household's dirty dishes. Television ads featured a shot of a grease slick in a sink full of dirty dishes. One squirt of Joy and the grease disappeared. With this simple visual demonstration the ad communicated to consumers that the new Joy was more potent than their old brand. It wasn't long before Joy began racking up impressive market share gains throughout Japan.



EXHIBIT 5.1

P&G used a documentary-style advertising campaign for its launch of Joy in Japan: on the road in search of greasy dishes. The interviewer is comedian Junji Takada. His celebrity status and sense of humor were important elements in creating likable and persuasive TV commercials. <http://www.pg.com>

1. Norihiko Shirouzu, "P&G's Joy Makes an Unlikely Splash in Japan," *Wall Street Journal*, December 10, 1997, B1.



Of course, P&G's Japanese competitors were quick to notice the success of Joy. The Kao Corporation (think of Kao as the P&G of Japan) conducted research to better understand Joy's success. Kao's research showed that more than 70 percent of Joy's users began using it because the TV ads persuaded them that this new brand offered superior performance. Now that's effective advertising! Kao's management admitted: "We had mistakenly assumed Japanese didn't care much about grease-fighting power in dish soaps. The reality was that people were eating more meat and fried food and were frustrated about grease stains on their plastic dishes and storage containers."<sup>2</sup> Kao's lack of understanding of what was important to the customer led to a predictable outcome: Joy became Japan's best-selling dishwashing soap.

Many things must go right for a new brand to enter a crowded marketplace and achieve market leadership, as Joy did in Japan. The product's performance, its packaging, its pricing, and the advertising campaign must work synergistically to achieve this level of success. But success can commonly be traced back to understanding consumers, creating products that address their needs, and executing ad campaigns that persuade consumers that only one brand has just what they're looking for. As with Joy in Japan, insights about the behavior of consumers are crucial to advertising professionals. Before advertisers initiate campaigns for any product or service, they need a thorough understanding of what's important to the customer. This understanding greatly increases the advertiser's chance of affecting purchase behavior.

Chapters 1 through 4 provided important background and perspectives about the business of advertising. With this background in place, we are now ready to begin consideration of how one actually goes about planning for an advertising campaign. Where to begin? How does one get started? As you saw in the preceding success story about marketing dishwashing liquids in Japan, a great place to start is with unique insights about your consumers.

**Consumer behavior** is defined as the entire broad spectrum of things that affect, derive from, or form the context of human consumption. Like all human behavior, the behavior of consumers is complicated, rich, and varied. However, advertisers must make it their job to understand consumers if they want to experience sustained success in creating effective advertising. Sometimes this understanding comes in the form of comprehensive research efforts; other times in the form of years of experience and implicit theories; other times in the form of blind, dumb luck (rarely attributed as such). However this understanding comes about, it is a key factor for advertising success.

This chapter summarizes the concepts and frameworks we believe are most helpful in trying to understand consumer behavior. We will describe consumer behavior and attempt to explain it, in its incredible diversity, from two different perspectives. The first portrays consumers as reasonably systematic decision makers who seek to maximize the benefits they derive from their purchases. The second views consumers as active interpreters (meaning-makers) of advertising, whose membership in various cultures, societies, and communities significantly affects their interpretation and response to advertising. These two perspectives are different ways of looking at the exact same people and the exact same behaviors. Though different in essential assumptions, both of these perspectives offer something valuable to the task of actually getting the work of advertising done.

The point is that no one perspective can adequately explain consumer behavior. Consumers are psychological, social, cultural, historical, and economical at the same time. For example, suppose a sociologist and a psychologist both saw someone buying a car. The psychologist might explain this behavior in terms of attitudes, decision criteria, and the like, while the sociologist would probably explain it in terms of the buyer's social environment and circumstances (that is, income, housing conditions, social class, the social value or "cultural capital" the brand afforded, and so

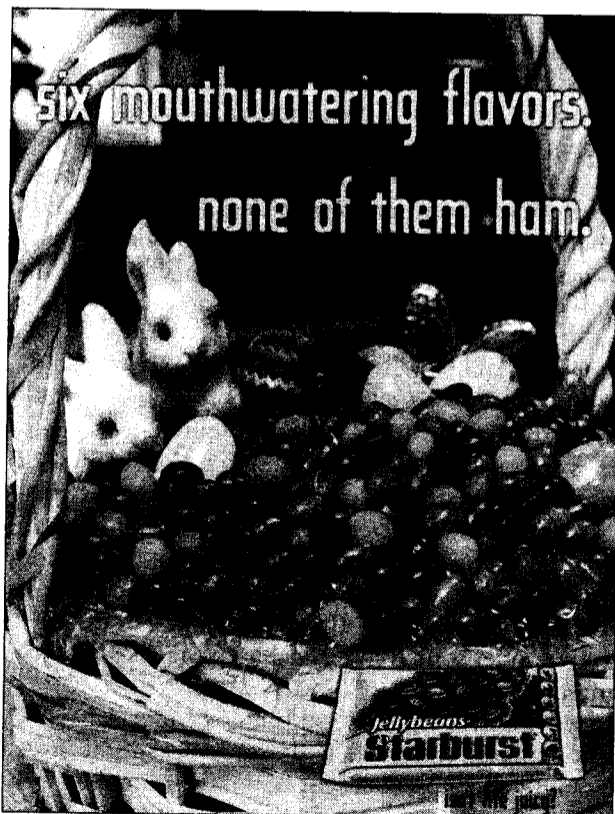
2. Ibid.

on). Both explanations may be valid, but each is incomplete. The bottom line is that all consumer behavior is complex and multifaceted. Why you or any other consumer buys a movie ticket rather than a lottery ticket, or Pepsi rather than Coke, or KFC rather than Wendy's, is a function of psychological, economic, sociological, anthropological, historical, textual, and other forces. No single explanation is sufficient. With this in mind, we offer two basic perspectives on consumer behavior.

