The Study of Media Involvement, conducted by Beta Research, an independent research firm, reports that magazines are the medium turned to most by consumers for knowledge, information, and usable ideas. In fact, 95 percent of U.S. adults cite magazines as their premier source of insight and ideas. This is also true when consumers seek information about specific topics affecting their lives—ranging from automobiles to fashion to personal finance.
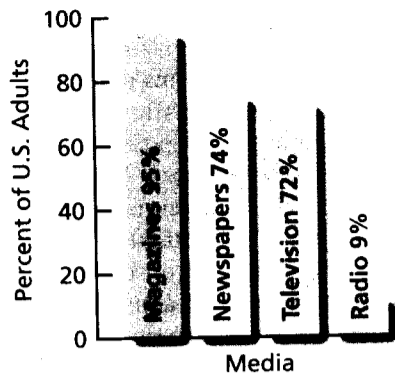

Figure 12-2 Magazines are the premier source of consumer knowledge

Note: Based on net of 12 measured product categories, multiple responses.

Percent of Adults Referring to:

Area of Interest	Magazines	TV	Newspapers	Radio
Automobiles	39%	21%	29%	1%
Beauty and grooming	63	20	5	0
Clothing and fashion	58	18	15	0
Computers: hardware and software	54	14	11	0
Food	50	19	22	1
Fitness and exercise	49	36	6	1
Financial planning	45	11	31	2
Home repair/decorating	69	13	11	0
Sports: equipment/performance	49	24	7	1
Travel: personal and business	42	16	29	2

Services   A final advantage of magazines is the special services some publications offer advertisers. Some magazines have merchandising staffs that call on trade intermediaries like retailers to let them know a product is being advertised in their publication and to encourage them to display or promote the item. Another service offered by magazines (usually the larger ones) is research studies that they conduct on consumers. These studies may deal with general consumer trends, changing purchase patterns, and media usage or may be relevant to a specific product or industry.

An important service offered by some magazines is **split runs,** where two or more versions of an ad are printed in alternate copies of a particular issue of a magazine. This service is used to conduct a split-run test, which allows the advertiser to determine which ad generates the most responses or inquiries, providing some evidence as to their effectiveness.

Disadvantages of Magazines

Although the advantages offered by magazines are considerable, they have certain drawbacks too. These include the costs of advertising, their limited reach and frequency, the long lead time required in placing an ad, and the problem of clutter and heavy advertising competition.

Costs   The costs of advertising in magazines vary according to the size of the audience they reach and their selectivity. Advertising in large mass-circulation magazines like *TV Guide, Time,* or *Reader's Digest* can be very expensive. For example, a full-page, four-color ad in *Time* magazine's national edition (circulation 4.2 million) cost

$202,000 in 2002. Popular positions such as the back cover cost even more. By contrast, a full-page, four-color ad in *Tennis* (circulation 710,000) cost $64,000.

Like any medium, magazines must be considered not only from an absolute cost perspective but also in terms of relative costs. Most magazines emphasize their effectiveness in reaching specific target audiences at a low cost per thousand. Also, an increasing number of magazines are offering demographic and geographic editions, which helps lower their costs. Media planners generally focus on the relative costs of a publication in reaching their target audience. However, they may recommend a magazine with a high cost per thousand because of its ability to reach a small, specialized market segment. Of course, advertisers with limited budgets will be interested in the absolute costs of space in a magazine and the costs of producing quality ads for these publications.

Limited Reach and Frequency   Magazines are generally not as effective as other media in offering reach and frequency. While nearly 90 percent of adults in the United States read one or more consumer magazines each month, the percentage of adults reading any individual publication tends to be much smaller, so magazines have a thin penetration of households. For example, *Reader's Digest* has the third-highest circulation of any magazine, at 12.2 million, but this represents only 11 percent of the 106 million households in the United States.

As shown in Figure 12-3, only 37 magazines had a paid circulation over 2 million in 2002. Thus, advertisers seeking broad reach must make media buys in a number of magazines, which means more negotiations and transactions. For a broad-reach strategy, magazines are used in conjunction with other media. Since most magazines are monthly or at best weekly publications, the opportunity for building frequency through the use of the same publication is limited. Using multiple ads in the same issue of a publication is an inefficient way to build frequency. Most advertisers try to achieve frequency by adding other magazines with similar audiences to the media schedule.

Long Lead Time   Another drawback of magazines is the long lead time needed to place an ad. Most major publications have a 30- to 90-day lead time, which means space must be purchased and the ad must be prepared well in advance of the actual publication date. No changes in the art or copy of the ad can be made after the closing date. This long lead time means magazine ads cannot be as timely as other media, such as radio or newspapers, in responding to current events or changing market conditions.

Clutter and Competition   While the problem of advertising clutter is generally discussed in reference to the broadcast media, magazines also have this drawback. The clutter problem for magazines is something of a paradox: The more successful a magazine becomes, the more advertising pages it attracts, and this leads to greater clutter. In fact, magazines generally gauge their success in terms of the number of advertising pages they sell.

Magazine publishers do attempt to control the clutter problem by maintaining a reasonable balance of editorial pages to advertising. According to the Magazine Publishers of America, the average consumer magazine contains 45 percent advertising and 55 percent editorial.[11] However, many magazines contain ads on more than half of their pages. This clutter makes it difficult for an advertiser to gain readers' attention and draw them into the ad. Thus, many print ads use strong visual images, catchy headlines, or some of the creative techniques discussed earlier to grab the interest of magazine readers. Some advertisers create their own custom magazines to sidestep the advertising clutter problem as well as to have control over editorial content. A number of companies have also been publishing their own magazines to build relationships with their customers. For example, Farmer's Insurance sends its customers a magazine called *The Friendly Review* that contains useful articles on a variety of topics. Swedish retailer IKEA has partnered with John Brown Contract Publishing to custom-publish a magazine titled *space*.[12] *space* is both a showcase for IKEA merchandise and a magazine that contains informative articles about home furnishings, modern design, and

Figure 12-3 Top 50 magazines in average paid circulation

Rank	Publication	Total Paid Circulation	Rank	Publication	Total Paid Circulation
1	NRTA/AARP Bulletin	21,712,410	26	Southern Living	2,546,471
2	AARP Modern Maturity	17,538,189	27	Glamour	2,509,566
3	Reader's Digest	12,212,040	28	Seventeen	2,431,943
4	TV Guide	9,072,609	29	Redbook	2,380,410
5	Better Homes and Gardens	7,602,575	30	Martha Stewart Living	2,323,129
6	National Geographic	6,890,852	31	O, The Oprah Magazine	2,275,599
7	Good Housekeeping	4,708,964	32	YM	2,262,574
8	Family Circle	4,671,052	33	AAA Going Places	2,191,629
9	Woman's Day	4,167,933	34	Parents	2,092,443
10	Time—The Weekly Newsmagazine	4,114,137	35	Smithsonian	2,040,294
			36	Parenting Magazine	2,039,462
11	Ladies' Home Journal	4,101,280	37	U.S. News & World Report	2,018,621
12	My Generation	3,846,955	38	Money	1,945,265
13	People Weekly	3,617,127	39	Ebony	1,884,739
14	Rosie	3,503,993	40	National Enquirer	1,801,598
15	Westways	3,328,280	41	Country Living	1,711,449
16	Home & Away	3,313,966	42	Shape	1,692,690
17	Sports Illustrated	3,252,896	43	Woman's World	1,668,482
18	Newsweek	3,248,097	44	In Style	1,660,193
19	Playboy	3,217,269	45	Men's Health	1,659,594
20	Prevention	3,131,814	46	Teen People	1,651,723
21	Cosmopolitan	2,963,351	47	VFW Magazine	1,645,944
22	Guideposts	2,747,626	48	Entertainment Weekly	1,635,623
23	Via Magazine	2,655,203	49	Cooking Light	1,603,680
24	American Legion Magazine	2,644,518	50	Golf Digest	1,578,248
25	Maxim	2,569,172			

Note: Figures are averages for first six months of 2002 based on Audit Bureau of Circulation statements.
Source: Magazine Publishers of America, fact sheet, www.magazine.org.

lifestyle trends. *space* is sold at IKEA stores, and on newsstands, throughout North America. Custom-published magazines have also become very popular among tobacco companies, such as Philip Morris, which direct-mail them to their customer base.[13] IMC Perspective 12-2 discusses how a number of companies are now publishing "admazines" to better communicate with their customers.

Clutter is not as serious an issue for the print media as for radio or TV, since consumers tend to be more receptive and tolerant of print advertising. They can also control their exposure to a magazine ad simply by turning the page.

Magazine Circulation and Readership

Two of the most important considerations in deciding whether to use a magazine in the advertising media plan are the size and characteristics of the audience it reaches. Media buyers evaluate magazines on the basis of their ability to deliver the advertiser's message to as many people as possible in the target audience. To do this, they must consider the circulation of the publication as well as its total readership and match these figures against the audience they are attempting to reach.

Companies Create "Admazines" to Connect with Customers

Advertising clutter is a problem in most media, and magazines are no exception. The average consumer magazine has ads on nearly half of its pages, and in some publications the percentage is even higher. Some companies are dealing with the clutter problem by publishing their own custom magazines. Custom publications started more than 10 years ago; some of the latest include *No Boundaries,* a quarterly publication from Ford that is sent to owners of the company's sport utility vehicles; *Everyday Pictures,* which is published by Kodak; *Nikegoddess,* which is an important part of Nike's efforts to reach women; and *Mary Beth's Beanies & More,* a bright bimonthly that quickly sold out its 100,000-copy premier issue, which cost $5. Marketers spend nearly $1.5 billion a year producing their own magazines, according to the Custom Publishing Council, and more companies are entering the fray.

Custom publications offer marketers a way of dealing with the clutter problem, but there are also other reasons why companies with big brand names are publishing their own "admazines." Marketers have total control of the editorial and advertising content of these publications and view them as a way of providing valuable information to their customers that can help with retention and loyalty. Kodak's new custom magazine, *Everyday Pictures,* is sized to fit in supermarket checkout racks and provides the average person with tips on how to take better pictures. A Kodak consumer-imaging-product manager notes: "There was nothing in the photography category that spoke to the average soccer mom."

Ford feels that its new publication, *No Boundaries,* can play an important role in creating owner loyalty. The magazine contains seasonal outdoor-adventure and travel stories and provides owners of Ford SUVs, such as Explorers, Expeditions, and Excursions, with the opportunity to purchase gear and clothing brands. Ford's advertising agency, J. Walter Thompson, suggested the customer magazine because "it can take us to places where advertising would never let us" in developing owner loyalty. The magazine also complements Ford's move into television programming, which will include a TV program with the same name.

Nike's new custom publication, *Nikegoddess,* is sent to select subscribers of women's magazines such as *Sports Illustrated for Women, In Style, Self,* and *Teen People* and is also available at the company's Nike Town stores and retailers such as Nordstrom and Finish Line. The quarterly publication is part of the company's effort to communicate better with women and showcases Nike's women's products as well as providing lifestyle fitness and sports information. In early 2002 Nike launched another custom publication, *Brand Jordan,* in partnership with Hearst Custom Publishing. Nike plans to publish the magazine four times a year and will use it primarily to promote the company's new Jordan brand.

Many in the publishing industry feel that the number of custom publications will increase in the future. Publishers are interested in doing deals with major companies and brands to lessen the financial risk of launching a new magazine, and marketers see such publications as another means of communicating with their customers and connecting them to their brands. As new technology makes it easier for companies to build databases and track their customers, many are looking to custom magazines as a way of communicating with their most valued customers and building long-term relationships with them.

Sources: Aileen Jacobson, "Magazines with a Message: Companies Are Turning to Custom Publications to Build Goodwill—and Sales," *Newsday,* Feb. 13, 2002, p. B6; Theresa Howard, "They Look Like Magazines, but They're Really Ads," *USA Today,* Aug. 13, 2001, p. B4.
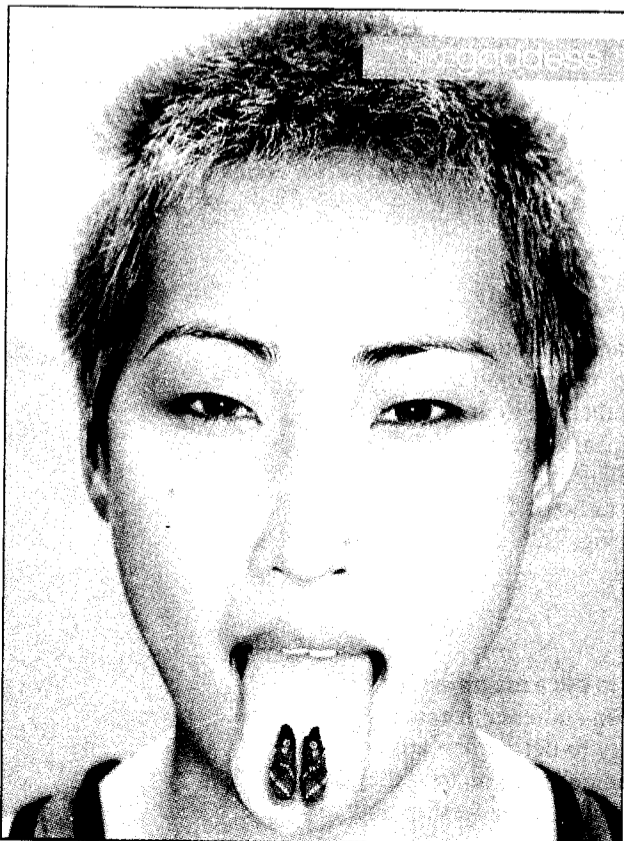
Circulation   Circulation figures represent the number of individuals who receive a publication through either subscription or store purchase. The number of copies distributed to these original subscribers or purchasers is known as *primary circulation* and is the basis for the magazine's rate structure. Circulation fluctuates from issue to issue, particularly for magazines that rely heavily on retail or newsstand sales. Many publications base their rates on *guaranteed circulation* and give advertisers a rebate if the number of delivered magazines falls below the guarantee. To minimize rebating, most guaranteed circulation figures are conservative; that is, they are set safely below the average actual delivered circulation. Advertisers are not charged for any excess circulation.

Many publishers became unhappy with the guaranteed circulation concept, since it requires them to provide refunds if guarantees are not met but results in a bonus for advertisers when circulation exceeds the guarantee. Thus, many publications have gone to a circulation rate base system. Rates are based on a set average circulation that is nearly always below the actual circulation delivered by a given issue but carries no guarantee. However, circulation is unlikely to fall below the rate base, since this would reflect negatively on the publication and make it difficult to attract advertisers at prevailing rates.

Circulation Verification   Given that circulation figures are the basis for a magazine's advertising rates and one of the primary considerations in selecting a publication, the credibility of circulation figures is important. Most major publications are audited by one of the circulation verification services. Consumer magazines and farm publications are audited by the Audit Bureau of Circulations (ABC), which was organized in 1914 and is sponsored by advertisers, agencies, and publishers. ABC collects and evaluates information regarding the subscriptions and sales of magazines and newspapers to verify their circulation figures. Only publications with 70 percent or more paid circulation are eligible for verification audits by ABC. In 2002 the ABC approved new guidelines for counting magazine circulation and sales. The changes did away with the long-standing "50 percent rule," in which copies that sold for less than half of the basic price of a magazine could not be counted as paid circulation. Under the new rules copies sold at any price may be counted, but the magazine must disclose sales and prices in its circulation statements.[14] Certain business publications are audited by the Business Publications Audit (BPA) of Circulation. Many of these are published on a **controlled-circulation basis,** meaning copies are sent (usually free) to individuals the publisher believes can influence the company's purchases.

Circulation verification services provide media planners with reliable figures regarding the size and distribution of a magazine's circulation that help them evaluate its worth as a media vehicle. The ABC statement also provides other important information. It shows how a magazine is distributed by state and size, as well as percentage of the circulation sold at less than full value and percentage arrears (how many subscriptions are being given away). Many advertisers believe that subscribers who pay for a magazine are more likely to read it than are those who get it at a discount or for free.

Media buyers are generally skeptical about publications whose circulation figures are not audited by one of the verification services, and some companies will not advertise in unaudited publications. Circulation data, along with the auditing source, are available from Standard Rate and Data Service or from the publication itself. Exhibit 12-10 shows a sample magazine publisher's statement, which is subject to audit by Audit Bureau of Circulations.

Readership and Total Audience   Advertisers are often interested in the number of people a publication reaches as a result of secondary, or pass-along, readership. **Pass-along readership** can occur when the primary subscriber or purchaser gives a magazine to another person or when the publication is read in doctors' waiting rooms or beauty salons, on airplanes, and so forth.

Advertisers generally attach greater value to the primary in-home reader than the pass-along reader or out-of-home reader, as the former generally spends more time with the publication, picks it up more often, and receives greater satisfaction from it. Thus, this reader is more likely to be attentive and responsive to ads. However, the

Exhibit 12-10 Example of an Audit Bureau of Circulations publisher's statement

value of pass-along readers should not be discounted. They can greatly expand a magazine's readership. *People* magazine commissioned a media research study to determine that its out-of-home audience spends as much time reading the publication as do its primary in-home readers.
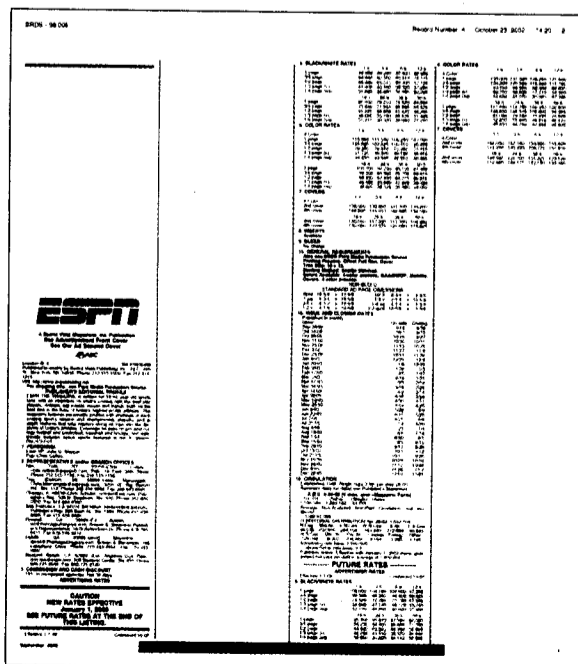
You can calculate the **total audience,** or **readership,** of a magazine by multiplying the readers per copy (the total number of primary and pass-along readers) by the circulation of an average issue. For example, a magazine that has a circulation of 1 million and 3.5 readers per copy has a total audience of 3.5 million. However, rate structures are generally based on the more verifiable primary circulation figures, and many media planners devalue pass-along readers by as much as 50 percent. Total readership estimates are reported by major syndicated magazine research services (discussed next), but media buyers view these numbers with suspicion.

Exhibit 12-11 Information about magazines is available from SRDS

Audience Information and Research for Magazines

A very valuable source for information on magazines is the Standard Rate and Data Service (SRDS), whose print and online service provides complete planning information on domestic and international consumer magazines as well as business and health care trade publications. The SRDS proprietary database contains standardized ad rates, circulation figures, dates, general requirements, contact information, and links to online media kits, websites, and audit statements that provide additional information on readership and positioning. Exhibit 12-11 shows an example of the type of information that is available about magazines from SRDS.

While circulation and total audience size are important in selecting a media vehicle, the media planner is also interested in the match between the magazine's readers and the advertiser's

Greg Hancock

Sales Representative for *Rolling Stone* Magazine

I chose the University of Southern California to get my undergraduate degree because they had one of the top-rated Business Entrepreneurship programs, which I felt would prepare me to own my own business. However, after graduating I realized it takes a lot of money and experience to start up a new business. I lacked both, so I searched for a job to learn sales, marketing and advertising. These are important skills, no matter what industry you work in.

Using my social network, I found a friend of a friend that sold advertising for magazines. I offered to take her for lunch to learn more about her job. Following lunch, she introduced me to her boss, the owner of the James G. Elliott Company, a Los Angeles Rep Firm (a Rep Firm is sometimes used by a magazine to sell their advertising rather than using an in-house sales team). They had an entry-level position available, but unfortunately "entry-level" in the ad sales industry meant at least a couple of years of experience. Most people selling advertising get their start by working at an ad agency. They learn the industry, and then move into sales. Although I did not have enough experience, I just kept calling. I told Jim Elliott, "Give me three months to prove myself and if you don't like me you don't have to pay me!" It turns out persistence was more important than experience and they offered me the job.

I worked for the rep firm for four years, selling ads for more than 11 different magazines—many you've probably never heard of including *Sporting Goods Dealer, North American Hunter,* and *Attache* (the US Airways in-flight magazine). As my knowledge and selling skills improved, I was allowed to work on magazines with larger circulation such as *Popular Science.* Larger circulation means higher ad cost, which means higher commissions. Each magazine exposed me to a different group of clients and it wasn't long before I started getting calls from other magazines to work for them. After a 6-month stint at *Shape* magazine, I received a call from *Rolling Stone.* I had finally made it to one of the most recognizable and highly respected magazines in the industry.

Since 1967 *Rolling Stone* has been the largest music magazine in the US and arguably one of the most influential voices in matters of pop culture. With an audience of over 11,000,000 readers every two weeks, we reach an outstanding audience for advertisers to deliver their message. I'm responsible for over $7 million dollars of advertising every year coming from a list of hundreds of potential advertisers including: Toyota, Honda, and Nissan; high tech companies like Apple Computers and Symantec; and fashion accounts like Guess and Skechers. The pressure is high, the workload is heavy, but the perks are outstanding. Sales is not just about selling a product, it's also about building relationships and friendships. We do this by entertaining our cients—lunches and dinners in the best restaurants, drinks at the coolest clubs, and of course, great seats to the hottest concerts.