**1 Perspective One: The Consumer as Decision Maker.** One way to view consumer behavior is as a logical, sequential process culminating with the individual's reaping a set of benefits from a product or service that satisfies that person's perceived needs. In this basic view, we can think of individuals as purposeful decision makers who take matters a step at a time. All consumption episodes might then be conceived as a sequence of four basic stages:

1. Need recognition
2. Information search and alternative evaluation
3. Purchase
4. Postpurchase use and evaluation

**The Consumer Decision-Making Process.** A brief discussion of what typically happens at each stage will give us a foundation for understanding consumers, and it can also illuminate opportunities for developing powerful advertising.



**EXHIBIT 5.2**

*Every season has its holidays, and with those holidays come a particular array of consumption needs. How many jellybean flavors can you name? Hint: ham is definitely not one of them.*

**Need Recognition.** The consumption process begins when people perceive a need. A **need state** arises when one's desired state of affairs differs from one's actual state of affairs. Need states are accompanied by a mental discomfort or anxiety that motivates action; the severity of this discomfort can be widely variable depending on the genesis of the need. For example, the need state that arises when one runs out of toothpaste would involve very mild discomfort for most people, whereas the need state that accompanies the breakdown of one's automobile on a dark and deserted highway in Minnesota in mid-February can approach true desperation.

One way advertising works is to point to and thereby activate needs that will motivate consumers to buy a product or service. For instance, in the fall, advertisers from product categories as diverse as autos, snowblowers, and footwear roll out predictions for another severe winter and encourage consumers to prepare themselves before it's too late. Every change of season brings new needs, large and small, and advertisers are always at the ready. The coming of spring is typically a cause for celebration, which for some will include Starburst jellybeans (per Exhibit 5.2), along with a delicious Honey-baked Ham for Easter dinner. Isn't life juicy?

Many factors can influence the need states of consumers. For instance, Maslow's hierarchy of needs suggests that a consumer's level of affluence

can have a dramatic impact on the types of needs he or she might perceive as relevant. The less fortunate are concerned with fundamental needs, such as food and shelter; more-affluent consumers may fret over which new piece of Williams-Sonoma kitchen gadgetry or other accoutrement to place in their uptown condo. The former's needs are predominantly for physiological survival and basic comfort, while the latter's may have more to do with seeking to validate personal accomplishments and derive status and recognition through consumption. While income clearly matters in this regard, it would be a mistake to believe that the poor have no aesthetic concerns, or that the rich are always oblivious to the need for basic essentials. The central point is that a variety of needs can be fulfilled through consumption, and it is reasonable to suggest that consumers are looking to satisfy needs when they buy products or services.

Products and services should provide benefits that fulfill consumers' needs; hence, one of the advertiser's primary jobs is to make the connection between the two for the consumer. Benefits come in many forms. Some are more functional—that is, they derive from the more objective performance characteristics of a product or service. Convenience, reliability, nutritiousness, durability, and energy efficiency are descriptors that refer to **functional benefits**.

Consumers may also choose products that provide **emotional benefits**; these are not typically found in some tangible feature or objective characteristic of a product. Emotional benefits are more subjective and may be perceived differently from one consumer to the next. Products and services help consumers feel pride, avoid guilt, relieve fear, and experience intense pleasure. These are powerful consumption motives that advertisers often try to activate. Can you find the emotional benefits promised in Exhibit 5.3?

Advertisers must develop a keen appreciation for the kinds of benefits that consumers derive from their brands. Even within the same product category, the benefits promised may vary widely. For instance, as shown in Exhibit 5.4, the makers of Colgate Total portray their toothpaste as the epitome of good hygiene. Twelve-hour protection from nasty bacteria is the functional benefit promised by Colgate. Conversely, for Crest Whitening Expressions, shown in Exhibit 5.5, the pictures speak for themselves. Here the benefit promise is an invigorating usage experience and a beautiful smile. Toothpaste is all about looking and feeling good. These dramatically disparate ads simply illustrate that consumers will look for different kinds of benefits, even in a simple product category like toothpaste. To create advertising that resonates with your consumers, you better have a good handle on the benefits they are, or could be, looking for.



SOME DAY SOON, HE'LL  
HAVE A SUPERHERO  
SEAT ON  
THE BUS, AND A NEW  
BEST FRIEND.

NOW, WHILE YOU CAN,  
JOHNSON'S BABY HIM.

Johnson's Baby Bath, still the mildest baby bath you can buy. And now the number one choice of hospitals. Today, teach him the meaning of gentle, with Johnson's Baby Bath. The mildest you can buy, it's clinically proven as gentle to his eyes as pure water—yet cleans far better than water ever could. It's hypoallergenic and carefully pH-balanced, too. No wonder it's the number one choice of hospitals. He'll grow up soon enough. For now, just Johnson's Baby him.

PROTECT THEM.  
SHIELDER THEM.  
JOHNSON'S BABY THEM.

All parents want to be good to their child. This ad promises both functional benefits and emotional rewards for diligent parents.  
<http://www.jnj.com>

**Information Search and Alternative Evaluation.** Given that a consumer has recognized a need, it is often not obvious what would be the best way to satisfy that need. For example, if you have a fear of being trapped in a blizzard in upstate New York, a condo on Miami Beach may be a much better solution than a Jeep or new snow tires. Need recognition simply sets in motion a process that may involve an extensive information search and careful evaluation of alternatives

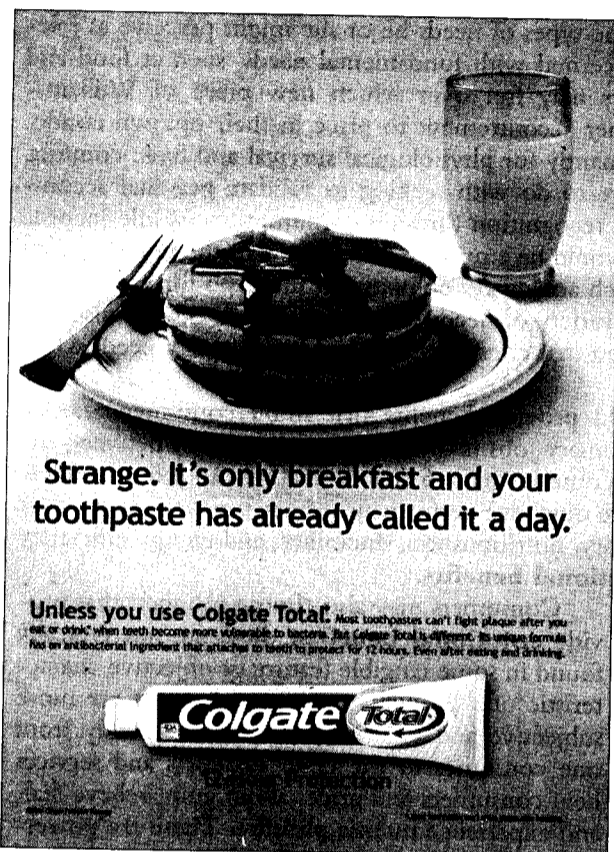


EXHIBIT 5.4

Functional benefits rule in this ad. Colgate Total keeps on working, even after a big plate of pancakes!



EXHIBIT 5.5

Has brushing your teeth ever been this exciting? If not, perhaps you could use a little Cinnamon Rush!

prior to purchase. Of course, during this search and evaluation, there are numerous opportunities for the advertiser to influence the final decision.

Once a need has been recognized, information for the decision is acquired through an internal or external search. The consumer's first option for information is to draw on personal experience and prior knowledge. This **internal search** for information may be all that is required. When a consumer has considerable prior experience with the products in question, attitudes about the alternatives may be well established and determine choice, as is suggested in the ad for Campbell's soup shown in Exhibit 5.6.

An internal search can also tap into information that has accumulated in one's memory as a result of repeated advertising exposures. Affecting people's beliefs about a brand before their actual use of it, or merely establishing the existence of the brand in the consumer's consciousness, is a critical function of advertising. As noted in Chapter 1, the purpose of delayed response advertising is to generate recognition of and a favorable predisposition toward a brand so that when consumers enter into search mode, that brand will be one they immediately consider as a possible solution to their needs. If the consumer has not used a brand previously and has no recollection that it even exists, then that brand probably will not be the brand of choice.

It is certainly plausible that an internal search will not turn up enough information to yield a decision. The consumer then proceeds with an **external search**. An external search involves visiting retail stores to examine the alternatives, seeking input from friends and relatives about their experiences with the products in ques-