Ultimately the sale of an ad comes down to the research we show the buyers regarding our readers. They want to know as much as possible about the reader of *Rolling Stone* including their demographic and psychographic profiles and how well our readers match the target market the advertiser wants to reach. Research is the key and it is best learned by working for an advertising agency first.

"My job requires a lot of hard work but it is also a lot of fun."

My job requires a lot of hard work but it is also a lot of fun and there are many things about it that suit me very well. I like to be in charge, I need flexibility, and I like to be paid well for what I do. So here are my words of advice for those of you who want to pursue a career in business: You can try to climb the corporate ladder quickly by skipping steps, but at some point, you'll need to know what steps you skipped or you'll end up falling back down faster than you went up! In the words of the Talking Heads, "And you may find yourself in a beautiful house, with a beautiful wife. And you may ask yourself—Well, how did I get here?"

target audience. Information on readers is available from several sources, including the publication's own research and syndicated studies. Most magazines provide media planners with reports detailing readers' demographics, financial profile, lifestyle, and product usage characteristics. The larger the publication, the more detailed and comprehensive the information it usually can supply about its readers.

Syndicated research studies are also available. For consumer magazines, primary sources of information are Simmons Market Research Bureau's *Study of Media and Markets* and the studies of Mediamark Research Inc. (MRI). These studies provide a broad range of information on the audiences of major national and regional magazines, including demographics, lifestyle characteristics, and product purchase and usage data. Most large ad agencies and media buying services also conduct ongoing research on the media habits of consumers. All this information helps determine the value of various magazines in reaching particular types of product users.

Audience information is generally more limited for business publications than for consumer magazines. The widely dispersed readership and nature of business publication readers make audience research more difficult. Media planners generally rely on information provided by the publication or by sources such as Standard Rate and Data Service. SRDS's Business Publication Advertising Source provides the titles of individuals who receive the publication and the type of industry in which they work. This information can be of value in understanding the audiences reached by various business magazines.

Purchasing Magazine Advertising Space

Cost Elements
Magazine rates are primarily a function of circulation. Other variables include the size of the ad, its position in the publication, the particular editions (geographic, demographic) chosen, any special mechanical or production requirements, and the number and frequency of insertions.

Advertising space is generally sold on the basis of space units such as full page, half page, and quarter page, although some publications quote rates on the basis of column inches. The larger the ad, the greater the cost. However, many advertisers use full-page ads since they result in more attention and readership. Studies have found that full-page ads generated 30 percent more readership than half-page ads.[15]

Ads can be produced or run using black and white, black and white plus one color, or four colors. The more color used in the ad, the greater the expense because of the increased printing costs. On average, a four-color ad costs 30 percent more than a black-and-white ad. Advertisers generally prefer color ads because they have greater visual impact and are superior for attracting and holding attention.[16] Roper Starch Worldwide analyzed the effect of various factors on the readership of magazine ads. The "noted" scores (the percentage of readers who remember seeing the ad in a publication they read) are anywhere from 6 to 59 percent higher for a four-color full-page ad than for a black-and-white ad, depending on the product category. "Read-most" scores (the percentage who say they read more than half of the copy of an ad) are also higher for four-color versus black-and-white ads, by about 25 percent on average.[17] Other studies have examined the impact of size and color and found that a four-color spread (two facing pages) outperforms a one-page color ad by 30 percent and a black-and-white spread by 35 percent in terms of ad recall.[18] Ads requiring special mechanical production such as bleed pages or inserts may also cost extra.

Rates for magazine ad space can also vary according to the number of times an ad runs and the amount of money spent during a specific period. The more often an advertiser contracts to run an ad, the lower are the space charges. Volume discounts are based on the total space purchased within a contract year, measured in dollars. Advertisers can also save money by purchasing advertising in magazine combinations, or networks.

Magazine networks offer the advertiser the opportunity to buy space in a group of publications as a package deal. The publisher usually has a variety of magazines that reach audiences with similar characteristics. Networks can also be publishers of a group of magazines with diversified audiences or independent networks that sell space in groups of magazines published by different companies. For example, the News Network sells space in a group of news-oriented publications such as *Time, Newsweek,*

and *U.S. News & World Report.* The Ivy League Network is a consortium of alumni magazines of Ivy League schools and one non-Ivy, Stanford University. Advertisers can purchase ad space and reach the well-educated, affluent alumni of all eight schools with one media purchase through the network (Exhibit 12-12).

The Future for Magazines

Like other major advertising media, magazines are strongly impacted by the economy and the increases and decreases in ad spending that occur with changes in economic situations. The past several years have been very difficult for the magazine industry; many publications experienced reductions in revenue as advertisers cut back on spending due to the recession.[19] Many publications saw their number of advertising pages decline and found it difficult to raise their rates to offset the reduction in ad pages. And while advertising revenue has been decreasing, publishers' other major revenue stream, circulation, has also been declining. A number of magazines, such as *Working Woman* and *Industry Standard,* could not survive these reductions in revenue and ceased publication.[20] Several computer/Internet magazines were impacted by the reductions in ad spending by dot-com and computer companies and went out of business, including *Family PC* and *Yahoo! Internet Life.*

While the health of the economy has a major impact on the magazine industry, there are a number of other important issues facing the industry. The costs of paper and ink continue to rise, and the industry has had to weather several significant increases in postal rates in recent years, which have had a major impact on their cost structure.[21] Magazines are also facing strong competition from other media such as television, the Internet, and direct mail; and, as discussed in IMC Perspective 12-3, they are being asked to demonstrate that they can build brand awareness and help increase sales. Publishers are looking at a number of ways to improve their position—including stronger editorial platforms, better circulation management, cross-magazine and media deals, database marketing, technological advances, and electronic delivery methods—to make advertising in magazines more appealing to marketers.

Stronger Editorial Platforms Magazines with strong editorial platforms that appeal to the interests, lifestyles, and changing demographics of consumers as well as business and market trends in the new millennium are in the best position to attract readers and advertisers. For example, *Fast Company* has been successful by developing a different type of business magazine that provides readers with information and ideas for succeeding in the modern workplace (See Exhibit 12-13). Publications such as *Maxim, FHM,* and *Stuff* have been very successful at targeting a group described as "adultescents," 18- to 34-year-old males who cling to the trappings of youth culture.[22]

Circulation Management One of the major challenges facing magazine publishers is trying to increase or even maintain their circulation bases. Circulation is the second major source of revenue for most publications, and publishers must carefully manage the costs of attracting and maintaining additional readers or subscribers. The cost of acquiring subscriptions has increased dramatically over the past decade. At the same time, there has been a decline in
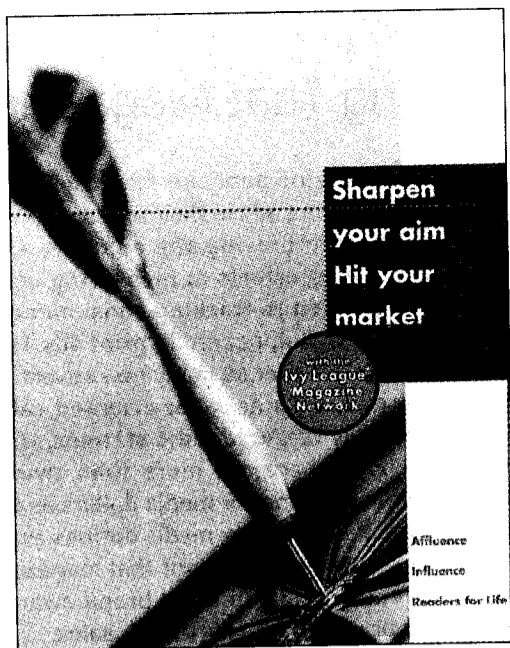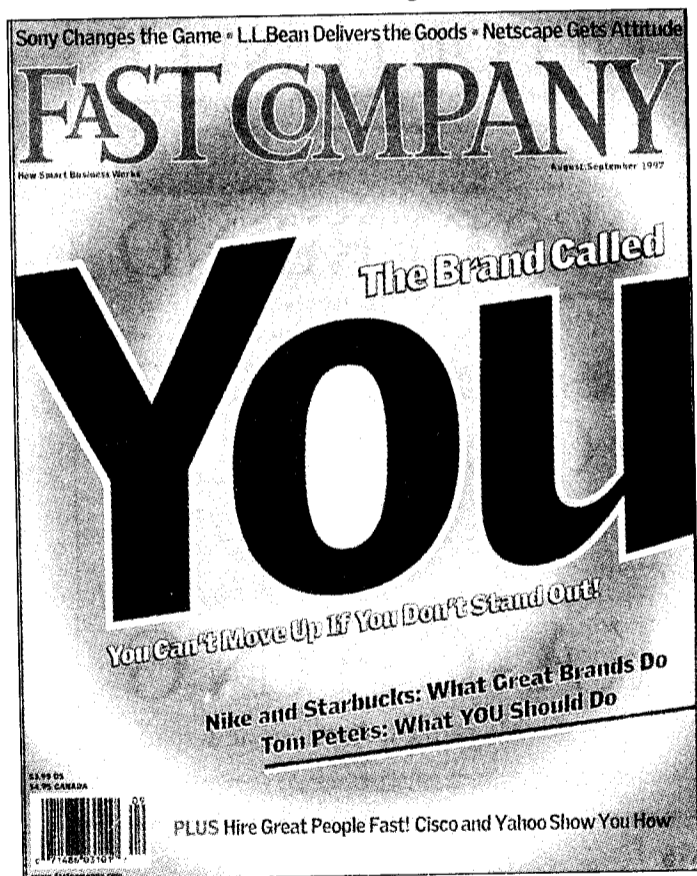

Exhibit 12-12 Advertisers can reach alumni of Ivy League schools through the Ivy League Network

Exhibit 12-13 *Fast Company* has been successful as a new type of business magazine

Proving That Magazine Ads Work

For years magazine publishers focused most of their attention on selling ads in their magazines and devoted less attention to proving the ads were effective. At many magazines, efforts at measuring effectiveness were often limited to tracking consumer response to 800 numbers that appeared in print ads. However, the carefree days are over as many new advertising media have emerged, such as niche-oriented cable TV networks, narrowly targeted radio stations, and the Internet. Moreover, there are more than twice as many magazines competing for media dollars as there were a decade ago. With so many media options available, marketers now want tangible proof that magazine advertising is effective and can build brand awareness, help position a brand, or actually deliver sales.

Magazines have typically promised advertisers *exposure* or access to a well-defined audience such as fashion-conscious young women, sports-obsessed men, or automotive buffs. However, advertisers want evidence of more than exposure. They want proof that seeing an ad for Calvin Klein jeans in *Cosmo* makes readers more likely to spend $80 to buy them or that placing an ad for a Volkswagen Jetta in *Rolling Stone* helps the brand stick in consumers' minds long enough to influence their next auto purchase. The

executive vice president of Conde Naste Publications, Inc., which publishes popular titles such as *Vogue, GQ, Glamour,* and *Vanity Fair,* says: "Twenty years ago, our only obligation to advertisers was to gather people who would see the ad. Now we must prove the ad actually does something. Sometimes, that's possible; sometimes it's not."

Magazines increasingly have to compete against media that can provide evidence that their ads do indeed do something. For example, the Internet can show accountability instantly because consumers' movements and purchases can be tracked through their mouse clicks. And with new digital technology, television sets will soon become transactional tools, allowing consumers to order information and goods right from their sofas with a remote control. Magazines can ill afford to wait any longer to prove that they work.

The magazine industry is taking steps to address the accountability issue. The industry's lead trade group, Magazine Publishers of America (MPA), recently spent half a million dollars investigating ways to prove magazine effectiveness. One of the group's studies found that boosting ad spending in magazines increased short-term sales of products and also generated more sales over time. Sales increased among magazine-exposed households for 8 of the 10 brands measured. Individual magazines are also trying to prove how advertising in their pages can help build a brand or move the sales needle. Another phase of the study found a significant relationship between advertising awareness and purchase intention. Moreover, awareness attributed to a combination of both television and magazines was most strongly related to positive changes in purchase intention. This "media multiplier" effect occurs because the heavy magazine reader is traditionally a light TV viewer and magazines deliver a new audience when added to a heavy TV schedule and can also help build frequency.

Consumers' loyalty to magazines and their willingness to spend uninterrupted, focused time with them has always been a powerful selling point for the medium. Now, however, magazines must prove that their connection with readers will generate sales for the companies that advertise in them. As Chris Miller, the MPA's head of marketing, notes: "One of the most important questions for this industry is the bottom-line question—does it drive sales?"

OPPORTUNITY

is out there, even in this economy. You just have to know where to look.
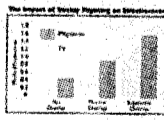
Like in magazines. In the most far-reaching study to date on media effectiveness, MMA (Media Marketing Assessment) analyzed 186 brands over 7 years and found magazines had a new

BEST FRIEND
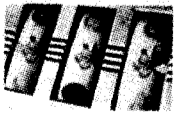
in TV. Yes, TV. In examining over $3 billion in ad spending, it was discovered that when magazines and TV are flighted together, they are the most effective media buy you can have to help increase incremental sales.

That means that magazines make every part of your media plan more

POWERFUL

And the higher percentage of magazines in that mix, the more successful the overall advertising becomes. So if you want to generate earnings, hit your next media plan harder with magazines, and then get ready for the sweet sounds of

KA-CHING

Magazines. A whole new read.

For more information and results of the most comprehensive media effectiveness study to date, visit our Web site at www.magazine.org or call Ellen Oppenheim at the Magazine Publishers of America, 212-872-3754.

the prices consumers pay for subscriptions. In 1990 the average magazine subscription rate was $26.90. In 2001 it was $25.30. Thus, publishers have to pay more to maintain their rate bases (the circulation level guaranteed to advertisers), but they make less money on each subscription sold.

Publishers are also facing a drop in sweepstakes-generated circulation as a result of the controversy that developed over consumer confidence in the sweepstakes-related subscription offers. Agents such as Publishers Clearing House and American Family Enterprises have been going through changes, both self-imposed and externally dictated, that have greatly reduced the number of subscriptions they generate for publishers.[23] To compensate for losses from sweepstakes agents, publishers are looking to other methods of generating subscribers, such as making subscriptions available through websites, offering free trial copies online, conducting special promotions, or using other agents such as school-related subscription services.[24]

Many magazines are also focusing more attention on managing their circulation bases. For many years, magazines focused on increasing their circulation under the assumption that higher circulation meant higher advertising rates. However, publishers are now realizing that the cost of attracting and maintaining the last 10 to 15 percent of their circulation base is often greater than the additional revenue generated, since these subscribers require numerous direct-mail solicitations, premium offers, or discount subscriptions.

A number of magazines have reduced their circulation base in recent years. Many publishers believe they can pass on price increases more easily to their core readers or subscribers and offer advertisers a more loyal and focused audience. Many advertisers welcome the improvement in circulation management. They would rather reach a few hundred thousand fewer subscribers than pay for inefficient circulation and be hit with advertising rate increases each year. Many magazines are also using the monies saved on the circulation side to improve the editorial content of their publications, which should attract more readers—and advertisers.

Cross-Magazine and Media Deals

Another important development involves the way ad space is sold; there will be more cross- or multimagazine and cross-media ad packages. **Multimagazine deals** involve two or more publishers offering their magazines to an advertiser as one package. For example, *Newsweek* offers cross-magazine deals with several other publishers, including Meredith and Times Mirror. Many magazines are also making **cross-media advertising** deals that include several different media opportunities from a single company or a partnership of media providers. For example, with the merger of America Online (AOL) and Time Warner, the new company offers advertisers the opportunity for cross-media deals whereby they can advertise in magazines owned by the media conglomerate, such as *Time, Sports Illustrated, People,* and *Fortune;* on its TV stations, such as CNN, TNT, TBS, and the WB Network; and through AOL and other websites.[25]

Database Marketing

Many advertisers are increasingly turning to magazines as a cost-efficient way of reaching specialized audiences. As marketers continue to move toward greater market segmentation, market niche strategies, and regional marketing, they are making greater use of magazines because of their high selectivity and ability to avoid wasted coverage or circulation. Magazines are using advances in technology and *database marketing* to divide their audiences on the basis of demographics, psychographics, or regions and to deliver more personalized advertising messages. Database marketing lets advertisers personalize their advertising by merging their own databases with those of a magazine. By selectively accessing information from a magazine's database, advertisers can choose from an array of information on consumers, such as product usage or purchase intention data. Marketers will increasingly advertise in magazines that are targeted specifically to narrow groups of subscribers.[26]

Advances in Technology

Two important technological developments are making it possible for advertisers to deliver personalized messages to tightly targeted audiences: selective binding technology and ink-jet imaging. **Selective binding** is a

Exhibit 12-14 *Newsweek* promotes the value of ink-jet imaging

computerized production process that allows the creation of hundreds of copies of a magazine in one continuous sequence. Selective binding enables magazines to target and address specific groups within a magazine's circulation base. They can then send different editorial or advertising messages to various groups of subscribers within the same issue of a publication. **Ink-jet imaging** reproduces a message by projecting ink onto paper rather than using mechanical plates. This process makes it possible to personalize an advertising message. Many publishers believe selective binding and ink-jet imaging will let advertisers target their messages more finely and let magazines compete more effectively with direct mail and other direct-marketing vehicles. Exhibit 12-14 shows how *Newsweek* promotes the capabilities of ink-jet imaging for targeting advertising messages.

Publishers are also developing new technologies that will enhance the creative opportunities available to magazine advertisers. Advertisers use a variety of techniques in print ads to capture readers' attention, including sound, scents, moving images, and pop-up ads. Current technologies are being refined and made more cost effective, and a number of new technologies will be incorporated into print ads soon. These include anaglyphic images (three-dimensional materials that are viewed with colored glasses); lenticular (color) images printed on finely corrugated plastic that seem to move when tilted; and pressure- or heat-sensitive inks that change color on contact. These new technologies give advertisers ways to break through the advertising clutter. However, these new print technologies can be very costly. Moreover, many advertisers and agencies are concerned that ads that use these new technologies may do so at the expense of other ads in the magazine, so they may pressure publishers to control their use. Some creative people have also expressed concern that these new technologies are gimmicks being substituted for creative advertising ideas.[27]

Online Delivery Methods   Many magazines are keeping pace with the digital revolution and the continuing consumer interest in technology by making their publications available online. There are more than 300 magazines with online versions, and many more are becoming available each month. Online versions of magazines such as *BusinessWeek* offer the many advantages of the Internet to publishers and subscribers (Exhibit 12-15). They also provide advertisers with the opportunity for sponsorships as well as banner ads and promotions on the online versions of the magazines. However, it remains to be seen whether people will want their magazines delivered online

Exhibit 12-15   Magazines such as *BusinessWeek* are now available online

or prefer to read them in more traditional form. As the presence of magazines online grows, the industry will also have to address important issues regarding audience measurement and how to determine consumers' exposure to and interactions with online advertising. Advertising on the Internet is discussed in Chapter 15.

Newspapers, the second major form of print media, are the largest of all advertising media in terms of total dollar volume. In 2002 an estimated $44 billion was spent on newspaper advertising, or about 22 percent of the total advertising expenditures in the United States. Newspapers are an especially important advertising medium to local advertisers, particularly retailers. However, newspapers are also valuable to national advertisers. Many of the advertising dollars spent by local retailers are actually provided by national advertisers through cooperative advertising programs (discussed in Chapter 16). Newspapers vary in terms of their characteristics and their role as an advertising medium.

Types of Newspapers

The traditional role of newspapers has been to deliver prompt, detailed coverage of news as well as to supply other information and features that appeal to readers. The vast majority of newspapers are daily publications serving a local community. However, weekly, national, and special-audience newspapers have special characteristics that can be valuable to advertisers.

Daily Newspapers Daily newspapers, which are published each weekday, are found in cities and larger towns across the country. Many areas have more than one daily paper. Daily newspapers are read by nearly 60 percent of adults each weekday and by 68 percent on Sundays.[28] They provide detailed coverage of news, events, and issues concerning the local area as well as business, sports, and other relevant information and entertainment. Daily newspapers can further be classified as morning, evening, or Sunday publications. In 2002 there were 1,468 daily newspapers in the United States; of these, 48 percent were evening papers and 52 percent morning. There were also 913 Sunday newspapers, most of which were published by daily newspapers.

Weekly Newspapers Most weekly newspapers originate in small towns or suburbs where the volume of news and advertising cannot support a daily newspaper. These papers focus primarily on news, sports, and events relevant to the local area and usually ignore national and world news, sports, and financial and business news. There are nearly 8,000 weekly newspapers published in the United States, and they have an average circulation of close to 6,000. Weeklies appeal primarily to local advertisers because of their geographic focus and lower absolute cost. Most national advertisers avoid weekly newspapers because of their duplicate circulation with daily or Sunday papers in the large metropolitan areas and problems in contracting for and placing ads in these publications. However, the contracting and scheduling problems associated with these papers have been reduced by the emergence of syndicates that publish them in a number of areas and sell ad space in all of their local newspapers through one office.