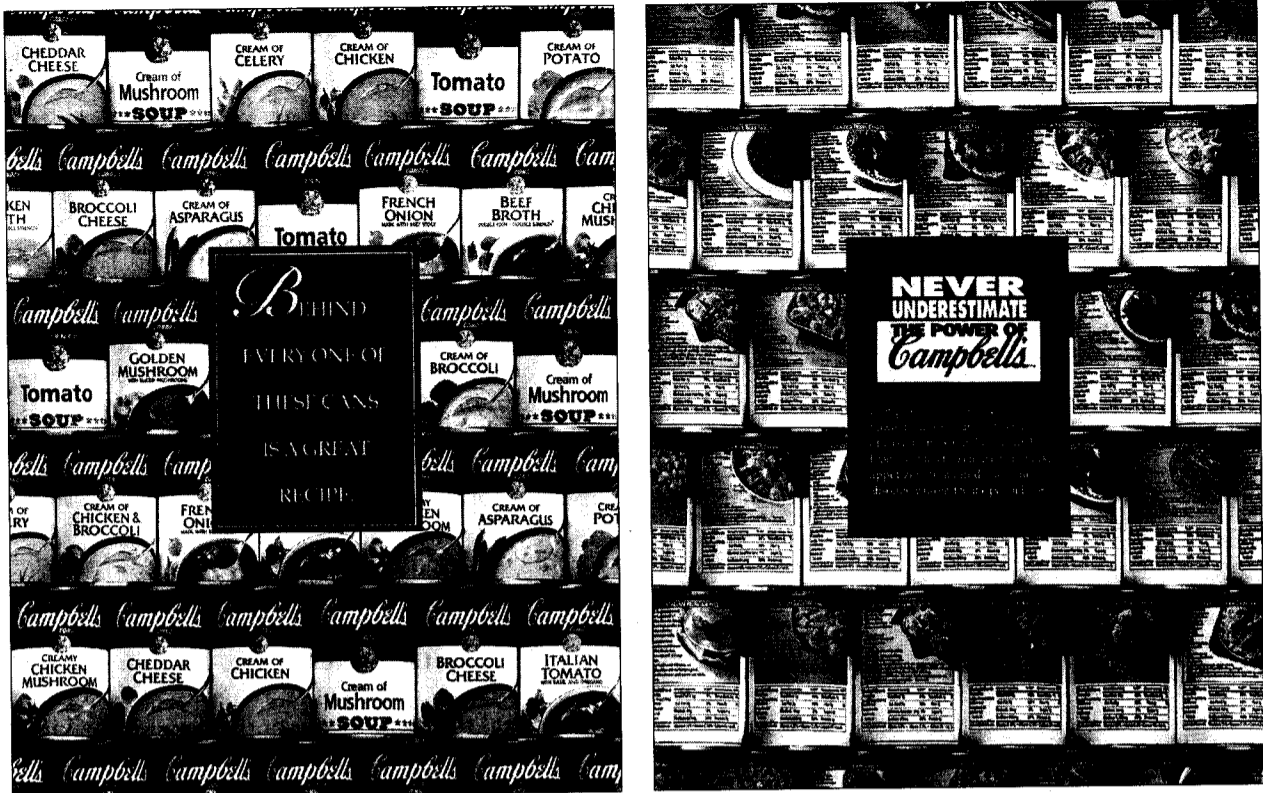


EXHIBIT 5.6

For a cultural icon such as Campbell's soup, an advertiser can assume that consumers have some prior knowledge. Here the advertiser seeks to enhance that knowledge to lead people to use more canned soup. <http://www.campbellsoups.com>

tion, or perusing professional product evaluations furnished in various publications such as *Consumer Reports* or *Car and Driver*. In addition, when consumers are in an active information-gathering mode, they may be receptive to detailed, informative advertisements delivered through any of the print media, or they may deploy a shopping agent or a search engine to scour the Internet for the best deal.

During an internal or external search, consumers are not merely gathering information for its own sake. They have some need that is propelling the process, and their goal is to make a decision that yields benefits. The consumer searches and is simultaneously forming attitudes about possible alternatives. This is the alternative-evaluation component of the decision process, and it is another key phase for the advertiser to target.

Alternative evaluation will be structured by the consumer's **consideration set** and evaluative criteria. The consideration set is the subset of brands from a particular product category that becomes the focal point of the consumer's evaluation. Most product categories contain too many brands for all to be considered, so the consumer finds some way to focus the search and evaluation. For example, for autos, consumers may consider only cars priced less than \$20,000, or only cars that have antilock brakes, or only foreign-made cars, or only cars sold at dealerships within a five-mile radius of their work or home. A critical function of advertising is to make consumers aware of the brand and keep them aware so that the brand has a chance to be part of the consideration set. Virtually all ads try to do this.

As the search-and-evaluation process proceeds, consumers form evaluations based on the characteristics or attributes that brands in their consideration set have in common. These product attributes or performance characteristics are referred to

**RECENTLY, SCIENTISTS  
IN BRAUNSCHWEIG, GERMANY, SET THE  
ATOMIC CLOCK BACK ONE FULL SECOND.  
OUR FLIGHT SCHEDULES HAVE  
BEEN ADJUSTED ACCORDINGLY.**



Every 365 days, more or less, the earth completes another revolution around the sun. It is a ritual as predictable as it is beautiful.

And for the last three of those revolutions, almost as predictably, Northwest has been the #1 on-time airline among the four largest U.S. carriers.

(Based on U.S. Department of Transportation consumer reports for the years 1990, 1991 and 1992.)

This sort of record should be expected from an airline that has made punctuality a sort of corporate mission.

For information or reservations, call your travel agent or Northwest at 1-800-225-2525.

And you'll soon understand why, in Switzerland, they say that a good watch "should run like a Northwest flight."


**EXHIBIT 5.7**

Advertisers must know the relevant evaluative criteria for their products. For an airline, on-time arrival is certainly an important matter.

<http://www.nwa.com>

**Postpurchase Use and Evaluation.** The goal for marketers and advertisers must not be simply to generate a sale; it must be to create satisfied and, ultimately, loyal customers. The data to support this position are quite astounding. Research shows that about 65 percent of the average company's business comes from its present, satisfied customers, and that 91 percent of dissatisfied customers will never buy again from the company that disappointed them.<sup>3</sup> Thus, consumers' evaluations of products in use become a major determinant of which brands will be in the consideration set the next time around.

**Customer satisfaction** derives from a favorable postpurchase experience. It may develop after a single use, but more likely it will require sustained use. Advertising can play an important role in inducing customer satisfaction by creating appropriate expectations for a brand's performance, or by helping the consumer who has already bought the advertised brand to feel good about doing so.

Advertising plays an important role in alleviating the **cognitive dissonance** that can occur after a purchase. Cognitive dissonance is the anxiety or regret that lingers after a difficult decision. Often, rejected alternatives have attractive features that lead people to second-guess their own decisions. If the goal is to generate satisfied customers, this dissonance must be resolved in a way that leads consumers to conclude that they did make the right decision after all. Purchasing high-cost items or choosing from categories that include many desirable and comparable brands can yield high levels of cognitive dissonance.

When dissonance is expected, it makes good sense for the advertiser to reassure buyers with detailed information about its brands. Postpurchase reinforcement programs might involve direct mail, e-mail, or other types of personalized contacts with

as **evaluative criteria**. Evaluative criteria differ from one product category to the next and can include many factors, such as price, texture, warranty terms, service support, color, scent, or carb content. As Exhibit 5.7 suggests, one traditional evaluative criterion for judging airlines has been on-time arrivals.

It is critical for advertisers to have as complete an understanding as possible of the evaluative criteria that consumers use to make their buying decisions. They must also know how consumers rate their brand in comparison with others from the consideration set. Understanding consumers' evaluative criteria furnishes a powerful starting point for any advertising campaign and will be examined in more depth later in the chapter.