National Newspapers Newspapers in the United States with national circulation include *USA Today, The Wall Street Journal,* and *The Christian Science Monitor.* All three are daily publications and have editorial content with a nationwide appeal. *USA Today,* which positions itself as "the nation's newspaper," has the largest circulation of any newspaper in the country, at 2.3 million copies a day. *The Wall Street Journal* sells over 1.8 million copies a day and is an excellent means of reaching businesspeople. National newspapers appeal primarily to large national advertisers and to regional advertisers that use specific geographic editions of these publications. For example, *The Wall Street Journal* has three geographic editions covering 18 regions in which ads can be placed, while *USA Today* offers advertisers the opportunity to run ads in its national edition or any of 25 regionals.
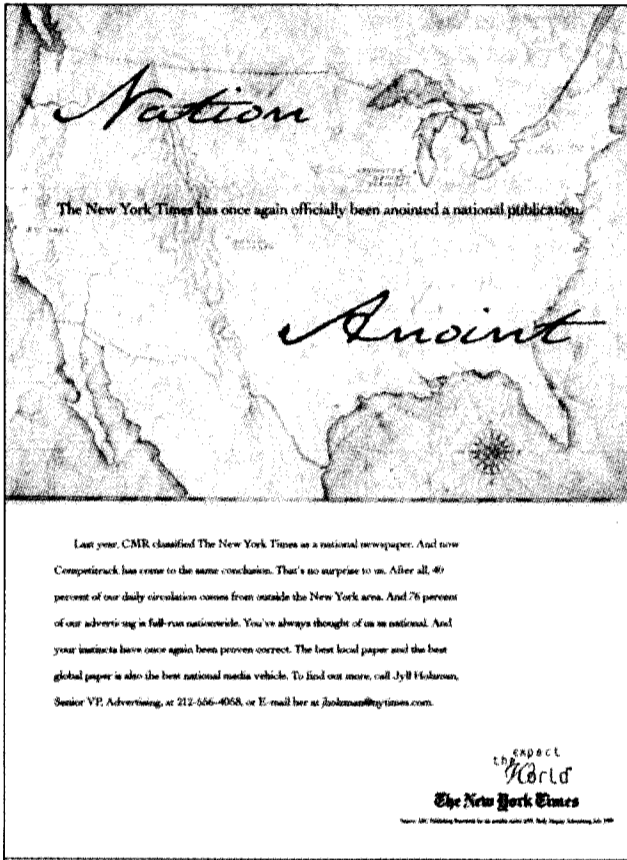
Exhibit 12-16 The *New York Times* promotes its classification as a national newspaper

Recently the *New York Times* was classified as a national newspaper rather than a regional publication by Competitive Media Reporting, which has developed a new policy on how it defines national newspapers.[29] This policy states that a paper must publish at least five times a week and have no more than 67 percent of its distribution in any one area. More than 33 percent of its display advertising must come from national advertising categories, and more than 50 percent of its advertising must come from national advertisers. Designation as a national newspaper is important to major newspapers in attracting national advertisers.[30] Exhibit 12-16 shows an ad run by the *New York Times* informing advertisers of its classification as a national newspaper. IMC Perspective 12-4 discusses the battle among the *Times, The Wall Street Journal,* and *USA Today* to be the leading national newspaper.

Special-Audience Newspapers A variety of papers offer specialized editorial content and are published for particular groups, including labor unions, professional organizations, industries, and hobbyists. Many people working in advertising read *Advertising Age,* while those in the marketing area read *Marketing News.* Specialized newspapers are also published in areas with large foreign-language-speaking ethnic groups, among them Polish, Chinese, Hispanics, Vietnamese, and Filipinos. In the United States, there are newspapers printed in more than 40 languages.

Newspapers targeted at various religious groups compose another large class of special-interest papers. For example, more than 140 Catholic newspapers are published across the United States. Another type of special-audience newspaper is one most of you probably read regularly during the school year, the college newspaper. More than 1,300 colleges and universities publish newspapers that offer advertisers an excellent medium for reaching college students (Exhibit 12-17).

Newspaper Supplements Although not a category of newspapers per se, many papers include magazine-type supplements, primarily in their Sunday editions. Sunday supplements have been part of most newspapers for many years and come in various forms. One type is the syndicated Sunday magazine, such as *Parade* or *USA*

Exhibit 12-17 College newspapers such as *The Daily Collegian* are an excellent way to reach students

The Battle to Be the Nation's Newspaper

It's been more than 20 years since the Gannett Company, one of the nation's leading newspaper publishers, caught the attention of the media world with its decision to publish a daily national newspaper called *USA Today*. The new paper was launched in September 1982 amid considerable skepticism by the media community as well as the advertising industry. Some critics called it the "fast-food of journalism" and nicknamed it "McPaper" for its light approach to the news and its lack of in-depth news coverage.

While *USA Today* lost an estimated $600 million in its first decade, Gannett stuck to its long-term plan. People became increasingly interested in a full-color, upscale national newspaper that offered particularly thorough coverage of areas such as sports, entertainment, and business news. More important, Gannett found a segment of upscale newspaper readers few had noticed before—the business traveler. Airline deregulation had made flying more affordable and spurred a surge in business travel. And when they were on the road, businesspeople wanted a way to catch up with national and business news as well as sports. The paper found its target readers with a novel distribution strategy—it followed them around by selling large numbers of papers in airports and through hotel chains that provided the paper as a service to their guests. Nearly half of *USA Today*'s readers pick up their copies of the paper in these venues. National advertisers noticed the growing popularity of *USA Today*, and the paper became profitable by 1993.

USA Today has become the newspaper with the largest readership in the country. Boasting a circulation of 2.2 million on Monday through Thursday and 2.6 million for its Friday weekend edition, *USA Today* dubs itself "the nation's newspaper." However, there are two other papers that want that title as well—*The Wall Street Journal* and the *New York Times*, which are the second and third most widely circulated newspapers in America. *USA Today*'s pursuit of the business traveler has placed it in direct competition with *The Wall Street Journal*. Though the *Journal* has been a national newspaper since the 1940s, it had traditionally positioned itself as a paper for businesspeople rather than general readers. However, as the interests of its readership expanded, the *Journal* has been forced to follow suit. The paper has added several new sections in recent years and expanded beyond its roots with "Weekend Journal," its Friday arts and culture supplement.

In 2002 the *Journal* underwent a major redesign in an effort to attract a more diverse base of readers and advertisers. The changes included the first redesign since 1944 of the paper's front page, which now has color. The new *Journal* also sports more white space, with more room around the columns, and presents advertisers with greater flexibility in ad sizing and placement. One problem facing *The Wall Street Journal* is its image as a business paper, which makes it difficult to attract readers with more general interests. Its circulation has remained relatively flat at 1.8 million, and its business focus leaves it dependent on a few advertising categories such as business to business, finance, and technology.

USA Today's other major competitor is the *New York Times*, whose entry into the national newspaper sweepstakes is more recent. The *Times* has published a national edition since 1980, and journalistically it has long viewed itself as a national newspaper. Until recently, however, the *Times* did not have a way to circulate copies widely on a national level, so few out-of-town readers could get the paper in a timely manner. To remedy this, the *Times* has completely overhauled its distribution network: Home delivery is now available in 217 U.S. markets and a distribution deal was signed with Starbucks to sell the paper in more than 2,000 of its stores. By going national, the *Times* escaped the sharp decline in circulation that most large daily newspapers have experienced over the past decade. The paper now has a circulation of 1.2 million (1.6 million on Sundays), and although most of its readers are still on the East Coast, the paper's appeal to national advertisers has grown.

The competition among the three publications to be the leading national newspaper is likely to continue, although *USA Today* is clearly the leader. Its sports coverage remains unmatched, and the paper now runs longer stories and more coverage of hard news. The paper also has the advantage of being part of the Gannett empire, which owns 94 daily newspapers, 300 nondailies, 22 television stations, and numerous websites. Every morning, anchors on the 22 Gannett TV stations spend 10 minutes summarizing that morning's *USA Today*. The paper's president argues that it is no longer just a newspaper but, rather, a platform that feeds content to other media such as television and the Internet. It appears that *USA Today* is best positioned to remain the front-runner in the race to be "the nation's newspaper."

Sources: Ira Teinowitz, *USA Today: No Longer a Newspaper,*" *Advertising Age,* Sept. 2, 2002, p. 18; Nicholas Stein, "Deadline U.S.A.," *Fortune,* July 8, 2002, pp. 78-83; Jon Fine, "'WSJ' Targets More Ads, Young Readers," *Advertising Age,* Mar. 25, 2002, p. 3.

Weekend, distributed in hundreds of papers throughout the country. *Parade* has a circulation of over 35 million; *USA Weekend* is carried by more than 350 newspapers with a combined circulation of over 22 million. These publications are similar to national magazines and carry both national and regional advertising.

Some large newspapers publish local Sunday supplements distributed by the parent paper. These supplements contain stories of more local interest, and both local and national advertisers buy ad space. The *New York Times Sunday Magazine* is the best-known local supplement. The *Washington Post, San Francisco Examiner,* and *Los Angeles Times* have their own Sunday magazines.

In some areas, papers have begun carrying regional supplements as well as specialized weekday supplements that cover specific topics such as food, sports, or entertainment. Supplements are valuable to advertisers that want to use the newspaper yet get four-color reproduction quality in their ads.

Types of Newspaper Advertising
The ads appearing in newspapers can also be divided into different categories. The major types of newspaper advertising are display and classified. Other special types of ads and preprinted inserts also appear in newspapers.

Display Advertising   **Display advertising** is found throughout the newspaper and generally uses illustrations, headlines, white space, and other visual devices in addition to the copy text. Display ads account for approximately 70 percent of the advertising revenue of the average newspaper. The two types of display advertising in newspapers are local and national (general).

Local advertising refers to ads placed by local organizations, businesses, and individuals who want to communicate with consumers in the market area served by the newspaper. Supermarkets and department stores are among the leading local display advertisers, along with numerous other retailers and service operations such as banks and travel agents. Local advertising is sometimes referred to as retail advertising because retailers account for 85 percent of local display ads.

National or *general advertising* refers to newspaper display advertising done by marketers of branded products or services that are sold on a national or regional level. These ads are designed to create and maintain demand for a company's product or service and to complement the efforts of local retailers that stock and promote the advertiser's products. Major retail chains, automakers, and airlines are heavy users of newspaper advertising.

Classified Advertising   **Classified advertising** also provides newspapers with a substantial amount of revenue. These ads are arranged under subheads according to the product, service, or offering being advertised. Employment, real estate, and automotive are the three major categories of classified advertising. While most classified ads are just text set in small type, some newspapers also accept classified display advertising. These ads are run in the classified section of the paper but use illustrations, larger type sizes, white space, borders, and even color to stand out.

Special Ads and Inserts   Special advertisements in newspapers include a variety of government and financial reports and notices and public notices of changes in business and personal relationships. Other types of advertising in newspapers include political or special-interest ads promoting a particular candidate, issue, or cause. **Preprinted inserts** are another type of advertising distributed through newspapers. These ads do not appear in the paper itself; they are printed by the advertiser and then taken to the newspaper to be inserted before delivery. Many retailers use inserts such as circulars, catalogs, or brochures in specific circulation zones to reach shoppers in their particular trade areas. Exhibit 12-18 shows how the *San Diego Union-Tribune* promotes its insert distribution service to advertisers.

Exhibit 12-18 Newspaper inserts are used to reach target markets

Advantages of Newspapers

Newspapers have a number of characteristics that make them popular among both local and national advertisers. These include their extensive penetration of local markets, flexibility, geographic selectivity, reader involvement, and special services.

Extensive Penetration One of the primary advantages of newspapers is the high degree of market coverage, or penetration, they offer an advertiser. In most areas, 50 percent or more of households read a daily newspaper, and the reach figure may exceed 70 percent among households with higher incomes and education levels. Most areas are served by one or two daily newspapers, and often the same company owns both, publishing a morning and an evening edition. By making one space buy, the advertiser can achieve a high level of overall reach in a particular market.

The extensive penetration of newspapers makes them a truly mass medium and provides advertisers with an excellent opportunity for reaching all segments of the population with their message. Also, since many newspapers are published and read daily, the advertiser can build a high level of frequency into the media schedule.

Flexibility Another advantage of newspapers is the flexibility they offer advertisers. First, they are flexible in terms of requirements for producing and running the ads. Newspaper ads can be written, laid out, and prepared in a matter of hours. For most dailies, the closing time by which the ad must be received is usually only 24 hours before publication (although closing dates for special ads, such as those using color, and Sunday supplements are longer). The short production time and closing dates make newspapers an excellent medium for responding to current events or presenting timely information to consumers. For example, Chevrolet Trucks ran a newspaper ad congratulating major league baseball star Cal Ripken, Jr. the day after he got his 3,000th career hit. Ripken is a spokesperson for the Chevy Truck line, and the newspaper ad was a very timely salute to his reaching this great milestone (Exhibit 12-19).

A second dimension of newspapers' flexibility stems from the creative options they make available to advertisers. Newspaper ads can be produced and run in various
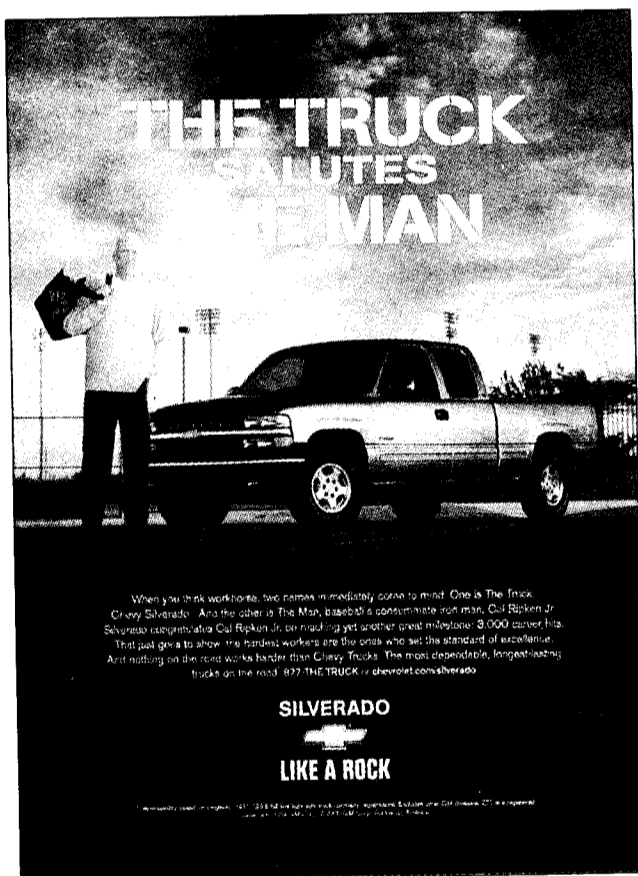
Exhibit 12-19 Chevy Trucks used a newspaper ad for a timely salute to Cal Ripken

sizes, shapes, and formats; they can use color or special inserts to gain the interest of readers. Ads can be run in Sunday magazines or other supplements, and a variety of scheduling options are possible, depending on the advertiser's purpose.

Geographic Selectivity Newspapers generally offer advertisers more geographic or territorial selectivity than any other medium except direct mail. Advertisers can vary their coverage by choosing a paper—or combination of papers—that reaches the areas with the greatest sales potential. National advertisers take advantage of the geographic selectivity of newspapers to concentrate their advertising in specific areas they can't reach with other media or to take advantage of strong sales potential in a particular area. For example, BMW, Mercedes, and Volvo use heavy newspaper media schedules in California and New York/New Jersey to capitalize on the high sales potential for luxury import cars in these markets.

A number of companies, including General Motors, AT&T, and Campbell, use newspapers in their regional marketing strategies. Newspaper advertising lets them feature products on a market-by-market basis, respond and adapt campaigns to local market conditions, and tie into more retailer promotions, fostering more support from the trade.

Local advertisers like retailers are interested in geographic selectivity or flexibility within a specific market or trade area. Their media goal is to concentrate their advertising on the areas where most of their customers are. Many newspapers now offer advertisers various geographic areas or zones for this purpose. For example, the *Chicago Tribune* offers advertisers a number of different circulation area zones as shown in Exhibit 12-20.

Exhibit 12-20 The *Chicago Tribune* offers advertisers combinations of different circulation area zones

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Part Five Developing the Integrated Marketing Communications Program

Chicago Tribune

Circulation Area
9 Zone

DAILY
12 County

Wednesday Good Eating and WomanNews
Thursday Tempo
Friday FRIDAY

SUNDAY
24 County

Home & Garden
Q

NOTE: Sunday distribution includes 12 additional counties as follows:
Far Northwest — Boone and Winnebago, IL.
Far West — DeKalb, IL.
Southwest — Grundy and LaSalle, IL.
South — Kankakee, IL.; Jasper, LaPorte, Newton, St. Joseph and Starke, IN; Berrien, MI

Reader Involvement and Acceptance Another important feature of newspapers is consumers' level of acceptance and involvement with papers and the ads they contain. The typical daily newspaper reader spends time each day reading the weekday newspaper and even more time reading the Sunday paper. Most consumers rely heavily on newspapers not only for news, information, and entertainment but also for assistance with consumption decisions.

Many consumers actually purchase a newspaper *because* of the advertising it contains. Consumers use retail ads to determine product prices and availability and to see who is having a sale. One aspect of newspapers that is helpful to advertisers is readers' knowledge about particular sections of the paper. Most of us know that ads for automotive products and sporting goods are generally found in the sports section, while ads for financial services are found in the business section. The weekly food section in many newspapers is popular for recipe and menu ideas as well as for the grocery store ads and coupons offered by many stores and companies. Exhibit 12-21 shows how the *San Diego Union-Tribune* promotes various sections of the paper to potential advertisers.

The value of newspaper advertising as a source of information has been shown in several studies. One study found that consumers look forward to ads in newspapers more than in other media. In another study, 80 percent of consumers said newspaper

Exhibit 12-21 Ads can be run in various sections of most newspapers

Exhibit 12-22 Newspaper publishers are often an excellent source for information on local markets

ads were most helpful to them in doing their weekly shopping. Newspaper advertising has also been rated the most believable form of advertising in numerous studies.

Services Offered   The special services newspapers offer can be valuable to advertisers. For example, many newspapers offer merchandising services and programs to manufacturers that make the trade aware of ads being run for the company's product and help convince local retailers they should stock, display, and promote the item.

Many newspapers are also excellent sources of local market information through their knowledge of market conditions and research like readership studies and consumer surveys. For example, the publisher of the *San Diego Union-Tribune,* the major daily newspaper in San Diego, provides information on the local market through reports such as the "San Diego Market Close-Up" (Exhibit 12-22).

Newspapers can also assist small companies through free copywriting and art services. Small advertisers without an agency or advertising department often rely on the newspaper to help them write and produce their ads.

Limitations of Newspapers

While newspapers have many advantages, like all media they also have disadvantages that media planners must consider. The limitations of newspapers include their reproduction problems, short life span, lack of selectivity, and clutter.

Poor Reproduction   One of the greatest limitations of newspapers as an advertising medium is their poor reproduction quality. The coarse paper stock used for newspapers, the absence of color, and the lack of time papers have available to achieve high-quality reproduction limits the quality of most newspaper ads. Newspapers have improved their reproduction quality in recent years, and color reproduction has become more available. Also, advertisers desiring high-quality color in newspaper ads can turn to such alternatives as freestanding inserts or Sunday supplements. However, these are more costly and may not be desirable to many advertisers. As a general rule, if the visual appearance of the product is important, the advertiser will not rely on newspaper ads. Ads for food products and fashions generally use magazines to capitalize on their superior reproduction quality and color.

Short Life Span   Unlike magazines, which may be retained around the house for several weeks, a daily newspaper is generally kept less than a day. So an ad is unlikely to have any impact beyond the day of publication, and repeat exposure is very unlikely. Compounding this problem are the short amount of time many consumers spend with the newspaper and the possibility they may not even open certain sections of the paper. Media planners can offset these problems somewhat by using high frequency in the newspaper schedule and advertising in a section where consumers who are in the market for a particular product or service are likely to look. Figure 12-4 shows readership figures for various sections of newspapers by gender and ethnic background.

Lack of Selectivity   While newspapers can offer advertisers geographic selectivity, they are not a selective medium in terms of demographics or lifestyle characteristics. Most newspapers reach broad and very diverse groups of consumers, which makes it difficult for marketers to focus on narrowly defined market segments. For example, manufacturers of fishing rods and reels will find newspapers very inefficient because of the wasted circulation that results from reaching all the newspaper readers who don't fish. Thus, they are more likely to use special-interest magazines such as *Field & Stream* or *Fishing World.* Any newspaper ads for their products will be done through cooperative plans whereby retailers share the costs or spread them over a number of sporting goods featured in the ad.

Figure 12-4 U.S. daily newspaper pages or sections usually read

| | Percentage of Weekday Audience | | | | | |
Section Readership	Adults	Men	Women	White	African-American	Spanish/Hispanic*
Business/finance	59	66	53	61	50	48
Classified	53	55	52	53	58	54
Comics	58	59	57	59	53	52
Entertainment (movies, theater, etc.)	65	61	70	66	64	63
Food or cooking	55	46	63	56	49	45
Main news	88	87	89	89	83	81
Sports	61	74	46	61	58	59
TV/radio listings	52	52	52	53	50	45

*Defined as "of Spanish or Hispanic origin or descent."
Source: Newspaper Association of America, "Facts about Newspapers 2002," www.naa.org.

Clutter Newspapers, like most other advertising media, suffer from clutter. Because 64 percent of the average daily newspaper in the United States is devoted to advertising, the advertiser's message must compete with numerous other ads for consumers' attention and interest. Moreover, the creative options in newspapers are limited by the fact that most ads are black and white. Thus, it can be difficult for a newspaper advertiser to break through the clutter without using costly measures such as large space buys or color. Some advertisers use creative techniques like *island ads*—ads surrounded by editorial material. Island ads are found in the middle of the stock market quotes on the financial pages of many newspapers. Exhibit 12-23 shows an island ad for Cathay Pacific Airways that targets business travelers to Hong Kong and other Asian destinations.

The Newspaper Audience

As with any medium, the media planner must understand the nature and size of the audience reached by a newspaper in considering its value in the media plan. Since newspapers as a class of media do an excellent job of penetrating their market, the typical daily newspaper gives advertisers the opportunity to reach most of the households in a market. But, while local advertisers aim to cover a particular market or trade area, national advertisers want to reach broad regions or even the entire country. They must purchase space in a number of papers to achieve the desired level of coverage.

The basic sources of information concerning the audience size of newspapers come from the circulation figures available through rate cards, publishers' statements, or Standard Rate and Data Service's *Newspaper Rates and Data*. Circulation figures for many newspapers are verified by the Audit Bureau of Circulation which was discussed earlier. Advertisers that use a number of papers in their media plan generally find SRDS the most convenient source.

Newspaper circulation figures are generally broken down into three categories: the city zone, the retail trading zone, and all other areas. The **city zone** is a market area composed of the city where the paper is published and contiguous areas similar in character to the city. The **retail trading zone** is the market outside the city zone whose residents regularly trade with merchants within the city zone. The "all other" category covers all circulation not included in the city or retail trade zone.

Sometimes circulation figures are provided only for the primary market, which is the city and retail trade zones combined, and the other area. Both local and national advertisers consider the circulation patterns across the various categories in evaluating and selecting newspapers.

Island ads are a way to break through the clutter in newspaper advertising
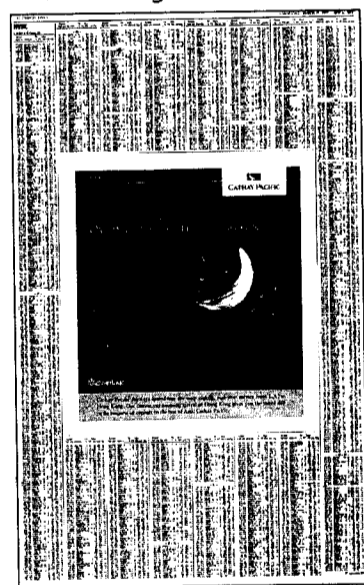
National advertisers often buy newspaper space on the basis of the size of the market area they cover. For example, General Motors might decide to purchase advertising in the top 10 markets, the top 50 markets, the top 100 markets, and so on. A national advertiser gets different levels of market coverage depending on the number of market areas purchased.

Audience Information
Circulation figures provide the media planner with the basic data for assessing the value of newspapers and their ability to cover various market areas. However, the media planner also wants to match the characteristics of a newspaper's readers with those of the advertiser's target audience. Data on newspaper audience size and characteristics are available from studies conducted by the papers as well as from commercial research services. As for magazines, a very valuable source for information on newspapers is the Standard Rate and Data Service (SRDS), whose print and online service provides complete planning information on daily papers, newspaper groups, ethnic newspapers, college newspapers, comics, and newspaper-distributed magazines. The SRDS data contain standardized ad rates, circulation figures, dates, general requirements, contact information, and other valuable information for media.

Companies such as Simmons Market Research Bureau and Mediamark Research Inc. provide syndicated research studies on lifestyles, media behavior, and product/brand preferences that include information on newspapers. These studies can be valuable for comparing newspapers with other media vehicles.

Many newspapers commission their own audience studies to provide current and potential advertisers with information on readership and characteristics of readers such as demographics, shopping habits, and lifestyles. These studies are often designed to promote the effectiveness of the newspaper in reaching various types of consumers. Since they are sponsored by the paper itself, many advertisers are skeptical of their results. Careful attention must be given to the research methods used and conclusions drawn by these studies.

Purchasing Newspaper Space
Advertisers are faced with a number of options and pricing structures when purchasing newspaper space. The cost of advertising space depends not only on the newspaper's circulation but also on factors such as premium charges for color or special sections as well as discounts available. The purchase process and the rates paid for newspaper space differ for general and local advertisers.

General versus Local Rates
Newspapers have different rate structures for general or national advertisers and local or retail advertisers. **General advertising rates** apply to display advertisers outside the newspaper's designated market area (DMA) and to any classification deemed by the publisher to be "general" in nature. This includes ads run by national advertisers such as automotive, tobacco, packaged-goods, and pharmaceutical companies. **Retail** or **local advertising rates** apply to advertisers that conduct business or sell goods or services within the DMA. The rates paid by general advertisers are, on average, 75 percent higher than those paid by local advertisers. Newspaper publishers claim the rate differential is justified for several reasons. First, they argue it costs more to handle general advertising since ad agencies get a 15 percent commission and commissions must also be paid to the independent sales reps who solicit nonlocal advertising. Second, they note that general advertising is less dependable than local advertising; general advertisers usually don't use newspapers on a continual basis like local advertisers do. Finally, newspaper publishers contend that demand for general advertising is inelastic—it will not increase if rates are lowered or decrease if rates are raised. This means there is no incentive to lower the national advertisers' rates.

National advertisers do not view these arguments as valid justification for the rate differential. They argue that the costs are not greater for handling national advertising than for local business and that many national advertisers use newspapers on a regular basis. Since they use an agency to prepare their ads, national advertisers are less

Exhibit 12-24 The Newspaper National Network encourages national advertisers to run their ads in newspapers

likely to request special services. The large and costly staff maintained by many newspapers to assist in the design and preparation of advertising is used mostly by local advertisers.

The differential rate structure for national versus local advertising has been the source of considerable controversy. Some newspapers are making efforts to narrow the rate differential, as is the Newspaper Association of America (NAA). In 1993, the NAA created the Newspaper National Network (NNN) to target national advertisers in six low-use categories: automotive, cosmetics and toiletries, food, household products, liquor and beverages, and drugs and remedies.[31] The network's goal is to attract more advertising dollars from national advertisers in these categories by promoting the strategic use of newspapers and facilitating the purchase of newspaper space with their one order/one bill model. Exhibit 12-24 shows an ad encouraging national advertisers to place their ads in newspapers through the NNN.

Many marketers sidestep the national advertiser label and the higher rates by channeling their newspaper ads through special category plans, cooperative advertising deals with retailers, and local dealers and distributors that pay local rates. However, the rate differential does keep many national advertisers from making newspapers a larger part of their media mix.

Newspaper Rates

Traditionally, newspaper space for national advertisers has been sold by the agate line. The problem is that newspapers use columns of varying width. Some have six columns per page, while others have eight or nine, which affects the size, shape, and costs of an ad. This results in a complicated production and buying process for national advertisers purchasing space in a number of newspapers.

To address this problem and make newspapers more comparable to other media that sell space and time in standard units, the newspaper industry switched to **standard advertising units (SAUs)** in 1984. All newspapers under this system use column widths $2^1/_{16}$ inches wide, with tabloid-size papers five columns wide and standard or

Figure 12-5 The standard
advertising unit system

Figure 12-5 The standard advertising unit system

broadcast papers six columns. The column inch is the unit of measurement to create the 57 standard units or format sizes shown in Figure 12-5.

A national advertiser can prepare one ad in a particular SAU, and it will fit every newspaper in the country that accepts SAUs. Rates are quoted on that basis. Since over 1,400 (about 90 percent) of daily newspapers use the SAU system, the purchase and production process has been simplified tremendously for national advertisers.

Newspaper rates for local advertisers continue to be based on the column inch, which is 1 inch deep by 1 column wide. Advertising rates for local advertisers are quoted per column inch, and media planners calculate total space costs by multiplying the ad's number of column inches by the cost per inch.

Rate Structures   While the column inch and SAU are used to determine basic newspaper advertising rates, the media planner must consider other options and factors. Many newspapers charge **flat rates,** which means they offer no discount for quantity or repeated space buys. Others have an **open-rate structure,** which means various discounts are available. These discounts are generally based on frequency or bulk purchases of space and depend on the number of column inches purchased in a year.

Newspaper space rates also vary with an advertiser's special requests, such as preferred position or color. The basic rates quoted by a newspaper are **run of paper (ROP),** which means the paper can place the ad on any page or in any position it desires. While most newspapers try to place an ad in a requested position, the advertiser can ensure a specific section and/or position on a page by paying a higher **pre-**

ferred position rate. Color advertising is also available in many newspapers on an ROP basis or through preprinted inserts or Sunday supplements.

Advertisers can also buy newspaper space based on **combination rates,** where they get a discount for using several newspapers as a group. Typically, a combination rate occurs when a publisher owns both a morning and an evening newspaper in a market and offers a reduced single rate for running the same ad in both newspapers, generally within a 24-hour period. Combination discounts are also available when the advertiser buys space in several newspapers owned by the publisher in a number of markets or in multiple newspapers affiliated in a syndicate or newspaper group. Exhibit 12-25 shows an ad promoting the three newspapers published by the *Miami Herald* in the south Florida market.

The Future for Newspapers

Newspapers remain the largest advertising medium in terms of total advertising volume. Newspapers' largest advertising category is retail, and consolidation among department stores and grocery chains is likely to lead to a slight decline in ad volume. National advertising in newspapers is growing as major advertisers such as Procter & Gamble, Kraft, Nestlé, and General Motors use the medium more. However, newspapers have fallen behind TV and magazines as a medium for national advertisers; they accounted for only 4.5 percent of the estimated $144 billion spent by national advertisers in 2002.

Newspapers' major strength lies in their role as a medium that can be used effectively by local advertisers on a continual basis. It is unlikely that newspapers' importance to local advertisers will change in the near future. However, there are a number of problems and issues newspapers must address to maintain their strong position as a dominant local advertising medium and to gain more national advertising. These include competition from other advertising media, maintaining and managing circulation, cross-media opportunities, and declining readership.

Competition from Other Media The newspaper industry's battle to increase its share of national advertising volume has been difficult. In addition to the

It takes 3 newspapers to reach the #1 retail market in the U.S.

We publish them all.

The Miami-Ft. Lauderdale DMA leads the nation in retail spending per household.

And there's no better way to reach this big-spending market than by advertising

in The Miami Herald, El Nuevo Herald (the nation's #1 Spanish-language daily) and The Herald in Broward County.

Together, these three newspapers have the highest reach in South Florida.

The Miami Herald
www.herald.com

el Nuevo Herald
www.elherald.com

The Herald
www.herald.com

For more information call Ric Baca w/Ba, National Marketing Manager, at (305) 376-7641 or (800) HERALD-Q or (561) e-mail chancialla@herald.com Or visit our websites at www.herald.com or www.elherald.com

Exhibit 12-25
Marketers can advertise in the three newspapers published by the *Miami Herald*

problems of reproduction quality and rate differentials, newspapers face competition from other media for both national and local advertisers' budgets. The newspaper industry is particularly concerned about the *bypass*, or loss of advertisers to direct marketing and telemarketing.

To deal with this problem, many newspapers will have to gear up to compete as direct marketers. Many papers are already building databases by collecting information from readers that potential advertisers can use to target specific groups or for direct marketing. Newspapers already have a distribution system that can reach nearly every household in a market every day. It is likely that many newspapers will find ways to make their extensive databases and distribution systems available to marketers that want to target consumers with direct-marketing efforts. By supplementing newspaper advertising with direct mail, marketers can be encouraged to invest more of their advertising dollars with newspaper publishers.

The intermedia battle that newspapers find themselves involved in is no longer limited to national advertising. Many companies are investigating the Internet as a marketing tool and a place to invest advertising dollars that might otherwise go to newspapers. Local radio and TV stations (particularly cable stations), as well as the expanding number of Yellow Pages publishers, are aggressively pursuing local advertisers. Newspapers will have to fight harder to retain those advertisers. Many newspapers have expanded their marketing capabilities and are making efforts to develop and sustain relationships with their advertisers. Some have created sophisticated databases and direct-mail capabilities, which they offer as value-added services. Others are increasing their marketing research departments, preparing comprehensive market studies for major customers, and, in some cases, serving as media advisors and marketing partners.[32]

Circulation   The newspaper industry has been struggling for years to reverse declining circulation. While most of the major newspapers in the United States have been able to maintain their circulation, the rest of the industry has been experiencing a decline.[33] Like magazines, many newspapers are taking a closer look at their circulation and analyzing whether the cost of getting additional circulation is justified by the advertising revenue it generates. Many papers are raising newsstand and home delivery rates and circulation revenue is accounting for more of their total revenue.

Several major metropolitan newspapers have found that advertisers use newspapers to reach consumers within specific geographic areas and do not want to pay for readers in outlying areas. Thus, some papers are eliminating what has been called "ego circulation" and focusing more on regional editions in their immediate trade area.

Cross-Media Buys   Another area where newspapers may be following the lead of magazines is cross-newspaper and media buys. Newspapers within, as well as across, various regions are banding together to offer national advertisers a package of newspapers so they won't have to purchase space in individual papers. A number of newspaper networks are being formed to help newspapers compete for more of the media expenditures of national advertisers.

Cross-media buys involving newspapers with other media vehicles are also likely to become more prevalent. For example, the *Washington Post* has been involved in a cross-media deal with *Newsweek*, while large companies that own newspapers, magazines, and broadcast media are also offering cross-media packages to advertisers (Exhibit 12-26).

Attracting and Retaining Readers   The growth of newspapers as an advertising medium may be limited by the reduced popularity of the medium itself. Newspaper readership has been on a steady decline for the past two decades. The percentage of the adult population reading a newspaper on the average weekday has declined from 78 percent in 1970 to 54 percent today. The percentage of U.S. households receiving a daily newspaper has declined from 77 percent in 1980 to 60 percent. The decline in newspaper readership can be attributed to several factors, including the fast-paced, time-poor lifestyle of the modern dual-income household and the continued growth, popularity, and viewing options of TV.

Exhibit 12-26
Newsweek and the
Washington Post offer
advertisers a cross-media
opportunity

A number of newspapers have been redesigned to be more interesting and easier and faster to read. Changes include the increased use of color and graphics as well as expanded coverage of sports and entertainment. Some papers have begun providing short summaries of articles in each section of the paper so readers can skim them and decide what they want to read.

Of particular concern to publishers is the decline in newspaper readership among important market segments such as women and young adults. Surveys show that the percentage of women who read a newspaper on a typical day declined from 67 percent in 1981 to 51 percent in 2001.[34] Newspapers and advertisers are concerned because women are far more likely than men to make buying decisions. Many newspapers are introducing new women's sections and revising old ones to make them more appealing to modern women. This means including articles on such issues as health, parenting, and careers—for example, how women with children and jobs manage their time.

Newspapers are also concerned about where their future readers will come from, since many young people are heavy TV viewers and also are spending more and more time surfing the Internet. However, a recent study found that newspaper readership is high among teens, and many papers are making special efforts to attract teenagers in hopes they will become and remain regular readers. The newspaper industry is also taking steps to maintain readership among young people. For example, the Newspaper Association of America (NAA) developed an advertising campaign using the theme "It all starts with newspapers" that encourages young people to read the newspaper every day.[35] The ads ask parents to "encourage your child to read a newspaper every day" and feature celebrities such as musician Jon Bon Jovi, basketball star Grant Hill, and actress Meryl Streep promoting newspapers as literacy tools. Exhibit 12-27 shows one of the ads from that campaign, featuring Jackie Chan, the popular action-movie star, reading *The Tuxedo Times*. The ad was run to coincide with the release of Chan's action-comedy film *The Tuxedo*.

The newspaper industry faces a major challenge. To increase circulation and readership and continue to attract advertising revenue, it must make newspapers

Exhibit 12-27 This ad is part of a campaign encouraging young people to read newspapers

Reading a newspaper every day
will lead you to a lifetime
filled with action.

It all starts with newspapers.

more interesting to readers by targeting specific groups and expanding services to encourage advertisers to continue using newspapers. The newspaper industry launched a comprehensive program to address some of these issues. Called the Newspaper Readership Initiative, this program seeks to reverse the decline in newspaper readership and circulation and make newspapers a part of every advertiser's media plan.[36]

The growth of the Internet and online services is another factor that may erode newspaper readership. As penetration of the Internet into households increases, newspapers and magazines are among the most threatened of the major media. A survey conducted for *Advertising Age* found that consumers with home Internet access are less likely to use magazines or newspapers as a primary information source when shopping for a car, financial services, travel, or fashion. The study also found that consumers from teens to seniors are comfortable with the idea of using the Internet in the future to read books, magazines, and newspapers.[37]

Newspaper publishers are addressing this threat by making their papers available online. Nearly every major newspaper has established a website, and many publishers now make their papers available online. The number of U.S. newspapers available online increased from less than 100 in 1995 to more than 1,300 in 2002. Many papers are also developing innovative programs for advertisers to attract their online advertising dollars. Networks are forming to help local newspapers go online and to facilitate the sale and purchase of banner ads and sponsorships. But as with magazines, audience measurement and user involvement are making it difficult for newspapers to attract advertisers and are issues that must be addressed.

Summary

Magazines and newspapers, the two major forms of print media, play an important role in the media plans and strategy of many advertisers. Magazines are a very selective medium and are very valuable for reaching specific types of customers and market segments. The three broad categories of magazines are consumer, farm, and business publications. Each of these categories can be further classified according to the publication's editorial content and audience appeal.

In addition to their selectivity, the advantages of magazines include their excellent reproduction quality, creative flexibility, long life, prestige, and readers' high receptivity to magazine advertising, as well as the services they offer to advertisers. Disadvantages of magazines include their high cost, limited reach and frequency, long lead time, and the advertising clutter in most publications.

Advertising space rates in magazines vary according to a number of factors, among them the size of the ad, position in the publication, particular editions purchased, use of color, and number and frequency of insertions. Rates for magazines are compared on the basis of the cost per thousand, although other factors such as the editorial content of the publication and its ability to reach specific target audiences must also be considered.

Newspapers represent the largest advertising medium in terms of total volume, receiving nearly a fourth of all advertising dollars. Newspapers are a very important medium to local advertisers, especially retailers. They are also used by national advertisers, although the differential rate structure for national versus local advertisers is a source of controversy. Newspapers are a broad-based medium that reaches a large percentage of households in a particular area. Newspapers' other advantages include flexibility, geographic selectivity, reader involvement, and special services. Drawbacks of newspapers include their lack of high-quality ad reproduction, short life span, lack of audience selectivity, and clutter.

Trends toward market segmentation and regional marketing are prompting many advertisers to make more use of newspapers and magazines. However, both magazines and newspapers face increasing competition from such other media as radio, cable TV, direct marketing, and the Internet. Both magazines and newspapers are working to improve the quality of their circulation bases, offer database marketing services, and initiate cross-media deals. Rising costs and declining readership are problems for many magazines and newspapers. Both magazines and newspapers are making their publications available online, but problems with audience measurement and interactions with ads are important issues that must be resolved.

Key Terms

Discussion Questions

1. The vignette at the beginning of the chapter discusses how *Rolling Stone* magazine is undergoing major changes to update its image and make it more appealing to a younger audience. Evaluate the changes being made by *Rolling Stone* to reposition itself and the challenges the magazine faces in trying to compete against other magazines that are targeting young adults.

2. Discuss the role of newspapers and magazines in the development and implementation of an integrated marketing communications program. What advantages are offered by each medium?

3. What is meant by selectivity with regard to the purchase of advertising media? Discuss the various ways magazines offer selectivity to advertisers.

4. Choose a specific target market that an advertiser might want to reach. Discuss how magazines and/or newspapers might be used to reach this particular market in a cost effective manner.

5. IMC Perspective 12-1 discusses the challenges marketers targeting products and services to the young male market face in trying to reach this segment. Why do you think teenage males are such a difficult market to reach with magazines? Do you think a magazine such as *Stance* will be successful in appealing to the teen male market?

6. Discuss why many companies such as Nike, Kodak, Ford, Ikea and others are choosing to publish their own custom magazines. Do you think these custom publications are an effective way to reach their customers?

7. If you were purchasing magazine advertising space for a manufacturer of golf clubs such as Taylor-Made or Calloway, what factors would you consider? Would your selection of magazines be limited to golf publications? Why or why not?

8. Discuss how the use of newspapers as an advertising medium would differ for national versus local advertisers. Find examples of newspaper advertising used by a national and a local advertiser and evaluate the type of ad used by each.

9. Discuss the reasons why *USA Today* has become the leading national newspaper. What challenges do other national newspapers such as *The Wall Street Journal* and the *New York Times* face in trying to compete against *USA Today* for national advertising?

10. Why has newspaper readership in the United States been declining over the past decade? Do you think campaigns such as the Newspaper Association of America's "It all starts with newspapers" can help reverse the decline in newspaper readership among young people?

Support Media

Chapter Objectives

1. To recognize the various support media available to the marketer in developing an IMC program.

2. To develop an understanding of the advantages and disadvantages of support media.

3. To know how audiences for support media are measured.

Stealth Marketing Goes Mainstream

The next time you see a campus opinion leader or Hollywood star driving a certain type of car, drinking a soda, or talking about the merits of some product or service, realize that he or she may be being paid to promote the item. While not a com-

pletely new idea, the use of nonconventional methods of getting products promoted appears to almost be becoming conventional. Referred to by a variety of titles including *stealth marketing,* *ambush marketing,* and *guerrilla marketing,* these "under-the-radar" methods attempt to get exposure for products or services in a number of ways at the lowest cost. For smaller companies stealth marketing may be the only form of communications they can afford, so this means of communication is a necessity. But now many of the larger advertisers have also adopted the approach.