**Purchase.** At this third stage, purchase occurs. The consumer has made a decision, and a sale is made. Great, right? Well, to a point. As nice as it is to make a sale, things are far from over at the point of sale. In fact, it would be a big mistake to view purchase as the culmination of the decision-making process. No matter what the product or service category, the consumer is likely to buy from it again in the future. So, what happens after the sale is very important to advertisers.

3. Terry G. Vavra, *Aftermarketing: How to Keep Customers for Life through Relationship Marketing* (Homewood, IL.: Business One Irwin, 1992), 13.

the customer. This postpurchase period represents a great opportunity for the advertiser to have the undivided attention of the consumer and to provide information and advice about product use that will increase customer satisfaction. That's the name of the game: customer satisfaction. Without satisfied customers, we can't have a successful business.

**Four Modes of Consumer Decision Making.** As you may be thinking about now, consumers aren't always deliberate and systematic; sometimes they are hasty, impulsive, or even irrational. The search time that people put into their purchases can vary dramatically for different types of products. Would you give the purchase of a toothbrush the same amount of effort as the purchase of a new MP3 player? Probably not, unless you've been chastised by your dentist recently. Why is that T-shirt you bought at a Dave Matthews concert more important to you than the brand of orange juice you had for breakfast this morning? Does buying a Valentine's gift from Victoria's Secret create different feelings than buying a newspaper for your father?

When you view a TV ad for car batteries, do you carefully memorize the information being presented so that it will be there to draw on the next time you're evaluating the brands in your consideration set?

Let's face it; some purchase decisions are just more engaging than others. In the following sections we will elaborate on the view of consumer as decision maker by explaining four decision-making modes that help advertisers appreciate the richness and complexity of consumer behavior. These four modes are determined by a consumer's involvement and prior experiences with the product or service in question.

**Sources of Involvement.** To accommodate the complexity of consumption decisions, those who study consumer behavior typically talk about the involvement level of any particular decision. **Involvement** is the degree of perceived relevance and personal importance accompanying the choice of a certain product or service within a particular context. Many factors have been identified as potential contributors to an individual's level of involvement with a consumption decision.<sup>4</sup> People can develop interests and avocations in many different areas, such as cooking, photography, pet ownership, or exercise and fitness. Such ongoing personal

interests can enhance involvement levels in a variety of product categories. Also, any time a great deal of risk is associated with a purchase—perhaps as a result of the high price of the item, or because the consumer will have to live with the decision for a long period of time—one should also expect elevated involvement.

Consumers can also derive important symbolic meaning from products and brands. Ownership or use of some products can help people reinforce some aspect of their self-image or make a statement to other people who are important to them. If a purchase carries great symbolic and real consequences—such as choosing the right gift for a special someone on Valentine's Day—it will be highly involving.

Some purchases can also tap into deep emotional concerns or motives. For example, many marketers, from Wal-Mart to Marathon Oil, have solicited consumers with an appeal to their patriotism. The ad for Casio watches (a Japanese product) in Exhibit 5.8 demonstrates that a product doesn't have to be American to wrap itself in the Stars and Stripes. And from the Global Issues box it should be



#### EXHIBIT 5.8

The emotional appeal in this Casio ad is just one of the many involvement devices. The play on water resistance also increases involvement as the reader perceives the double meaning. Describe how these devices work. How does Casio use involvement devices at its Web site, <http://www.casio-usa.com>, to encourage visitors to further explore its products on the site? Describe the involvement devices used by competitor Timex at its home page, <http://www.timex.com>.

4. Michael R. Solomon, *Consumer Behavior* (Upper Saddle River, N.J.: Pearson/Prentice Hall, 2004), ch. 4.



clear that patriotic appeals resonate with consumers around the world, not just the United States. The passions of patriotism can have significant impact on many things, including a person's level of involvement with a consumption decision.

## GLOBAL ISSUES

### Validating Global Brands in China

In a world that has become increasingly sensitive to national pride and prejudice, it is always a salient issue to consider how your import will be received in another country, and whether or not your "foreign brand" will be considered friend or foe. Savvy global brand builders typically take steps to validate their presence by supporting high-profile events that tap into the passions of patriotism. Recent examples from China demonstrate the effectiveness of this strategy.

For example, when China received the highly coveted honor of hosting the 2008 Olympic games, McDonald's was there front and center to celebrate this proud moment with the Chinese. McDonald's, aspiring to be a hip hangout for Chinese teens, invited customers to watch the Olympic announcement ceremony on TVs in its restaurants, and the following day offered free hamburgers as part of the celebration of China's victory. Similarly, Adidas helped the Chinese commemorate their qualification into the World Cup soccer tournament by launching an ad campaign featuring China's football hero, Fan Zhiyi. The ad also highlighted people from all over China wearing the Chinese team's official Adidas-sponsored shirt, but each with their own unique number ranging from 100 to 1.2 billion. The idea here was to promote a message of inclusion and pride, suggesting that each and every person shared in China's great accomplishment. Of course, that sharing is more self-evident for any person wearing some item of clothing sporting the Adidas logo.

Global brands like Nike, Coke, Disney, Wrigley, Adidas, and McDonald's have fared well in China. One reason is because of their skillful use of patriotic themes. But times will change. As China's economy matures, and local brand builders in China become more sophisticated and establish their own reputations for quality, competition will become fierce. And who knows . . . one day soon you may find Jianlibao cola or Li Ning athletic gear marketed in a store near you, using an appeal to your national pride. After all, turnabout is fair play when it comes to global brand building.