One of the more popular brands in Britain is Colman's Mustard. Founded 188 years ago, Colman's has successfully employed under-the-radar tactics since the 1920s, when its advertising agency initiated the idea of a fictitious "mustard club." The campaign started with the agent himself pasting stickers on buses that read, "Has father joined the mustard club?" The campaign caught on very quickly with Brits and eventually expanded into an integrated campaign that included a club members' newsletter, card games, and badges (500,000 badges were distributed in 1933 alone!). The success of the campaign led Colman's to be the top-selling mustard by 1938, and it has remained a brand leader ever since, although it is now owned by Unilever.
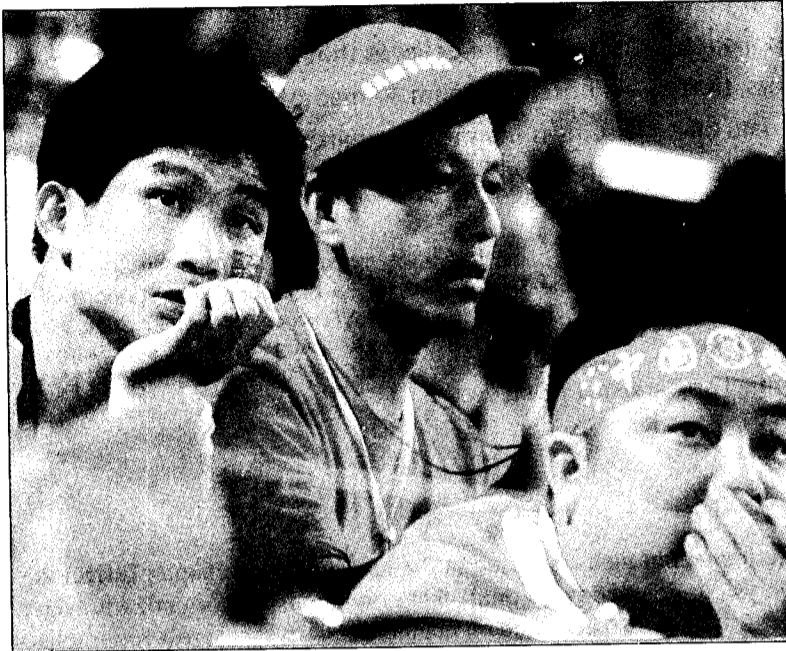
In the United States, a number of brands that have become successful through more conventional advertising approaches are also attempting to capitalize on the stealth approach. For example, Revlon paid ABC to include its cosmetics as part of the plot on the soap opera *All My Children.* Calvin Klein's $45 million launch of the men's cologne Crave will include street sampling, "seeding"—having designated opinion leaders be seen with and talk about the brand—and sand sculptures of the logo on beaches on both coasts. Sony Ericsson hired troupes of actors to pose as tourists in New York City and Los Angeles to ask passers-by to take their picture with the company's new combination cell-phone camera. Procter & Gamble sent elaborate Porta Potties to state fairs to promote Charmin toilet paper, and *Elle* magazine (among others) has hired individuals to log on to Internet chat rooms and talk about its product. And this is just a sampling!

Like many other things, however, overuse creates problems. Many consumers and businesspeople consider the practice of stealth marketing

deceptive, arguing that such practices attempt to trick the consumer. Some have even fought back. One such group is the Federation Internationale de Football Association (FIFA), the governing body of international soccer ("football" to most of the world). During the 2002 World Cup the agency took on the role of policing unauthorized promotions at the games in South Korea. Pushed by Coca-Cola, Adidas, and Philips Electronics—all of whom paid $35 million to $40 million to be official sponsors, the "cops" clamped down on competitors that attempted to gain exposure to the estimated 40 billion TV viewers through stealth methods. One such effort—according to FIFA, but denied by the company—was that by Samsung. At one game more than 100 Chinese spectators were adorned in bright red hats with a logo of South Korea's Samsung electronics prominently emblazoned on them. The

police made them remove the hats prior to entering the stadium, as Samsung just happens to be a competitor of sponsor Philips Electronics. At another game, more than thirty 10-meter-long banners were confiscated, each trying to promote companies ranging from electronics to car-repair shops.

While some success was achieved at the World Cup games, the reality is that stealth methods are on the rise and are almost impossible to stop. And not everyone believes that they should be stopped. As noted by Salim Ahmed of *Marketing*, a London business magazine, stealth may be the only future marketing has—at least for some companies.

Sources: Daniel Eisenberg, "It's an Ad, Ad, Ad, Ad World," *Time Magazine*, Sept. 2, 2002, pp. 38–41; Gabriel Kahn, "Stop That Logo!" *The Wall Street Journal Europe*, June 21–23, 2002, p. N1; "Colman's Mustard," *Marketing*, Aug. 1, 2002, p. G19; Salim Ahmed, "Stealth May Be the Only Future Marketing Has," *Marketing*, Nov. 2, 2000, p. 32.

The stealth marketing techniques discussed in the lead-in to this chapter reflect the many different ways (some unconventional) that companies and organizations get their messages out. Ads have also appeared on manhole covers, inside rest-room stalls, on lettuce wrappers in grocery stores, on hubcaps, on cell phones, and even on beepers. In this chapter, we review a number of support media, some that are new to the marketplace and others that have been around a while. We discuss the relative advantages and disadvantages, cost information, and audience measurement of each. We refer to them as **support media** because the media described in the previous chapters dominate the media strategies of large advertisers, particularly national advertisers. Support media are used to reach those people in the target market the primary media may not have reached and to reinforce, or support, their messages.

You may be surprised at how many different ways there are to deliver the message and how often you are exposed to them. Let's begin by examining the scope of the support media industry and some of the many alternatives available to marketers.

The Scope of the Support Media Industry

Support media are referred to by several titles, among them **alternative media, nonmeasured media,** and **nontraditional media.** These terms describe a vast variety of channels used to deliver communications and to promote products and services. In this chapter we will discuss many of these media (though, as you might imagine, it would be impossible for us to discuss them all).

Many advertisers, as well as the top 100 advertising agencies, have increased their use of nontraditional support media, and as new alternatives are developed, this use will continue to grow. Figures for nontraditional media do not include some of the most popular support media, such as out-of-home advertising, specialty advertising, and advertising in the Yellow Pages. Let us examine some of these in more detail.

Out-of-Home Media

Out-of-home advertising encompasses many advertising forms, including outdoor (billboards and signs), transit (both inside and outside the vehicle), skywriting, and a variety of other media. While outdoor advertising is used most often, as shown in Figure 13-1, the others are also increasing in use.

2001 Total Outdoor Expenditures: $5.3 Billion
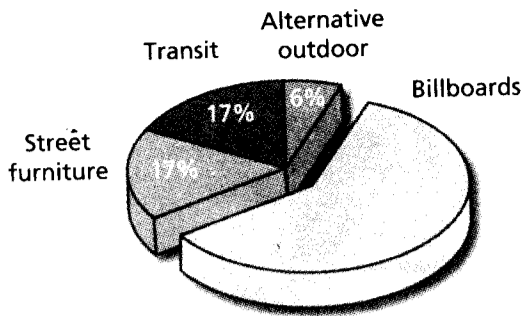
Alternative
Transit   outdoor

Street
furniture

Billboards

Transit 17%
6%
17%

Source: OAAA.

Outdoor Advertising

Outdoor advertising has probably existed since the days of cave dwellers. Both the Egyptians and the Greeks used it as early as 5,000 years ago. Outdoor is certainly one of the more pervasive communication forms, particularly if you live in an urban or suburban area.

Even though outdoor accounts for only about 2.3 percent of all advertising expenditures and the number of billboards has decreased, the medium has grown steadily in terms of dollars billed. In 1982, approximately $888 million was spent in this area; in 2001, expenditures reached $5.3 billion.[1] As the medium was once dominated by tobacco advertisers (25 percent of its $1.5 billion revenue came from cigarette advertising in 1991), there were concerns in the industry when an agreement was reached with 46 states in November 1998 to ban all cigarette ads. Increased expenditures from automotive, retail, and financial companies and from new advertisers such as the dot-coms have more than made up for the losses. Companies like McDonald's, Miller, and AT&T are some of the top spenders in this medium. As shown in Figure 13-2, outdoor continues to be used by a broad client base, a demonstration of its continued acceptance in the

Figure 13-2 Outdoor advertising expenditures ranked by percent of total 2001 revenues

Top 10 Outdoor Advertising Categories
Listed by percent total '01 revenues (January–December)

Category	Percent
1. Local services and amusements	12.8%
2. Public transportation, hotels, and resorts	
3. Retail	10.0%
4. Media and advertising	8.8%
5. Restaurants	7.8%
6. Automotive dealers and services	6.6%
7. Insurance and real estate	5.4%
8. Financial	5.3%
9. Automotive, access, and equipment	4.9%
10. Telecommunications	4.7%

$(000,000) $100.0 $200.0 $300.0 $400.0 $500.0
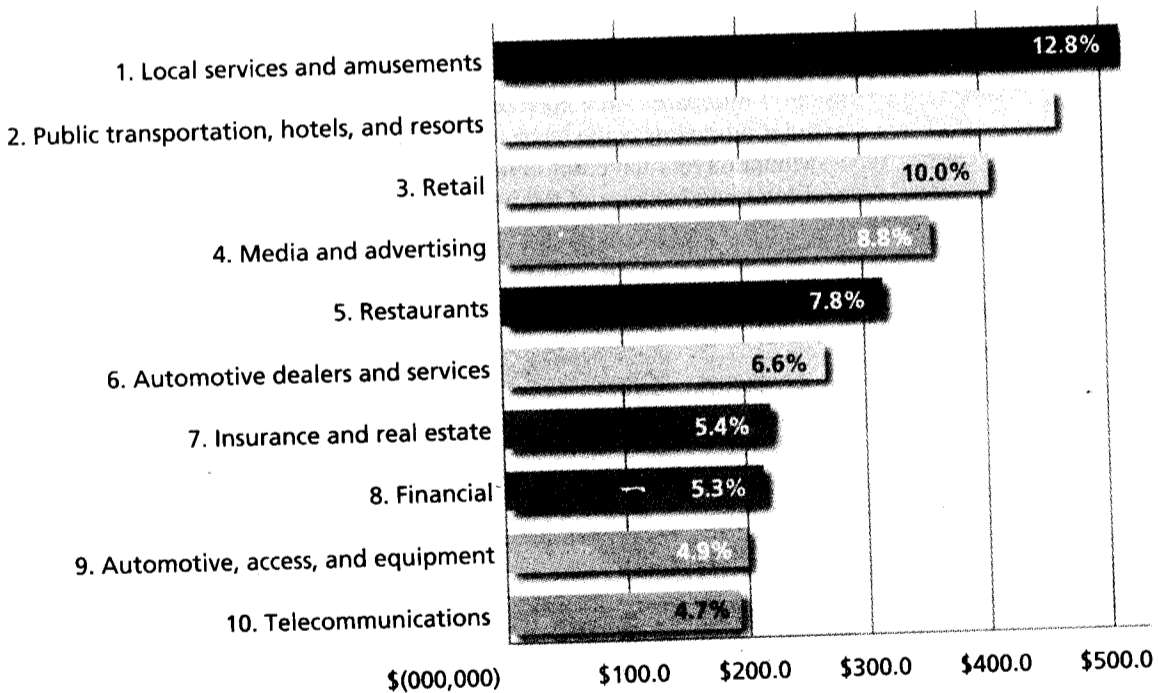
Source: OAAA.

Exhibit 13-1 Outdoor advertising goes beyond two dimensions

industry. The increase in the number of women in the work force has led to more advertising of products targeted to this segment, and the increases in the number of vehicles on the road and the number of miles driven have led to increased expenditures by gas companies and food and lodging providers.

A major reason for the continued success of outdoor is its ability to remain innovative through technology. As Exhibit 13-1 shows, billboards are no longer limited to standard sizes and two dimensions: 3-D forms and extensions are now used to attract attention. Electronic billboards and inflatables, like the one in Exhibit 13-2 that was used to promote Power Rangers, have also opened new markets. You probably have been exposed to either signboards or electronic billboards at sports stadiums, in supermarkets, in the campus bookstore and dining halls, in shopping malls, on the freeways, or on the sides of buildings, from neon signs on skyscrapers in New York City to Mail Pouch Tobacco signs painted on the sides of barns in the Midwest. This is truly a pervasive medium (Exhibit 13-3).

Outdoor advertising does have its critics. Ever since Lady Bird Johnson tried to rid the interstate highways of billboard advertising during her husband's presidency with the Highway Beautification Act of 1965, there has been controversy regarding its use. As previously noted, legislation has passed in 46 states banning the advertising of cigarettes on billboards. In addition, a number of cities and states have considered extending the ban to alcoholic beverages.[2] Consumers themselves seem to have mixed emotions about the medium. In a Maritz AmeriPoll asking consumers about their opinions of billboards, 62 percent of the respondents said they thought billboards should not be banned, while 52 percent said they should be strictly regulated. When asked if billboards were entertaining, 80 percent of those surveyed said no, and when asked if billboards could be beautiful, only 27 percent said yes.[3]

Media buyers have not completely adopted outdoor, partially because of image problems and because of the belief that it is difficult to buy. (Approximately 80 per-

Exhibit 13-2 Inflatables bring new meaning to outdoor advertising
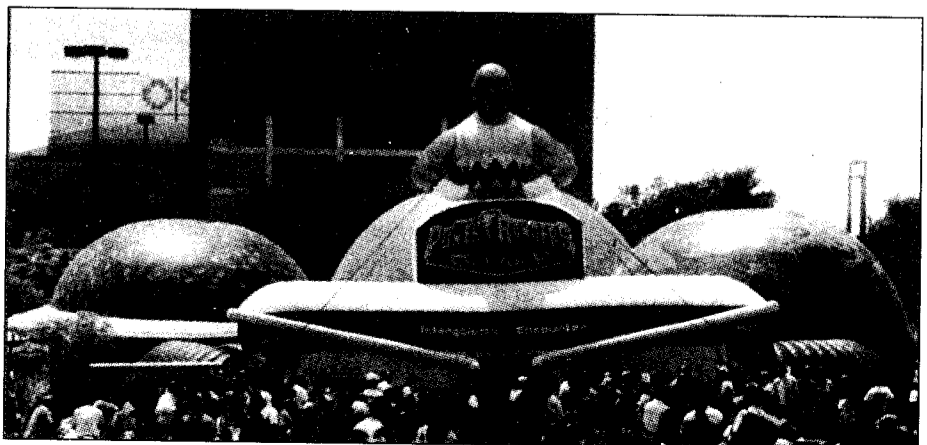
cent of outdoor advertising is purchased by local merchants and companies.) Let us examine some of the advantages and disadvantages of the medium in more detail.

Advantages and Disadvantages of Outdoor Advertising

Outdoor advertising offers a number of advantages:

1. *Wide coverage of local markets.* With proper placement, a broad base of exposure is possible in local markets, with both day and night presence. A 100 GRP **showing** (the percentage of duplicated audience exposed to an outdoor poster daily) could yield exposure to an equivalent of 100 percent of the marketplace daily, or 3,000 GRPs over a month. This level of coverage is likely to yield high levels of reach.

2. *Frequency.* Because purchase cycles are typically for 30-day periods, consumers are usually exposed a number of times, resulting in high levels of frequency.

3. *Geographic flexibility.* Outdoor can be placed along highways, near stores, or on mobile billboards, almost anywhere that laws permit. Local, regional, or even national markets may be covered.

4. *Creativity.* As shown in Exhibit 13-1, outdoor ads can be very creative. Large print, colors, and other elements attract attention.

5. *Ability to create awareness.* Because of its impact (and the need for a simple message), outdoor can lead to a high level of awareness.

6. *Efficiency.* Outdoor usually has a very competitive CPM when compared to other media. The average CPM of outdoor is approximately one-half of radio and far less than that of TV, magazines, and newspapers.

7. *Effectiveness.* Outdoor advertising can often lead to sales, as demonstrated in Figure 13-3. In a study reported by BBDO advertising, 35 percent of consumers surveyed said they had called a phone number they saw on an out-of-home ad.[4] A study reported by Mukesh Bhargava and Naveen Donthu showed that outdoor advertising can have a significant effect on sales, particularly when combined with a promotion.[5]

8. *Production capabilities.* Modern technologies have reduced production times for outdoor advertising to allow for rapid turnaround time.

At the same time, however, there are limitations to outdoor, many of them related to its advantages:

1. *Waste coverage.* While it is possible to reach very specific audiences, in many cases the purchase of outdoor results in a high degree of waste coverage. It is not likely that everyone driving past a billboard is part of the target market.

2. *Limited message capabilities.* Because of the speed with which most people pass by outdoor ads, exposure time is short, so messages are limited to a few words and/or an illustration. Lengthy appeals are not likely to be effective.

Bright lights, big cities

The most expensive and desirable locations for out-of-home advertising, based on an informal poll of more than a dozen top outdoor media company executives, agency media buyers and Wall Street observers, conducted by *Advertising Age*.

Location	Price/month
Times Square New York City	$50,000-$150,000
Sunset Strip Los Angeles	$30,000-$100,000
Lincoln Tunnel New York City/Weehawken, N.J.	$25,000-$60,000
Long Island Expressway (outside Midtown Tunnel) Long Island City, N.Y.	$25,000-$60,000
Union Square San Francisco	$20,000-$50,000
101N Freeway (toward Bay Bridge) San Francisco	$20,000-$40,000
Kennedy Expressway Chicago	$20,000-$30,000
Eisenhower Expressway Chicago	$15,000-$30,000
I-95 (at Biscayne heading toward South Beach) Miami	$10,000-$20,000
I-94 Detroit	$10,000-$20,000
Southwest Freeway (outside Galleria) Houston	$10,000-$20,000
Intersection of Stemmons & LBJ freeways Dallas	$10,000-$20,000
West side of L.A. (Hollywood, Santa Monica)	$10,000-$15,000

Exhibit 13-3 Most desirable out-of-home advertising locations

Figure 13-3 Higher sales from outdoor advertising

Brand	Outdoor Used	Results
Sunsplash Amusement Park	25 GRP billboards	6,000 new customers in first 14 days
Bennett Infiniti	25 GRP billboards in upscale markets	Moved from #35 to #3 in sales in state; sales increased from 8 to 30 per month
Altoids	30 sheet posters; transit, bus panels; kiosks	Sales increased 50%; sales increased 5 to 1 in advertised vs. nonadvertised markets

3. *Wearout.* Because of the high frequency of exposures, outdoor may lead to a quick wearout. People are likely to get tired of seeing the same ad every day.

4. *Cost.* Because of the decreasing signage available and the higher cost associated with inflatables, outdoor advertising can be expensive in both an absolute and a relative sense.

5. *Measurement problems.* One of the more difficult problems of outdoor advertising lies in the accuracy of measuring reach, frequency, and other effects. (As you will see in the measurement discussion, this problem is currently being addressed, though it has not been resolved.)

6. *Image problems.* Outdoor advertising has suffered some image problems as well as some disregard among consumers.

In sum, outdoor advertising has both advantages and disadvantages for marketers. Some of these problems can be avoided with other forms of out-of-home advertising.

Additional Out-of-Home Media
Several other forms of outdoor advertising are also available. As you read about them, keep in mind the advantages and disadvantages of outdoor in general mentioned earlier and consider whether these alternatives have the same advantages and/or provide a possible solution to the disadvantages.

Aerial Advertising   Airplanes pulling banners, skywriting (in letters as high as 1,200 feet), and blimps all constitute another form of outdoor advertising available to the marketer: **aerial advertising.** Generally these media are not expensive in absolute terms and can be useful for reaching specific target markets. For example, Coppertone has often used skywriting over beach areas to promote its tanning lotions, beer companies (among others) commonly employ aerial advertising at sporting events, and local advertisers promote special events, sales, and the like. Exhibit 13-4 shows one of the many products, services, and/or events that have used this medium. Perhaps one of the more interesting examples of aerial advertising is that shown in Exhibit 13-5. Pizza Hut paid about $1 million to have a 30-foot version of its new logo on an unmanned Russian Proton rocket. The logo was visible for only a few seconds, but Pizza Hut felt the exposure was well worth the investment. (The company also put pizza on the Space Shuttle for those assembling the orbiting space platform.)

Mobile Billboards   Another outdoor medium is **mobile billboards** (see Exhibit 13-6). Some companies paint Volkswagen Beetles with ads called Beetleboards;

Exhibit 13-5   Pizza Hut takes aerial advertising to new heights

Exhibit 13-4   A variety of companies use blimps as an advertising medium

He used to run an information systems
department. Now he runs red lights.

TelecomClick.com Stay on top

others paint trucks and vans. Still others put ads on small billboards, mount them on trailers, and drive around and/or park in the geographic areas being targeted (Exhibit 13-6). Costs depend on the area and the mobile board company's fees, though even small and large organizations have found the medium affordable. One small company in California found that its five mobile cars account for 25 percent of its earnings, and a study conducted jointly by 3M and the American Trucking Association estimated that one truck traveling about 60,000 miles a year would create about 10 million viewer impressions of the ad placed on it.[6] In a study employing tracking methodology, the Traffic Audit Bureau (TAB) estimated that three trucks with a Seiko watch ad on them were seen by an average of 121,755 people per day in the Chicago area.[7] America Online, Lexus, Wolfgang Puck, and numerous dot-com companies are some of the advertisers that have used this medium.

In-Store Media

Advertisers spend an estimated $17 billion to promote their products in supermarkets and other stores with untypical media like displays, banners, and shelf signs. These point-of-purchase materials include video displays on shopping carts, kiosks that provide recipes and beauty tips, and coupons at counters and cash registers, LED (light-emitting diode) boards, and ads that broadcast over in-house screens. At one time, Miller Brewing Co. used 30 to 40 agencies to provide these services (it now uses 10). Figure 13-4 lists a few of the many **in-store media** options.

Much of the attraction of point-of-purchase media is based on figures from the Point of Purchase Advertising Institute (POPAI) that state approximately two-thirds of consumers' purchase decisions are made in the store; some impulse categories demonstrate an 80 percent rate.[8] Many advertisers are spending more of their dollars where decisions are made now that they can reach consumers at the point of purchase, providing additional product information while reducing their own efforts.

Miscellaneous Outdoor Media

As shown in Figure 13-5, there are numerous outdoor media available, adding to the pervasiveness of this medium. The next time you are out, take a few moments to observe how many different forms of outdoor advertising you are exposed to.

Audience Measurement in Out-of-Home Media

A number of sources of audience measurement and other information are available:

• Competitive Media Reports (formerly BAR/LNA) provides information on expenditures on outdoor media by major advertisers.

• Simmons Market Research Bureau conducts research annually for the Institute of Outdoor Advertising, providing demographic data, exposures, and the like. Mediamark Research Inc. (MRI) provides similar data.

Figure 13-4 In-store
media options

Company/Program	Medium
ActMedia	
Act Now	Co-op couponing/sampling
Aisle Vision	Ad posters inserted in stores' directory signs
Carts	Ad placed on frame inside/outside shopping cart
Impact	Customized in-store promotion events
Instant Coupon Machine	Coupon dispensers mounted in shelf channels
Act Radio	Live format in-store radio network
Shelf Take-One	Two-sided take-one offers in plastic see-thru cartridges placed at shelf
Shelf Talk	Plastic frames on shelf near product
Addvantage Media Group	Shopping cart calculators
Advanced Promotion Technologies	
Vision System	Scanner-driven, card-based promotion system using audio/video at checkout
Alpine Promotions	"Adsticks" dividers that separate food at grocery store checkout
Audits and Surveys Worldwide	Tracks in-store sales using scanner data
Catalina Marketing	
Checkout Coupon	Scanner-driven coupon program that generates coupons at checkout
Checkout Message	Targeted ad messages delivered at checkout
Save Now	Instant electronic discounts
Donnelly Marketing	
Convert	Solo/customized promotion events
In-Store Advertising	Two-sided LED display units that hang above five high-traffic areas
Innova Marketing	In-store actresses and actors providing product demonstrations
Time In-Store	In-store couponing
Valassis In-Store	In-store couponing
SPAR Marketing Force	In-store demos and customized events
Media One, Inc.	
SuperAd	Backlit ads placed in checkout lanes
Stratmar Systems	
Field Services	In-store demos and customized events
StratMedia	Shopping cart ad program
Supermarket Communications Systems	
Good Neighbor Direct	Bulletin board distribution center

- Standard Rate & Data Service provides a sourcebook on rate information, production requirements, closing dates, and so on.
- Eight-Sheet Outdoor Advertising Association provides a buyers' guide containing facts and figures regarding outdoor advertising.
- Shelter Advertising Association provides a buyers' guide containing facts and figures regarding shelter advertising.

Figure 13-5 Out-of-home advertising faces/vehicles

Billboards	Street Furniture
30-Sheet Posters 210,000	Shelters 34,000
8-Sheet Posters 140,000	Shopping Malls 1,200 malls
Bulletins 56,000	C-Stores 10,000 stores
	In-Stores 34,000 stores

Transit	Alternative Outdoor
Buses 37,600	Sports Stadiums/Arenas 77 facilities
Commuter Rail/Subways 13,000 cars	
Airports 100+	

- Audience Measurement by Market for Outdoor (AMMO) audience estimates are provided by Marketmath, Inc., for outdoor showings in over 500 markets. Published annually, the reports are based on a series of local market travel studies and circulation audits and provide demographic characteristics of audiences.

- The Institute of Outdoor Advertising is a trade organization of the outdoor advertising industry. It gathers cost data and statistical information for outdoor advertising space purchases.

- Harris-Donovan Media Systems employs a mathematical model using data supplied by the Traffic Audit Bureau and segmented by time period and billboard size. The data provide audience figures in the top 50 metropolitan areas and are available to subscribers on any IBM-compatible computer.

- The Point of Purchase Advertising Institute is a trade organization of point-of-purchase advertisers collecting statistical and other market information on POP advertising.

- The Outdoor Advertising Association of America (OAAA) is the primary trade association of the industry. It assists members with research, creative ideas, and more effective use of the medium and has a website at www.oaa.org.

- The Media Market Guide (MMG) provides physical dimensions, population characteristics, and media opportunities for the top 100 media markets.

- The Traffic Audit Bureau (TAB) is the auditing arm of the industry. TAB conducts traffic counts on which the published rates are based.

- The Traffic Audit Bureau for Media Measurement provides data regarding exposures to a variety of out-of-home media, including bus shelters, aerial banners, in-store media, and billboards. This organization was formed in response to complaints that current methodologies might overstate the reach provided by these media.

- Scarborough publishes local market studies providing demographic data, product usage, and outdoor media usage.

- Computer packages like Telmar, Donnelly, TAPSCAN, and IMS also provide information comparing outdoor with other media.

One of the weaknesses associated with outdoor advertising is audience measurement. Space rates are usually based on the number of desired showings, as shown in

Figure 13-6 Posting space rates, Memphis market (per-month basis)

18+ Pop. (000)	GRP	Total Faces	4-Week Circulation (000)	4-Week Rate per Face	Total 4-Week Rate	CPM
898.3	100	65	26,098.8	$800	$52,000	$1.99
853.3	95	62	24,925.6	847	52,514	2.11
808.4	90	58	23,276.4	847	49,126	2.11
763.5	85	55	22,103.2	847	46,585	2.11
718.6	80	52	20,930.0	847	44,044	2.10
673.7	75	49	19,756.8	847	41,503	2.10
628.8	70	45	18,107.6	882	39,690	2.19

Note: Memphis-Memphis, 30-sheet poster, general market.

Figure 13-6. For example, a 100 GRP showing would theoretically provide coverage to the entire 18-plus market. In Memphis, this would mean coverage of approximately 26 million people for a monthly rate of $52,000. Along with rate information, the companies offering outdoor billboards provide reach and frequency estimates—but there is no valid way to verify that the showings are performing as promised. The buyer is somewhat at the mercy of the selling agent.

In response to criticism, the industry has implemented a gross ratings point system similar to that used in the television industry. While the system has helped, problems associated with the use of GRPs (discussed earlier in this text) limit the usefulness of this information. Many experts think the new service provided by Harris Media Systems is a significant improvement over the AMMO system, resulting in more credible information.[9]

Transit Advertising

Another form of out-of-home advertising is **transit advertising.** While similar to outdoor in the sense that it uses billboards and electronic messages, transit is targeted at the millions of people who are exposed to commercial transportation facilities, including buses, taxis, commuter trains, elevators, trolleys, airplanes, and subways.

Transit advertising has been around for a long time, but recent years have seen a renewed interest in this medium. Due in part to the increased number of women in the work force (they can be reached on their way to work more easily than at home), audience segmentation, and the rising cost of TV advertising, yearly transit ad spending increased from $43 million in 1972 to over $900 million in 2001.[10] Much of this spending has come from packaged-goods companies such as Colgate, Nestlé, Kraft–General Foods, America Online, and Lycos, which like transit's lower costs and improved frequency of exposures. Other retailers, movie studios, and business-to-business companies have also increased expenditures in this area (Exhibit 13-7).

Exhibit 13-7 The FBI uses outdoor to recruit

A Career With America's Finest.

FBI

412-432-4373 • www.fbijobs.com

Types of Transit Advertising

There are actually three forms of transit advertising: (1) inside cards, (2) outside posters, and (3) station, platform, or terminal posters.

Inside Cards If you have ever ridden a commuter bus, you have probably noticed the **inside cards** placed above the seats and luggage area advertising restaurants, TV or radio stations, or a myriad of other products and services. An innovation is the electronic message boards that carry current advertising information. The ability to change the message and the visibility provide the advertiser with a more attention-getting medium.

Transit cards can be controversial. For example, in the New York subway system, many of the ads for chewing gum, soup, and Smokey the Bear have given way to public service announcements about AIDS, unwanted pregnancies, rape, and infant mortality. While subway riders may agree that such issues are important, many of them complain that the ads are depressing and intrusive.

Exhibit 13-8 Electronic outside posters often appear on taxicabs

Outside Posters Advertisers use various forms of outdoor transit posters to promote products and services. These **outside posters** may appear on the sides, backs, and/or roofs of buses, taxis, trains, and subway and trolley cars.

The increasing sophistication of this medium is demonstrated by a new technology, developed by Vert, Inc., a small company in Boston, that transforms ads on top of taxicabs into real-time animated electronic billboards. Available in New York and Boston, a web server that communicates with a global positioning satellite (GPS) is built into the taxi-top screen. The GPS determines the taxi's location and sends it to the local server, which then delivers the relevant ads for a particular area. A taxi traveling through a Hispanic community can have a message in Spanish, stock quotes could appear in the financial district, and so on. The ads appear in color in a format similar to banner ads, at 10 times the brightness of a TV screen. Space is sold in blocks of time, with cost dependent on the neighborhood, usually ranging from $1 to $5 CPM.[11] (See Exhibit 13-8.)

Station, Platform, and Terminal Posters Floor displays, island showcases, electronic signs, and other forms of advertising that appear in train or subway stations, airline terminals, and the like are all forms of transit advertising. As Exhibit 13-9 shows, **terminal posters** can be very attractive and attention-getting. Bus shelters often provide the advertiser with expanded coverage where other outdoor boards may be restricted. Gannett Transit recently introduced electronic signs on subway platforms in New York.

Exhibit 13-9 Terminal posters can be used to attract attention

Advantages and Disadvantages of Transit Advertising   Advantages of using transit advertising include the following:

1. *Exposure.* Long length of exposure to an ad is one major advantage of indoor forms. The average ride on mass transit is 45 minutes, allowing for plenty of exposure time.[12] As with airline tickets, the audience is essentially a captive one, with nowhere else to go and nothing much to do. As a result, riders are likely to read the ads—more than once. A second form of exposure transit advertising provides is the absolute number of people exposed. About 9 million people ride mass transit every week, and over 9.4 billion rides were taken in 2001, providing a substantial number of potential viewers.[13]

2. *Frequency.* Because our daily routines are standard, those who ride buses, subways, and the like are exposed to the ads repeatedly. If you rode the same subway to work and back every day, in one month you would have the opportunity to see the ad 20 to 40 times. The locations of station and shelter signs also afford high frequency of exposure.

3. *Timeliness.* Many shoppers get to stores on mass transit. An ad promoting a product or service at a particular shopping area could be a very timely communication.

4. *Geographic selectivity.* For local advertisers in particular, transit advertising provides an opportunity to reach a very select segment of the population. A purchase of a location in a certain neighborhood will lead to exposure to people of specific ethnic backgrounds, demographic characteristics, and so on.

5. *Cost.* Transit advertising tends to be one of the least expensive media in terms of both absolute and relative costs. An ad on the side of a bus can be purchased for a very reasonable CPM.

Some disadvantages are also associated with transit:

1. *Image factors.* To many advertisers, transit advertising does not carry the image they would like to represent their products or services. Some advertisers may think having their name on the side of a bus or on a bus stop bench does not reflect well on the firm.

2. *Reach.* While an advantage of transit advertising is the ability to provide exposure to a large number of people, this audience may have certain lifestyles and/or behavioral characteristics that are not true of the target market as a whole. For example, in rural or suburban areas, mass transit is limited or nonexistent, so the medium is not very effective for reaching these people.

3. *Waste coverage.* While geographic selectivity may be an advantage, not everyone who rides a transportation vehicle or is exposed to transit advertising is a potential customer. For products that do not have specific geographic segments, this form of advertising incurs a good deal of waste coverage.

Another problem is that the same bus may not run the same route every day. To save wear and tear on the vehicles, some companies alternate city routes (with much stop and go) with longer suburban routes. Thus, a bus may go downtown one day and reach the desired target group but spend the next day in the suburbs, where there may be little market potential.

4. *Copy and creative limitations.* It may be very difficult to place colorful, attractive ads on cards or benches. And while much copy can be provided on inside cards, on the outside of buses and taxis the message is fleeting and short copy points are necessary.

5. *Mood of the audience.* Sitting or standing on a crowded subway may not be conducive to reading advertising, let alone experiencing the mood the advertiser would like to create. Controversial ad messages may contribute to this less than positive feeling. Likewise, hurrying through an airport may create anxieties that limit the effectiveness of the ads placed there.

In summary, an advantage for one product or service advertiser may be a disadvantage for another. Transit advertising can be an effective medium, but one must understand its strengths and weaknesses to use it properly.

Audience Measurement in Transit Advertising
As with outdoor advertising, the cost basis for transit is the number of showings. In transit advertising, a 100 showing means one ad appears on or in each vehicle in the system; a showing of 50 means half of the vehicles carry the ad. If you are placing such ads on taxicabs, it may be impossible to determine who is being exposed to them.

Rate information comes from the sellers of transit advertising, and audience information is very limited. So much of the information marketers need to purchase transit ads does not come from purely objective sources.

Promotional Products Marketing

According to the Promotional Products Association International (PPA), **promotional products marketing** is "the advertising or promotional medium or method that uses promotional products, such as ad specialties, premiums, business gifts, awards, prizes, or commemoratives." Promotional products marketing is the more up-to-date name for what used to be called specialty advertising. **Specialty advertising** has now been provided with a new definition:

> A medium of advertising, sales promotion, and motivational communication employing imprinted, useful, or decorative products called advertising specialties, a subset of promotional products.
>
> Unlike premiums, with which they are sometimes confused (called advertising specialties), these articles are always distributed free—recipients don't have to earn the specialty by making a purchase or contribution.[14]

As you can see from these descriptions, specialty advertising is often considered both an advertising and a sales promotion medium. In our discussion, we treat it as a supportive advertising medium in the IMC program (Exhibit 13-10).

There are over 15,000 *advertising specialty* items, including ballpoint pens, coffee mugs, key rings, calendars, T-shirts, and matchbooks. Unconventional specialties such as plant holders, wall plaques, and gloves with the advertiser's name printed on them are also used to promote a company or its product; so are glassware, trophies, awards, and vinyl products. In fact, advertisers spend over $16.5 billion per year on specialty advertising items. The increased use of this medium makes it the fastest-growing of all advertising or sales promotion media.[15]

If you stop reading for a moment and look around your desk (or bed or beach blanket), you'll probably find some specialty advertising item nearby. It may be the pen you are using, a matchbook, or even a book cover with the campus bookstore name on it. (Figure 13-7 shows the percentage of sales by product category.) Specialty items are used for many promotional purposes: to thank a customer for patronage, keep the name of the company in front of consumers, introduce new products, or reinforce the name of an existing company, product, or service. Advertising specialties are often used to support other forms of product promotions.

Advantages and Disadvantages of Promotional Products Marketing
Like any other advertising medium, promotional products marketing offers the marketer both advantages and disadvantages. Advantages include the following:

1. *Selectivity.* Because specialty advertising items are generally distributed directly to target customers, the medium offers a high degree of selectivity. The communication is distributed to the desired recipient, reducing waste coverage.

2. *Flexibility.* As the variety of specialty items in Figure 13-7 demonstrates, this medium offers a high degree of flexibility. A message as simple as a logo or as long as is necessary can be distributed through a number of means. Both small and large companies can employ this medium, limited only by their own creativity.

3. *Frequency.* Most forms of specialty advertising are designed for retention. Key chains, calendars, and pens remain with the potential customer

Exhibit 13-10
Promotional products can be a valuable contributor to the IMC program
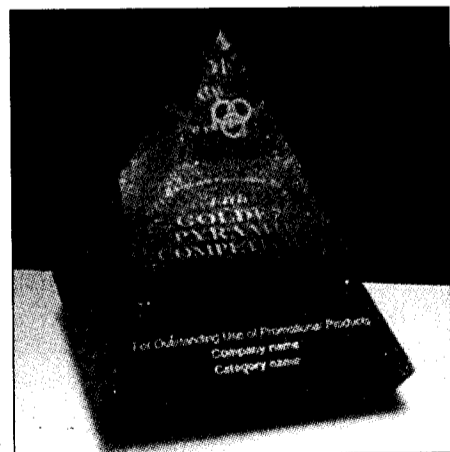
Figure 13-7 Sales of promotional products by category (numbers in parentheses indicate sales by product category)

Electronic
2.3% (2.3%)

Textiles
2.4% (2.0%)

Personal
2.2% (2.6%)

Games
2.6% (4.4%)

Food
1.7% (1.9%)

Housewares
2.6% (2.8%)

Wearables/apparel
29.0% (29.0%)

Other
2.9% (3.5%)

Computer
3.1% (3.1%)

Sporting goods
3.3% (4.0%)

Automotive
3.5% (2.8%)

Buttons
3.5% (3.1%)

Writing instruments
10.6%

Recognition
4.0% (4.1%)

Glassware
5.5% (4.7%)

Bags
5.9% (6.9%)

Calendars
7.0% (5.3%)

Desk
7.6% (7.0%)
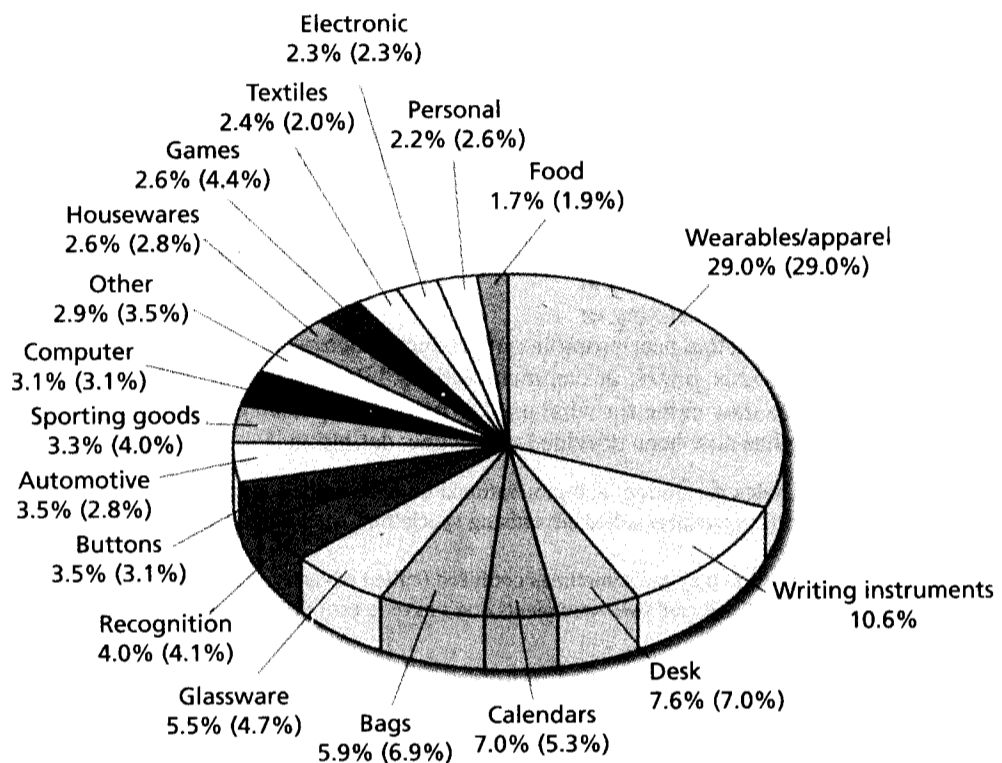
Product Category	Items Included
Wearables	T-shirts, golf shirts, aprons, uniforms, blazers, headwear, jackets, neckwear, footwear, etc.
Writing instruments	Pens, pencils, markers, highlighters, etc.
Desk/office/business accessories	Briefcases, folders, desk pen sets, calculators, cubed paper, etc.
Bags	Totebags, shopping bags, satchels, gift bags, drawstring bags, cosmetic bags, etc.
Calendars	Wall and wallet calendars, desk diaries, pocket secretaries, etc.
Glassware/ceramics	China, crystal, mugs, figurines, etc.
Games/toys/playing cards/inflatables	Kites, balls, puzzles, stuffed animals, etc.
Recognition awards/trophies/jewelry/clocks and watches	Plaques, certificates, etc.
Sporting goods/leisure products/travel accessories	Picnic/party products, camping equipment, barbecue items, bar products, plastic cups, binoculars, luggage, passport cases, etc.
Computer products	Mouse pads, monitor frames, disk carriers, wrist pads, software, etc.
Buttons/badges/ribbons/stickers/magnets	Decals, transfers, signs, banners, etc.
Housewares/tools	Measuring devices, kitchen products, picture frames, household decorations, ornaments, tool kits, first-aid kits, furniture, flashlights, cutlery, weather instruments, etc.
Automotive accessories	Key tags, bumper strips, road maps, floor mats, window shades, etc.
Personal/pocket-purse products	Pocket knives, grooming aids, lighters, matches, sunglasses, wallets, etc.
Electronic devices and accessories	Radios, TVs, videotapes, music CDs, phone cards, etc.
Textiles	Flags, towels, umbrellas, pennants, throws, blankets, etc.
Food gifts	Candy, nuts, gourmet meat, spices, etc.
Other	No examples reported

for a long time, providing repeat exposures to the advertising message at no additional cost.