Sources: "Just Do It, Chinese-Style," *The Economist*, August 2, 2003, 59; and "Chinese Youth Aren't Patriotic Purchasers," *Advertising Age*, January 5, 2004, 6.

through alternative evaluation and purchase, and ends with a lengthy postpurchase evaluation.

Examples of extended problem solving come with decisions such as choosing a home or a diamond ring, as suggested by Exhibit 5.11. These products are expensive, are publicly evaluated, and can carry a considerable amount of risk in terms of making an uneducated decision. Buying one's first new automobile and choosing a college are two other consumption settings that may require extended problem solving. Extended problem solving is the exception, not the rule.

**Limited Problem Solving.** In this decision-making mode, experience and involvement are both low. **Limited problem solving** is a more common mode of

Involvement levels vary not only among product categories for any given individual, but also among individuals for any given product category. For example, some pet owners will feed their pets only the expensive canned products that look and smell like people food. IAMS, whose ad is featured in Exhibit 5.9, understands this and made a special premium dog food for consumers who think of their pets as humans. Many other pet owners, however, are perfectly happy with the 50-pound, economy-size bag of dry dog food.

Now we will use the ideas of involvement and prior experience to help conceive four different types of consumer decision making. These four modes are shown in Exhibit 5.10. Any specific consumption decision is based on a high or low level of prior experience with the product or service in question, and a high or low level of involvement. This yields the four modes of decision making: (1) extended problem solving; (2) limited problem solving; (3) habit or variety seeking; and (4) brand loyalty. Each is described in the following sections.

**Extended Problem Solving.** When consumers are inexperienced in a particular consumption setting yet find the setting highly involving, they are likely to engage in **extended problem solving**. In this mode, consumers go through a deliberate decision-making process that begins with explicit need recognition, proceeds with careful internal and external search, continues



## HOW HUMAN IS YOUR DOG?

**PEOPLE SMILE WHEN THEY'RE HAPPY FROM WHEN THEY'RE SAD DO DOGS?**

**IS HE A MEMBER OF YOUR FAMILY OR ARE YOU A MEMBER OF HIS?**

**YOU'RE CUTE, THIS BARK ON ME, AND YOU'RE FRIENDLY!**

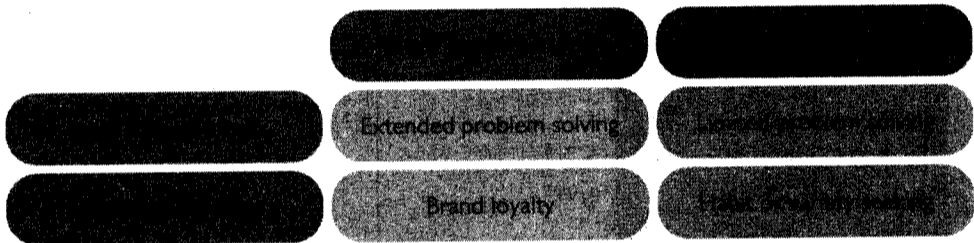
**IAMS**  
TREATS THAT MAKE A DIFFERENCE.  
THERE'S ALWAYS A REASON.

EXHIBIT 5.9

When people think of their pets as human beings, they take their selection of pet food very seriously. IAMS offers serious pet food for the serious dog owner. <http://www.iams.com>

EXHIBIT 5.10

Four modes of consumer decision making.



decision making. In this mode, a consumer is less systematic in his or her decision making. The consumer has a new problem to solve, but it is not a problem that is interesting or engaging, so the information search is limited to simply trying the first brand encountered. For example, let's say a young couple have just brought home a new baby, and suddenly they perceive a very real need for disposable diapers. At the hospital they received complimentary trial packs of several products, including Pampers disposables. They try the Pampers, find them an acceptable solution to their messy new problem, and take the discount coupon that came with the sample to their local grocery, where they buy several packages. In the limited problem-solving mode, we often see consumers simply seeking adequate solutions to mundane problems. It is also a mode in which just trying a brand or two may be the most efficient way of collecting information about one's options. Of course, smart marketers realize that trial offers can be a preferred means of collecting information, and they facilitate trial of their brands through free samples, inexpensive "trial sizes," or discount coupons.

**Habit or Variety Seeking.** Habit and variety seeking occur in settings where a decision isn't involving and a consumer repurchases from the category over and over

## She's expecting DIAMONDS. Don't PANIC. We can help.

**The way to a man's heart is through his stomach, but the way to a woman's usually involves a jeweler. Just think of golf clubs, or season tickets wrapped in a little black velvet box. That's how women feel about diamonds.**

**Find out what she has her heart set on. Is it a pendant, anniversary band, or car studs? You can find out by browsing with her, window shopping, watching her reactions to other women's jewelry, listening by body language, not just by what she says. Then, once you know the style, you can concentrate on the diamond.**

**Formed in the earth millions of years ago and found in the most remote corners of the world, rough diamonds are sorted by De Beers' experts into over 5,000 grades before they go on to be cut and polished. So be aware of what you are buying. Two diamonds of the same size may vary widely in quality. And if a price looks too good to be true, it probably is.**

**You want a diamond you can be proud of. So don't be attracted to a jeweler because of "bargain prices." Find diamonds that look the same are priced differently. You want someone who will help you determine quality and value using four characteristics called *The 4 Cs*. They are: *cut*, not the same as shape, but refers to the way the facets or flat surfaces are angled. A better cut offers more brilliance; *color*, actually, close to no color is rarest; *clarity*, the fewer natural marks or "inclusions" the better; *carat weight*, the larger the diamond, usually the more rare. Remember, the more you know, the more confident you can be in buying a diamond you'll always be proud of.**

**For the booklet "How to buy diamonds you'll be proud to give," call the American Gem Society, representing fine jewelers upholding gemological standards across the U.S., at 800-346-3636.**

**Go for diamonds beyond her wildest dreams. Go for something that reflects how you really feel. You want nothing less than a diamond as unique as you are. Not to mention as beautiful as that lovely perplexing creature who will wear it.**

Diamond Information Center  
Sponsored by De Beers Consolidated Mines, Ltd., Inc. 1999.  
A diamond is forever. De Beers.

EXHIBIT 5.11

High involvement and low experience typically yield extended problem solving. Buying an engagement ring is a perfect example of this scenario. This ad offers lots of advice for the extended problem solver. <http://www.adiamondisforever.com>

again. In terms of sheer numbers, habitual purchases are probably the most common decision-making mode. Consumers find a brand of laundry detergent that suits their needs, they run out of the product, and they buy it again. The cycle repeats itself many times per year in an almost mindless fashion. Getting in the habit of buying just one brand can be a way to simplify life and minimize the time invested in “nuisance” purchases. When a consumer perceives little difference among the various competitive brands, it is easier to buy the same brand repeatedly. A lot of consumption decisions are boring but necessary. Habits help us minimize the inconvenience.

In some product categories where a buying habit would be expected, an interesting phenomenon called variety seeking may be observed instead. Remember, **habit** refers to buying a single brand repeatedly as a solution to a simple consumption problem. This can be very tedious, and some consumers fight the boredom through variety seeking. **Variety seeking** refers to the tendency of consumers to switch their selection among various brands in a given category in a seemingly random pattern. This is not to say that a consumer will buy just any brand; he or she probably has two to five brands that all provide similar levels of satisfaction to a particular consumption problem. However, from one purchase occasion to the next, the individual will switch brands from within this set, just for the sake of variety.

Variety seeking is most likely to occur in frequently purchased categories where sensory experience, such as taste or smell, accompanies product use. In such categories,

no amount of ad spending can overcome the consumer’s basic desire for fresh sensory experience.<sup>5</sup> Satiation occurs after repeated use and leaves the consumer looking for a change of pace. Product categories such as soft drinks and alcoholic beverages, snack foods, breakfast cereals, and fast food are prone to variety seeking, so marketers in these categories must constantly be introducing new possibilities to consumers to feed their craving for variety. The new line of salads from McDonald’s featured in Exhibit 5.12 looks like a good match for the carb-conscious variety seeker.

**Brand Loyalty.** The final decision-making mode is typified by high involvement and rich prior experience. In this mode, **brand loyalty** becomes a major consideration in the purchase decision. Consumers demonstrate brand loyalty when they repeatedly purchase a single brand as their choice to fulfill a specific need. In one sense, brand-loyal purchasers may look as if they have developed a simple buying habit; however, it is important to distinguish brand loyalty from simple habit. Brand loyalty is based on highly favorable attitudes toward the brand and a conscious commitment to find this brand each time the consumer purchases from this category. Conversely, habits are merely consumption simplifiers that are not based on deeply held

convictions. Habits can be disrupted through a skillful combination of advertising and sales promotions. Spending advertising dollars to persuade truly brand-loyal consumers to try an alternative can be a great waste of resources.

Brands such as Sony, Starbucks, eBay, Apple, Gerber, Oakley, Coke, Heineken, IKEA, Calvin Klein, Tide, Harley-Davidson, Puma, FedEx, JBL, and Bath & Body

5. Shirley Leung, “Fast-Food Firms Big Budgets Don’t Buy Consumer Loyalty,” *Wall Street Journal*, July 24, 2003, B4.

Calories: 250  
Taste: 800

“Every day, the average adult spends 1.5 hours in a work environment and then attempts to find a way to deal with the stress of the day. It’s not surprising that many people turn to fast food for a quick, convenient meal option. What’s a job to do? I understand I don’t have, but I’ve still got an appetite!

Introducing the new perfect fit for the McDonald’s new salad line. The new Protein Salad. With 25g of protein, 10g of fiber, and 25g of fat, it’s the perfect fit for the carb-conscious variety seeker.

All participating McDonald’s. © 2003 McDonald’s. Sodium in Quarter Chicken Caesar is 680 mg. Sodium for low fat balsamic Vinaigrette is 700 mg.

I’m lovin’ it.

#### EXHIBIT 5.12

*New menu items are a must for most fast-food businesses and become a focal point in their advertising. Out with the old and in with the new is a fact of life for menu planners at McDonald’s.*

Works have inspired loyal consumers. Brand loyalty is something that any marketer aspires to have, but in a world filled with more-savvy consumers and endless product proliferation, it is becoming harder and harder to attain. Brand loyalty may emerge because the consumer perceives that one brand simply outperforms all others in providing some critical functional benefit. For example, the harried business executive may have grown loyal to FedEx's overnight delivery service as a result of repeated satisfactory experiences with FedEx—and as a result of FedEx's advertising that has repeatedly posed the question, "Why fool around with anyone else?"

Perhaps even more important, brand loyalty can be due to the emotional benefits that accompany certain brands. One of the strongest indicators for brand loyalty has to be the tendency on the part of some loyal consumers to tattoo their bodies with the insignia of their favorite brand. While statistics are not kept on this sort of thing, it would be reasonable to speculate that the worldwide leader in brand-name tattoos is Harley-Davidson. What accounts for Harley's fervent following? Is Harley's brand loyalty simply a function of performing better than its many competitors? Or does a Harley rider derive some deep emotional benefit from taking that big bike out on the open road and leaving civilization far behind? To understand loyalty for a brand such as Harley, one must turn to the emotional benefits, such as feelings of pride, kinship, and nostalgia that attend "the ride." Owning a Harley—perhaps complete with tattoo—makes a person feel different and special. Harley ads are designed to reaffirm the deep emotional appeal of this product.