4. *Cost.* Some specialty items are rather expensive (for example, leather goods), but most are affordable to almost any size organization. While they are costly on a CPM basis when compared with other media, the high number of repeat exposures drives down the relative cost per exposure of this advertising medium.

5. *Goodwill.* Promotional products are perhaps the only medium that generates goodwill in the receiver. Because people like to receive gifts and many of the products are functional (key chains, calendars, etc.), consumers are grateful to receive them. In a recent study of users of promotional products, goodwill was cited as the number-one reason for use.

6. *Supplementing other media.* A major advantage of promotional products marketing is its ability to supplement other media. Because of its low cost and repeat exposures, the simplest message can reinforce the appeal or information provided through other forms. Figure 13-8 demonstrates how promotional products have been used to supplement other IMC strategies.

Promotional products have also been used to support trade shows, motivate dealers, recognize employees, and promote consumer and sales force contests.

Disadvantages of promotional products marketing include the following:

1. *Image.* While most forms of specialty advertising are received as friendly reminders of the store or company name, the firm must be careful choosing the specialty item. The company image may be cheapened by a chintzy or poorly designed advertising form.

2. *Saturation.* With so many organizations now using this advertising medium, the marketplace may become saturated. While you can always use another ballpoint pen or book of matches, the value to the receiver declines if replacement is too easy, and the likelihood that you will retain the item or even notice the message is reduced. The more unusual the specialty, the more value it is likely to have to the receiver.

3. *Lead time.* The lead time required to put together a promotional products message is significantly longer than that for most other media.

Even with its disadvantages, promotional products marketing can be an effective medium.

Audience Measurement in Promotional Products Marketing

Owing to the nature of the industry, specialty advertising has no established ongoing audience measurement system. Research has been conducted in an attempt to determine the impact of this medium, however, including the following reports.

Figure 13-8   The Impact of promotional products in an IMC program

Combining Promotional Products with:	Effect
Advertising	Including direct mail with a promotional product increased response to a print ad to 4.2%, versus 2.3% with direct mail only and .7% with an ad only.
Personal selling	Customers receiving a promotional product expressed more goodwill toward the company than did those receiving a letter. They rated the company more positively in 52% of the cases and rated the salespeople more proficient (34%) and more capable (16%). Business-to-business customers receiving a promotional product were 14% more likely to provide leads, while salespersons who gave gifts to customers received 22% more leads than those who did not.
Trade shows	Responses to invitations to visit a booth were higher when a promotional product was enclosed.
Direct	Responses to direct-mail sales pieces were 1.9% with only a letter but 3.3% with a promotional product (75% higher). Other studies have shown increases of 50 to 66%.

A study by Schreiber and Associates indicated 39 percent of people receiving advertising specialties could recall the name of the company as long as six months later, and a study conducted by A. C. Nielsen found that 31 percent of respondents were still using at least one specialty they had received a year or more earlier.[16]

A study by Gould/Pace University found the inclusion of a specialty item in a direct-mail piece generated a greater response rate and 321 percent greater dollar purchases per sale than mail pieces without such items.[17] Studies at Baylor University showed that including an ad specialty item in a thank-you letter can improve customers' attitudes toward a company's sales reps by as much as 34 percent and toward the company itself by as much as 52 percent.[18] Finally, Richard Manville Research reported the average household had almost four calendars; if they had not been given such items free, two-thirds of the respondents said they would purchase one, an indication of the desirability of this particular specialty item.[19]

The Promotional Products Association International (www.ppai.org) is the trade organization of the field. The PPAI helps marketers develop and use specialty advertising forms. It also provides promotional and public relations support for specialty advertising and disseminates statistical and educational information.

Yellow Pages Advertising

When we think of advertising media, many of us overlook one of the most popular forms in existence—the **Yellow Pages.** While most of us use the Yellow Pages frequently, we tend to forget they are advertising. Over 200 publishers produce more than 6,500 Yellow Pages throughout the United States, generating $13.6 billion in advertising expenditures. This makes the Yellow Pages the fifth-largest medium (just behind radio).[20]

More than 90 percent of the industry's ad revenues are accounted for by nine big operators: the seven regional Bell companies, the Donnelley Directory, and GTE Directories.[21] Local advertisers constitute the bulk of the ads in these directories (about 90 percent), though national advertisers such as U-Haul, Sears, and General Motors use them as well.[22]

Interestingly, there are several forms of Yellow Pages. (Because AT&T never copyrighted the term, any publisher can use it.) They include the following:

- *Specialized directories.* Directories are targeted at select markets such as Hispanics, blacks, Asians, and women. Also included in this category are toll-free directories, Christian directories, and many others.

- *Audiotex.* The "talking Yellow Pages" offer oral information on advertisers.

- *Interactive.* Consumers search the database for specific types of information. Advertisers can update their listings frequently.

- *Internet directories.* A number of websites provide some form of Internet-based Yellow Pages (see www.kelseygroup.com). These directories include national directories which provide a nationwide database of business listings; local and regional directories, which provide information on a local or regional basis; and "shared" directories, in which local companies join together to form a national database.

- *Other services.* Some Yellow Pages directories offer coupons and freestanding inserts. In Orange County, California, telephone subscribers received samples of Golden Grahams and Cinnamon Toast Crunch cereals when their Yellow Pages were delivered.

The Yellow Pages are often referred to as a **directional medium** because the ads do not create awareness or demand for products or

Exhibit 13-11 The Yellow Pages are the final link in the buying cycle

AWARENESS   ACTION

@ Bell Atlantic Yellow Pages

Figure 13-9 The Yellow Pages extend the reach of other media

Note: Percent estimates represent an average based on an aggregation of media usage across 151 product and service categories among those consumers involved in a purchase decision.
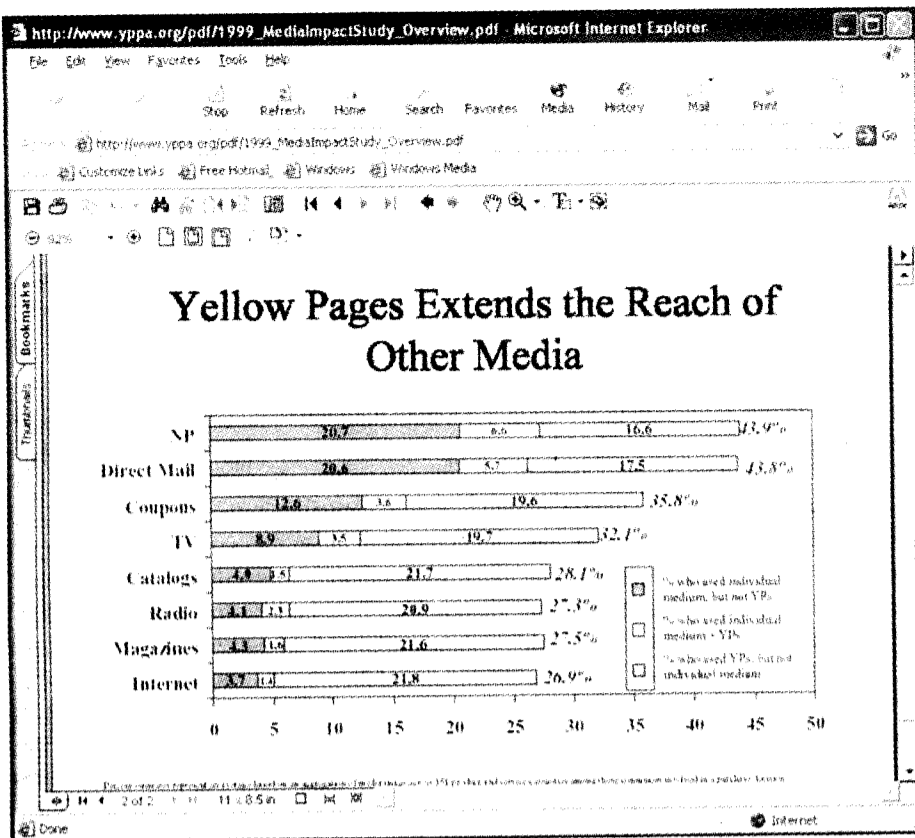
services; rather, once consumers have decided to buy, the Yellow Pages point them in the direction where their purchases can be made.[23] The Yellow Pages are thus considered the final link in the buying cycle, as shown in Exhibit 13-11. As shown in Figure 13-9, the Yellow Pages can extend the reach of other IMC media.

Advantages and Disadvantages of Yellow Pages   The Yellow Pages offer the following advantages to advertisers:

1. *Wide availability.* A variety of directories are published. According to the Yellow Pages Publishers Association. consumers refer to the Yellow Pages more than 19.4 billion times yearly.[24]

2. *Action orientation.* Consumers use the Yellow Pages when they are considering, or have decided to take, action.

3. *Costs.* Ad space and production costs are relatively low compared to other media.

4. *Frequency.* Because of their longevity (Yellow Pages are published yearly), consumers return to the directories time and again. The average adult refers to the Yellow Pages about 1.4 times a week, and 56 percent of U.S. households use the Yellow Pages weekly, and 76 percent monthly.[25]

5. *Nonintrusiveness.* Because consumers choose to use the Yellow Pages, they are not considered an intrusion. Studies show that most consumers rate the Yellow Pages very favorably.[26] Among users, 79 percent agree that the Yellow Pages are an important source of information, and 76 percent report that the books are helpful for learning about new products.

Disadvantages of the Yellow Pages include the following:

1. *Market fragmentation.* Since Yellow Pages are essentially local media, they tend to be very localized. Add to this the increasing number of specialized directories, and the net result is a very specific offering.

2. *Timeliness.* Because Yellow Pages are printed only once a year, they become outdated. Companies may relocate, go out of business, or change phone numbers in the period between editions.

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Chapter Thirteen Support Media

3. *Lack of creativity.* While the Yellow Pages are somewhat flexible, their creative aspects are limited.

4. *Lead times.* Printing schedules require that ads be placed a long time before the publications appear. It is impossible to get an ad in after the deadline, and advertisers need to wait a long time before the next edition.

5. *Clutter.* A recent study by Avery Abernethy indicates that the Yellow Pages (like other media) experience problems with clutter.

6. *Size requirements.* Response to Yellow Pages ads is directly tied to the size of the ad. A study by Abernethy and Laband indicates that for large directories a minimum of one-half page may be required just to get noticed.[27]

Audience Measurement in the Yellow Pages Two forms of audience measurement are employed in the Yellow Pages industry. As with other print media, *circulation* is counted as the number of either individuals or households possessing a particular directory. But Yellow Pages advertisers have resisted the use of circulation figures for evaluating audience size, arguing that this number represents only *potential* exposures to an ad.[28] Given that households may possess more than one directory, advertisers argued for a figure based on *usage.* The National Yellow Pages Monitor (NYPM) now provides Yellow Pages directory ratings and usage behavior by market. Using a diary method similar to that used for broadcast media, this ratings method allows advertisers to determine both the absolute and relative costs of advertising in different directories (see Figure 13-10). Statistical Research Inc. (SRI) conducts national studies to measure Yellow Pages usage. Simmons and MRI provide demographic and usage information.

The trade association for the Yellow Pages, the Yellow Pages Integrated Media Association (www.yellowpagesima.org and www.yppa.org), provides industry information, rates, educational materials, and assistance to advertisers and potential advertisers. The YPPA also disseminates educational and statistical information.

Other Media

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There are numerous other nontraditional ways to promote products. Some are reviewed here.

Advertising in Movie Theaters

Another method of delivering the message that is increasing quickly (to the dismay of many) is the use of movie theaters to promote products and/or services. Commercials shown before the film and previews, with both local and national sponsorships, have replaced cartoons. In addition, ads in theater lobbies, at kiosks, and on popcorn tubs and drink cups are used. For example, Coca-Cola Co. has frequently advertised the Coke Classic brand in movie theaters. PepsiCo, Sears, Gap, and Target have also employed this medium, as have numerous other companies. McDonald's, Clairol, and Toyota are prime users. At least one study has estimated that more than one-half of all theaters show ads before the films (Figure 13-11). The growth rate has averaged 20 percent a year sine 1992, resulting in a $400 million industry by 2001.[29] On videos, companies place ads before the movies as well as on the cartons they come in. Pepsi

Figure 13-10   The Yellow Pages use a usage rating system

CPM Based on Directory Circulation				CPM Based on Directory Usage (Ratings)			
Directory	Circulation	Cost for a Full-Page Ad	CPM	Directory	Total References per Year	Share of References	Cost for a Full-Page Ad	CPM
A	509,000	$28,000	$55.01	A	58,400,000	76.9%	$28,000	.48
B	505,000	21,000	41.58	B	17,500,000	23.1	21,000	1.20

	Number of Screens	Number of Theaters	Commercial Time
Regal Cinema	4,449	424	3 minutes
AMC Entertainment Inc.	2,736	197	2 minutes
Loews Cineplex Entertainment	2,726	359	3 minutes
Carmike Cinemas Inc.	2,445	350	3 minutes
Cinemark USA Inc.	2,227	192	3 minutes
United Artists Theatres	1,858	257	3 minutes
National Amusements	1,076	102	No limit
General Cinema Theatres	1,060	133	3 minutes
Hoyts Cinema Corp.	967	113	3 minutes
Century Theatres	700	75	No rolling stock ads
Edwards Theatres Circuit	690	59	No rolling stock ads

Source: National Association of Theatre Owners, individual cinema circuits.

Figure 13-11 The Show Before the Show: Movie theaters are screening commercials, along with previews, before the main attraction.

advertises on the video of *Casper.* Disney often promotes its upcoming movies as well as Disney World (10 minutes of advertising preceded *The Lion King* on video).[30] (If you have ever rented a Disney movie, you are well aware of this!) The Canadian government has shown "stay in school" spots, knowing that the movies are a good way to reach 12- to 17-year-olds. Dozens of other advertisers have also used this medium, including Sega, AT&T, and DeBeers.

Consumer reaction to ads in movie theaters is mixed. A number of studies have shown that most people think these ads are annoying or very annoying. But in an *Advertising Age*/Gallup national sample of moviegoers, 35 percent were against a ban on ads in movie theaters and another 21 percent were unsure whether such a ban should be enacted.[31] The survey was taken after Walt Disney Co. announced it would stop showing its movies in any theater that runs on-screen advertising along with the films. While advertisers were infuriated, Disney claimed its surveys showed that customers were extremely irritated by such ads and as a result might quit coming to the theaters.[32] (Disney still bans ads, and some movie chains refuse to accept them as well.)

Adam Snyder, writing in *Brandweek* magazine, believes that pushing movies is acceptable but beyond that consumers are likely to react negatively.[33] Nevertheless, Blake Thomas, marketing vice president for MGM/UA Home Entertainment, claims, "We could conceivably sell as much air time as we want, since advertisers cannot resist the temptation of reaching tens of millions of viewers."[34]

Advantages of Movie Theater Advertising
Movies provide a number of advantages to advertisers, including the following:

1. *Exposure.* The number of people attending movies is substantial: over 1.49 billion tickets were sold in 2001.[35] Ticket sales are over $7.7 billion per year, and attendance continues to climb.[36]

2. *Mood.* If viewers like the movie, the mood can carry over to the product advertised.

3. *Cost.* The cost of advertising in a theater varies from one setting to the next. However, it is low in terms of both absolute and relative costs per exposure.

4. *Recall.* Research indicates that the next day about 83 percent of viewers can recall the ads they saw in a movie theater. This compares with a 20 percent recall rate for television.[37]

5. *Clutter.* Lack of clutter is another advantage offered by advertising in movie theaters. Most theaters limit the number of ads.

6. *Proximity.* Since many theaters are located in or adjacent to shopping malls, potential customers are "right next door." (Of moviegoers, 73 percent combine the activity with dining out, 69% percent with shopping.)

7. *Segmentation.* A key advantage of movie advertising is the ability to target specific demographic segments. The profile of the moviegoer is above-average in education and affluent. The movie titles and ratings enable advertisements to reach specific groups.

Disadvantages of Movie Theater Advertising   Some of the disadvantages associated with movie theaters as advertising media follow:

1. *Irritation.* Perhaps the major disadvantage is that many people do not wish to see advertising in these media. A number of studies suggest these ads may create a high degree of annoyance.[38] This dissatisfaction may carry over to the product itself, to the movies, or to the theaters. Mike Stimler, president of the specialty video label Water Bearer Films, says, "People boo in movie theaters when they see product advertising."[39] Anne-Marie Marcus, vice president of sales for Screen Vision, contends that the furor has died down, though the T. J. Maxx retail chain says it is unlikely to use this form of advertising again.[40]

2. *Cost.* While the cost of advertising in local theaters has been cited as an advantage because of the low rates charged, ads exposed nationally are often as much as 20 percent higher than an equal exposure on television. CPMs also tend to be higher than in other media.

While only two disadvantages of theater advertising have been mentioned, the first is a strong one. Many people who have paid to see a movie perceive advertising as an intrusion. In a study by Michael Belch and Don Sciglimpaglia, many moviegoers stated that not only would they not buy the product advertised, but they would consider boycotting it. So advertisers should be cautious in their use of this medium. If they want to use movies, they might consider an alternative—placing products in the movies.

Product Placements in Movies and on TV

An increasingly common way to promote a product or service is by showing the actual product or an ad for it as part of a movie or TV show. While such **product placement** does not constitute a major segment of the advertising and promotions business, it has proved effective for some companies and has taken on increased importance with advertisers' concerns over viewers' ability to avoid watching commercials. (Note: Like specialty advertising, product placement is sometimes considered a promotion rather than an advertising form. This distinction is not a critical one, and we have decided to treat product placement as a form of advertising.)

Exhibit 13-12   Many companies use movies to promote their products

A number of companies pay to have their products used in movies and music videos. For example, in the movie *Austin Powers,* the villain Dr. Evil's spacecraft was in the shape of a "Big Boy" from the Big Boy restaurant chain. In *Austin Powers III,* Taco Bell, Jaguar, and Starbucks were just a few of the many product placements to appear. Essentially, this form is advertising without an advertising medium. Often, the audience doesn't realize a product promotion is going on (See Exhibit 13-12). Viewers tend to see brand names in films as lending realism to the story. Yet the impact on the buying public is real. For example, when Reese's Pieces were used in the movie *E.T.,* sales rose 70 percent and the candies were added to the concessions of 800 movie theaters where they had previously not been sold.[41] Sales of Ray-Ban Wayfarer sunglasses tripled after Tom Cruise wore them in the movie *Risky Business,* and Ray-Ban Aviator sales increased 40 percent after he wore

them in *Top Gun*. After he wore Oakleys in *Mission Impossible II*, sales increased 80 percent.[42]

The move to place products on TV programs has also been on the increase, since 1988, when CBS broke its long-standing tradition of not mentioning brand names in its programs. The use of product placements has become commonplace, as demonstrated in IMC Perspective 13-1, and is also on the increase in foreign markets

Advantages of Product Placements   A number of advantages of product tie-ins have been suggested:

1. *Exposure*. A large number of people see movies each year (over 1.4 billion admissions per year). The average film is estimated to have a life span of three and one-half years (with 75 million exposures), and most of the moviegoers are very attentive audience members. When this is combined with the increasing home video rental market and network and cable TV (for example, HBO, Showtime, the Movie Channel), the potential exposure for a product placed in a movie or on television is enormous. And this form of exposure is not subject to zapping, at least not in the theater.

High exposure numbers are also offered for TV tie-ins, based on the ratings and the possibility to direct the ad to a defined target market.

2. *Frequency*. Depending on how the product is used in the movie (or program), there may be ample opportunity for repeated exposures (many, for those who like to watch a program or movie more than once). For example, if you are a regular watcher of the CBS program *Survivor,* you will be exposed to the products placed therein a number of times.

3. *Support for other media*. Product placements may support other promotional tools. A trend in the movie industry is to have the client that is placing the product cross-promote the product and movie tie-in in multiple media venues as well as through the Internet and sales promotions.

4. *Source association*. In Chapter 6, we discussed the advantages of source identification. When consumers see their favorite movie star wearing Oakleys, drinking Starbucks coffee, or driving a Mercedes, this association may lead to a favorable product image. Most of those involved in the business of product placements believe that association with the proper source is critical to success.

5. *Cost*. While the cost of placing a product may range from free samples to $1 million, the latter is an extreme. The CPM for this form of advertising can be very low, owing to the high volume of exposures it generates.

6. *Recall*. A number of firms have measured the impact of product placements on next-day recall. Results ranged from Johnson's Baby Shampoo registering 20 percent to Kellogg's Corn Flakes registering 67 percent (in the movie Raising Arizona). Average recall is approximately 38 percent. Again, these scores are better than those reported for TV viewing. A study provided by Pola Gupta and Kenneth Lord showed that prominently displayed placements led to strong recall.[43]

7. *Bypassing regulations*. In the United States as well as many foreign countries, some products are not permitted to advertise on television or to specific market segments. Product placements have allowed the cigarette and liquor industries to have their products exposed, circumventing these restrictions.

8. *Acceptance*. A study by Pola Gupta and Stephen Gould indicated that viewers are accepting of product placements and in general evaluate them positively, though some products (alcohol, guns, cigarettes) are perceived as less acceptable.[44]

Disadvantages of Product Placements   Some disadvantages are also associated with product placements:

1. *High absolute cost*. While the CPM may be very low for product placement in movies, the absolute cost of placing the product may be very high, pricing some advertisers out of the market. Although only a small percentage of placements are paid for directly, the increased demand by the studios for cross-promotions drives costs up considerably.