Strong emotional benefits might be expected from consumption decisions that we classify as highly involving, and they are major determinants of brand loyalty. Indeed, with so many brands in the marketplace, it is becoming harder and harder to create loyalty for one's brand through functional benefits alone. To break free of this brand-parity problem and provide consumers with enduring reasons to become or stay loyal, advertisers are investing more and more effort in communicating the emotional benefits that might be derived from brands in categories as diverse as greeting cards (Hallmark—"When you care enough to send the very best") and vacation hot spots (Las Vegas—"What happens here, stays here.")

In addition, as suggested by the Creativity box, many companies are exploring ways to use the Internet to create dialogue and community with customers. To do this, one must look for means to connect with customers at an emotional level.



**Key Psychological Processes.** To complete our consideration of the consumer as a thoughtful decision maker, one key issue remains. We need to examine the explicit psychological consequences of advertising. What does advertising leave in the minds of consumers that ultimately may influence their behavior? For those of you who have taken psychology courses, many of the topics in this section will sound familiar.

As we noted earlier in the chapter, a good deal of advertising is designed to ensure recognition and create favorable predispositions toward a brand so that as consumers search for solutions to their problems, they will think of the brand immediately. The goal of any delayed-response ad is to affect some psychological state that will subsequently influence a purchase.

Two ideas borrowed from social psychology are usually the center of attention when discussing the psychological aspects of advertising. First is attitude. **Attitude** is defined as an overall evaluation of any object, person, or issue that varies along a continuum, such as favorable to unfavorable or positive to negative. Attitudes are learned, and if they are based on substantial experience with the object or issue in question, they can be held with great conviction. Attitudes make our lives easier because they simplify decision making; that is, when faced with a choice among several alternatives, we do not need to process new information or analyze the merits of the alternatives. We merely select the alternative we think is the most favorable.

We all possess attitudes on thousands of topics, ranging from political candidates to underage drinking. Marketers and advertisers, however, are most interested in one particular class of attitudes—brand attitudes.

## CREATIVITY

### Creative Brand Building: Digital Storytelling Unleashes the Power of Emotion

The premise of interactive media seems ideally suited for brand development. After all, *interactive* by definition is a two-way communication between buyer and seller; communication builds relationships, and relationships translate into brand loyalty. Right? Well, the rules of online marketing are far from established, but the Internet may prove to be the most powerful tool ever in creating long-term relationships with brand-conscious consumers. And maybe, just maybe, it can be as simple as asking consumers to tell their own stories. Traditional brand builders such as Coca-Cola, McDonald's, and Ford Motor Company are determined to find out.

Digital StoryTelling (DST)—which combines the glamour and reach of the Internet with the emotional appeal of personal stories—is surely among the most innovative applications of the Web for brand-building purposes. While advertisers have always used stories in an effort to sell their products, this is not business as usual. Unlike conventional mass media, wherein company-created stories are told in an effort to persuade customers, DST seeks to build community around a brand by inviting consumers to share their experiences with the brand. This sharing leads to stories that are much more authentic and interactive than just another TV testimonial.

How does one foster this unique form of storytelling? Any number of ways. Coca-Cola hires the Web equivalent of a TV ad producer to seek out, record, and produce customer stories that are Web-ready. Coke also features the best of these stories at its DST exhibit inside its Atlanta headquarters. According to Coke's chief DST archivist, "You simply can't buy advertising as emotionally potent as a good customer story. DST helped us pop the lid on a lot of emotional ties that we just hadn't been able to capture in our marketing before the Internet." With no real prospects of differentiating its brand on the basis of functional benefits, it's easy to understand the enthusiasm of Coke execs for unleashing emotional ties.

Sources: "Tell Me a (Digital) Story," *BusinessWeek E.Biz*, May 15, 2000, EB92-EB94 and <http://www2.coca-cola.com/heritage/stories/>.

**Brand attitudes** are summary evaluations that reflect preferences for various products and services. The next time you are waiting in a checkout line at the grocery, take a good look at the items in your cart. Those items are a direct reflection of your brand attitudes.

But what is the basis for these summary evaluations? Where do brand attitudes come from? Here we need a second idea from social psychology. To understand why people hold certain attitudes, we need to assess their specific beliefs. **Beliefs** represent the knowledge and feelings a person has accumulated about an object or issue. They can be logical and factual in nature, or biased and self-serving. A person might believe that the Mini Cooper is cute, that garlic consumption promotes weight loss, and that pet owners are lonely people. For that person, all these beliefs are valid and can serve as a basis for attitudes toward Minis, garlic, and pets.

If we know a person's beliefs, it is usually possible to infer attitude. Consider the two consumers' beliefs about Cadillac summarized in Exhibit 5.13. From their beliefs, we might suspect that one of these consumers is a prospective Cadillac owner, while the other will need a dramatic change in beliefs to ever make Cadillac part of his or her consideration set. It follows that the brand attitudes of the two individuals are at opposite ends of the favorableness continuum.

#### EXHIBIT 5.13

An example of two consumers' beliefs about Caddies.

#### Consumer 1

- Cadillacs are clumsy to drive.
- Cadillacs are expensive.
- Cadillacs are gas guzzlers.
- Cadillacs are large.
- Cadillacs are for senior citizens.

#### Consumer 2

- Cadillacs are luxurious.
- Cadillacs have great resale value.
- Cadillacs have OnStar.
- Cadillacs TV ads rock!
- Cadillacs aren't what they used to be.