Product Placements Invade New Media

Can you think of the last time you watched a movie and didn't see a product placement—that is, a branded product displayed in the scene? While product placements have been around for quite some time, there has been a tremendous increase in their usage in the past few years. And now, they are invading television programs as well.

Exactly when product placements originated is hard to determine, but most marketers agree that the frequency of their use increased significantly with the placement of Reese's Pieces in the movie *E.T.* over 20 years ago. Since that time, placements have become so common that some advertisers are concerned that the novelty of the brand exposures has worn off, leading them to be less effective, or—even worse—that they are so common and so obvious that viewers are getting turned off by them. The recent *James Bond* and *Austin Powers* movies have so many placements in them that one has to wonder if such movies are created just to promote products.

But instead of cutting back on placements, the advertising industry has now turned to other mediums to get its products shown. For example, the novel *The Bulgari Connection*, by Fay Weldon, was actually so-named (at least in part) because an "undisclosed sum" of money was paid to the author by the Italian Bulgari jewelry company. Television has also seen a marked increase in the number of placements. Junior Mints, Calvin Klein, Kenny Roger's Roasted Chicken, and numerous cereals are just a few of the many brands that have appeared in *Seinfeld,* with many other products appearing in other shows as well. Budweiser, Mountain Dew, and Doritos have all been in *Survivor,* Pottery Barn was integrated into the plot in *Friends,* and Procter & Gamble products are all over *Sex and the City.* When Unilever launched Cheese Creations sauces, a major promotional effort was expended on radio DJ parties to get the jockeys talking about the products on the air. Nivea did the same thing with its wrinkle-control cream targeted to women, P&G did it with its Downy Wrinkle Releaser spray, and so has Compaq computers. Jeep Wrangler and Liberty are prominently displayed throughout Tony Hawk's Pro Skater 3 video game, which is extremely popular with males in their 20s.

Is it possible that product placements have gone too far—maybe even bordering on deception? A number of critics think so, arguing that the lines have blurred between content and promotions. They cite the new TV show *No Boundaries,* a reality-based show in which the contestants drive Ford Boundaries. Ford, whose campaign slogan is "No Boundaries," helped pay for the show's production costs. Gary Ruskin, execu-

tive director of Commercial Alert, a nonprofit advertising watchdog group, notes that today's movies are "being corrupted by commercialization that has mushroomed beyond mere product placement to include script doctoring and related sins." Ruskin goes on to note: "In movies like *Minority Report,* you have a bunch of ads with a couple of scenes thrown in, with artistic concerns taking a back seat." He is particularly perturbed by a film to be released under the title *Food Fight,* which features brands as characters such as Mr. Clean, Mr. Pringle, and Twinkie the Kid. Even some people in the product placement industry itself are concerned that viewers will see the placements as commercial, infringing on their pleasure of watching.

Others are not so concerned, however. Citing the growth of TiVo, the increase in commercial zipping and zapping, and the increasing number of advertisers vying for more time through regular television commercials, they argue that this may be the only way to have one's product or brand shown in the future. Those assuming this position suggest that you will see even more placements in even more media in the future. So the next time you turn on HBO to get away from the commercials on network TV, pay attention. Who knows, you may see a product placement on *Sex and the City* (Jabra cell-phone earpieces) or on *The Sopranos* (Gateway computers)—and maybe you'll notice and maybe you won't. Either way, the placement may still work, as some research indicates that products that you do not actually notice may have a greater impact than those that you do.

Sources: Jennifer Davies, "Where Do Films Start, Ads Stop?" *San Diego Union-Tribune,* Aug. 3, 2002, p. C1; T. L. Stanley, "Brand X: Ready on ...," *Brandweek,* May 13, 2002, pp. 34-40; Joann Muller, "Chrysler's Wink-Wink, Nudge-Nudge Campaign," *BusinessWeek,* Dec. 17, 2001, p. 114; Betsy Spethmann, "Hot Air," *Promo Magazine,* September 2001, pp. 37-40; Laura Shanahan, "Designated Shopper," *Brandweek,* Sept. 24, 2001, p. 38.

2. *Time of exposure.* While the way some products are exposed to the audience has an impact, there is no guarantee viewers will notice the product. Some product placements are more conspicuous than others. When the product is not featured prominently, the advertiser runs the risk of not being seen (although, of course, the same risk is present in all forms of media advertising).

3. *Limited appeal.* The appeal that can be made in this media form is limited. There is no potential for discussing product benefits or providing detailed information. Rather, appeals are limited to source association, use, and enjoyment. The endorsement of the product is indirect, and the flexibility for product demonstration is subject to its use in the film.

4. *Lack of control.* In many movies, the advertiser has no say over when and how often the product will be shown. Many companies have found that their placements in movies did not work as well as expected. Fabergé developed an entire Christmas campaign around its Brut cologne and its movie placement, only to find the movie was delayed until February.

5. *Public reaction.* Many TV viewers and moviegoers are incensed at the idea of placing ads in programs or movies. These viewers want to maintain the barrier between program content and commercials. If the placement is too intrusive, they may develop negative attitudes toward the brand. The increased use of placements has led many consumers to be annoyed by what they consider to be crass commercialization. The FTC has explored options for limiting placements without consumer notification.

6. *Competition.* The appeal of product placements has led to increased competition to get one's product placed. Movie production houses continue to increase demands for key placements.

7. *Negative placements.* Some products may appear in movie scenes that are disliked by the audience or create a less than favorable mood. For example, in the movie Missing, a very good, loyal father takes comfort in a bottle of Coke, while a Pepsi machine appears in a stadium where torturing and murders take place—not a good placement for Pepsi.

Exhibit 13-13 In-flight magazines are available on most carriers

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Audience Measurement for Product Placements

To date, no audience measurement is available except from the providers. Potential advertisers often have to make decisions based on their own creative insights or rely on the credibility of the source. However, at least two studies have demonstrated the potential effectiveness of product placements.

In addition to the studies reported earlier, research by Eva Steortz showed that viewers had an average recall for placements of 38 percent.[45] And Damon Darlin has provided evidence that an aura of glamour is added to products associated with celebrities.[46] Research companies like PR Data Systems (mentioned earlier) compare the amount of time a product is exposed in the program/movie to the cost of an equivalent ad spot to measure value. (As you will see in Chapter 19, however, we have problems with this measure of effectiveness.)

In-Flight Advertising

Another rapidly growing medium is **in-flight advertising.** As the number of flying passengers increases, so too does the attractiveness of this medium. In-flight advertising includes three forms:

• *In-flight magazines.* Free magazines (like the one shown in Exhibit 13-13) published by the airlines are offered on almost every plane in the air. United Airlines

distributes over 1 million of its *Hemispheres* magazines each month and estimates potential exposures at 1.7 million.[47]

• *In-flight videos.* In-flight videos have been common on international flights for some time and are now being used on domestic flights. Commercials were not originally included in these videos. Now about $18 million in commercials is booked on flights per year ($12 million on international flights).[48] While not all airlines offer in-flight commercials, companies like Japan Air Lines, Delta, American, and British Airways are participating. Some of these commercial messages are as long as three minutes. For example, SKY-TV has features on United, TWA, and US Airways, with a bonus feature on broadcast.com included (Exhibit 13-14). American's *CBS Eye on American* is broadcast in English and Spanish.

• *In-flight radio.* USA Today's in-flight radio is run by the same people responsible for publishing its newspaper.

• *In-flight catalogs.* Twenty domestic airlines (as well as Amtrak) now offer in-flight shopping catalogs, with more than 90 percent of passengers having access. The catalogs usually range from 160 to 180 pages and include products offered by Sharper Image, Magellan's, Lego, and Hammacher Schlemmer, among many others.[49]

Advantages and Disadvantages of In-Flight Advertising
Advantages of in-flight advertising include the following:

1. *A desirable audience.* The average traveler is 45 years old and has a household income over $83,700. Both business and tourist travelers tend to be upscale, an attractive audience to companies targeting these groups. Many of these passengers hold top management positions in their firms. *Hemispheres* reaches over 4 percent of business professionals and estimates that almost 71 percent of the magazine's readership are professionals. Other demographics are favorable as well (see Figure 13-12).[50]

2. *A captive audience.* As noted in the discussion about ticket covers, the audience in an airplane cannot leave the room. Particularly on long flights, many passengers are willing (and even happy) to have in-flight magazines to read, news to listen to, and even commercials to watch.

3. *Cost.* The cost of in-flight commercials is lower than that of business print media. A 30-second commercial on United Airlines that offers exposure to 3,500,000 passengers costs approximately $27,500. A four-color spread in *Forbes* and *Fortune* would cost double that amount. A full-page ad in *American Way* costs from $16,474 to $19,154 depending on the number of placements.[51] The SKY-TV videos mentioned earlier cost less than a half-page ad in *The Wall Street Journal.*

Exhibit 13-14 United Airlines' passengers can watch SKY-TV in flight

Figure 13-12   In-flight media reach a desirable target audience

	(000)	Percent Coverage	Percent Composition	Index	Rank

Upwardly Employed

Base: Adults

Target market: Professional/managerial

	(000)	Percent Coverage	Percent Composition	Index	Rank
Harvard Business Review	370	1.4	76.9	141	1
Attache	868	3.2	75.2	137	2
ABA Journal	356	1.3	74.0	135	3
Robb Report	233	0.9	71.9	131	4
Cigar Aficionado	548	2.0	71.7	131	5
Hemispheres	1133	4.1	70.9	130	6

Corporate Influentials

Base: Adults

Target market: Top management

	(000)	Percent Coverage	Percent Composition	Index	Rank
Departures	203	2.3	42.6	242	1
Harvard Business Review	201	2.3	41.8	237	2
Robb Report	124	1.4	38.3	217	3
The Wall Street Journal	1754	19.9	35.5	201	4
Hemispheres	541	6.1	33.9	192	5
ABA Journal	160	1.8	33.3	189	6

Business Travelers

Base: Adults

Target market: Spent 7+ nights in hotels for business during the past year

	(000)	Percent Coverage	Percent Composition	Index	Rank
Hemispheres	1108	7.3	69.4	227	1
Attache	780	5.1	67.5	221	2
American Way 2-issue	1649	10.8	65.4	214	3
SW Airlines Spirit	965	6.3	64.2	211	4
Sky Magazine	1574	10.3	64.2	210	5
NW Air World Traveler	785	5.1	63.1	207	6

4. *Segmentation capabilities.* In-flight allows the advertiser to reach specific demographic groups, as well as travelers to a specific destination. For example, Martell cognac targeted only first-class passengers on JAL's New York to Tokyo route. American Airlines' *Celebrated Living* readers have a median income of $174,500, with 42 percent having a net worth of more than $1 million.[52]

Disadvantages of in-flight advertising include the following:

1. *Irritation.* Many consumers are not pleased with the idea of ads in general and believe they are already too intrusive. In-flight commercials are just one more place, they think, where advertisers are intruding.

2. *Limited availability.* Many airlines limit the amount of time they allow for in-flight commercials. Japan Air Lines, for example, allows a mere 220 seconds per flight.

3. *Lack of attention.* Many passengers may decide to tune out the ads, not purchase the headsets required to get the volume, or simply ignore the commercials.

4. *Wearout.* Given projections for significant increases in the number of in-flight ads being shown, airline passengers may soon be inundated by these commercials.

Miscellaneous Other Media

As noted earlier in this chapter, the variety of advertising support media continues to increase, and discussing or even mentioning all is beyond the scope of this text. However, the following are provided just to demonstrate a few of the many options:

• *Place-based media.* The idea of bringing the advertising medium to the consumers wherever they may be underlies the strategy behind place-based media. TV monitors and magazine racks have appeared in classrooms, doctors' offices, and health clubs, among a variety of other locations. After an initial introduction and failure by Whittle Communications, Promedia now owns Channel One; Cass Communications offers place-based media options for the college market. Place-based media have become a profitable venture and an attractive alternative for media buyers. Many advertisers, like Vans, Paramount Pictures, and Disney, support and use this medium in the classroom, arguing that both the sponsor and the "cash-strapped" schools benefit. But some observers, like the Consumers Union and consumer advocate Ralph Nader, denounce it as "crass commercialism."[53]

• *Kiosks.* The growth of interactive kiosks was briefly mentioned in Chapter 10. Advertisers pay rates ranging from $1,000 to $2,500 a month for signage and interactive ads on kiosks that are placed in malls, movie theaters, and other high-traffic areas. Additional charges may accrue for more complex interactive programs. Companies like Ameritech and North Communications have increased their involvement in this medium. Intel has deployed over 1,000 kiosks in computer stores to give consumers immediate access to the Internet.[54] Kmart estimates that 20 percent of its sales comes from its in-store kiosks.

• *Others.* Just a few other examples of the use of support media: Coca-Cola has installed 1,000 feet of light boxes in the Atlanta subway to show motion picture ads for Dasani; Motorola is advertising on pagers; Muzak, a provider of background music, has teamed with Tyme ATMs to broadcast ads at bank ATM sites; ads now appear on luggage conveyors at some airports, on hubcaps, in elevators, on fruit, and on gasoline pumps (visual and talking). There are many other examples, as is well demonstrated in IMC Perspective 13-2 and Exhibit 13-15 (at least he earned something from the fight!).

Exhibit 13-15 Ads often appear in the strangest places
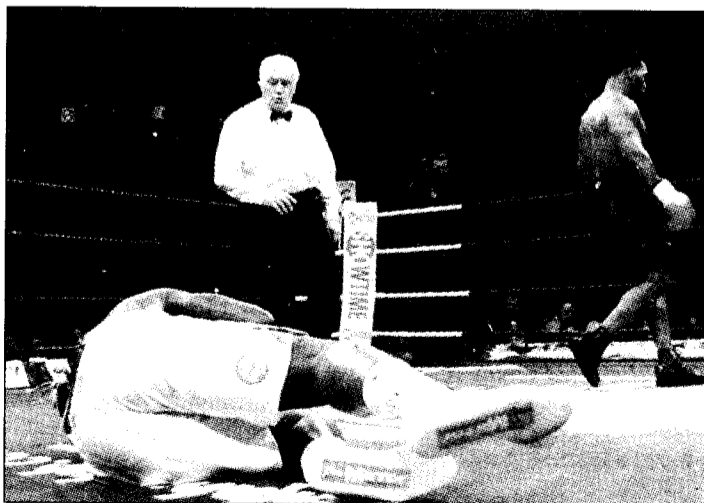
How Can They Change the Ads on the Backstops between Innings?—It's "Virtually" Possible

Next time you watch a Major League Baseball game, watch the advertisements appearing on the backstop behind the batter. At the top of the inning, you will see an ad for one company—let's say Yahoo.com—between innings you may see one for Office Depot, and at the bottom of the inning you may see Toyota's message. Or perhaps you were watching a college football game on ESPN and you saw different ads between the goal-posts every time an extra point or field goal was kicked. Did you ever wonder how they could change those ads so quickly? Actually they don't. What you are seeing is a new technology called *virtual advertising,* in which the ads are digitally entered onto your screen. While you are seeing the ads on your screen, people at the stadium are seeing a blank wall.

Virtual advertising has been around for a few years, with the San Francisco Giants baseball team being the first to test the medium in the summer of 1996. The San Diego Padres, Philadelphia Phillies, and Seattle Mariners have used it. Fox Sports has used virtually advertising on a regional basis, and ESPN has placed virtual ads on its Sunday night football games aired nationally. The new advertising form is catching on so quickly that the San Diego Padres sold out all their virtual spots for the baseball season, and a number of other teams are expected to begin to offer them in the future.

In virtual advertising, ad messages are inserted into a TV picture so that they appear to be part of the sta-dium scene. The advertiser can pay the same price for the virtual placement as it would for a 30-second spot on the same game telecast. The cost can range from as low as $8,000 to as much as $25,000 on an ESPN national telecast. In baseball, the ads last as long as the half inning—typically 4 to 8 minutes. Other sports events using virtual advertising include football, arena football, and tennis. Exposure times, of course, are cal-culated differently for each sport.

Advertisers like the new virtual capabilities for a number of reasons. First, the ads are shown while the event is still active, rather than during commercial slots, increasing the likelihood of viewer attention. Second, the format allows for a large number of com-panies to participate (the three mentioned above all appeared in a single Padres game), and since the ads are digitally created, there are few production difficul-ties and little inventory to contend with. The same game shown in two different markets can carry differ-ent ads for each market.

Before you begin to think that this technology is limited to sports, consider this: In an episode of the prime-time entertainment show *Seven Days,* virtual product placements appeared for the first time in such programming. After the program had been produced and put on the air, Princeton Video Image created the placements in a syndicated rerun, with a Wells Fargo bank sign, Kenneth Cole shopping bags, and bottles of Coca-Cola and Evian appearing on the screen. The products, bags, and signs never existed in the actual episode. The Mexican TV network Televisia is also inserting visual product placements in entertainment shows in Mexico. Televisia charges $1,000 per inser-tion. The potential seems endless, as almost any prod-uct can be placed in a syndicated show, in almost any scene—creating a bonanza for advertisers.

Not everyone is so happy about the new technology, however. Some industry experts are concerned that the potential for virtual advertising and product place-ments may lead to oversaturation, becoming offensive and in poor taste. They note that product placement buyers will seek prominent placements, at key parts of the program, and that actors and actresses will become
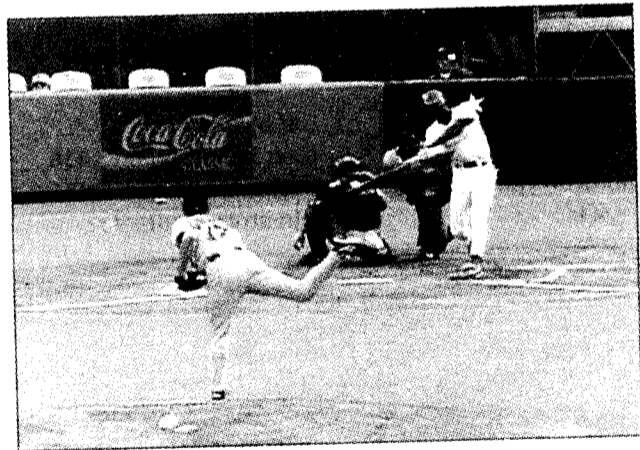
unknowing (and even unwilling) endorsers. (Imagine Sydney Bristow of *Alias* carrying a purse even though she never actually had one in the performance!) Equally important, they contend, is the potential for crass commercialism, with ads and placements getting in the way of program content—again irritating the viewer. Finally, and no less important, what about the actual sponsor or advertiser in a commercial break of the program? If Pepsi buys a regular ad on the program, and Coke, or even Evian, is allowed to appear as a product placement, what impact does that have on Pepsi's commercial? If General Motors sponsors college football games, and a virtual ad for Toyota appears every time a field goal or extra point is kicked, is that fair? FIFA, the governing body of international soccer (football), doesn't think so: After a match in Greece showed a giant spray can of deodorant hovering above the field, FIFA issued guidelines designed to limit the use of virtual placements. Viewers watching CBS's evening news broadcast from Times Square saw a billboard advertising CBS news, but it really wasn't there—it was a placement.

At this point, virtual advertising and product placements are in the infancy stage. But who knows how quickly the medium will catch on? The next time you watch *I Love Lucy*, Lucy may be drinking a Diet Coke, while Ricky takes Viagra. Or the UCLA placekicker— whose team is sponsored by Adidas—may be kicking into a Nike ad. The Turner Broadcasting System (TBS) has recently struck a deal to insert virtual advertising in its syndicated programming of *Law and Order*. The inserts will likely include ads on the coffee cups police officers drink from and on the soda machine in the police station. Who knows how things will change?

Sources: Stuart Elliott, "A Video Process Allows the Insertion of Brand-Name Products in TV Shows Already on Film," *New York Times*, Mar. 29, 1999, p. 11; John Consoli, "Virtual Ads Set to Pitch," *Mediaweek*, Mar. 22, 1999, mediaweek.com; "Virtual Ads, Real Problems," *Advertising Age*, Mar. 24, 1999, p. 30; "Virtual Signage Breaks into Prime Time," *Mediaweek*, Mar. 29, 1999, mediaweek.com; David Goetel, "TBS Tries Virtual Advertising," *Advertising Age*, May 21, 2001, p. 8; "Virtual Advertising," *Economist*, Jan. 15, 2000, p. 68.

Summary

This chapter introduced you to the vast number of support media available to marketers. These media, also referred to as nontraditional or alternative media, are just a few of the many ways advertisers attempt to reach their target markets. We have barely scratched the surface here. Support media include out-of-home advertising (outdoor, in-store, and transit), promotional products, product placements in movies and on TV, and in-flight advertising, among many others.

Support media offer a variety of advantages. Cost, ability to reach the target market, and flexibility are just a few of those cited in this chapter. In addition, many of the media discussed here have effectively demonstrated the power of their specific medium to get results.

But each of these support media has disadvantages. Perhaps the major weakness with most is the lack of audience measurement and verification. Unlike many of

the media discussed earlier in this text, most nontraditional media do not provide audience measurement figures. So the advertiser is forced to make decisions without hard data or based on information provided by the media.

As the number and variety of support media continue to grow, it is likely the major weaknesses will be overcome. When that occurs, these media may no longer be considered nontraditional or alternative.

Key Terms

support media, 432
alternative media, 432
nonmeasured media, 432
nontraditional media, 432

out-of-home advertising, 432
showing, 435
aerial advertising, 436
mobile billboards, 436
in-store media, 437

transit advertising, 440
inside cards, 441
outside posters, 441
terminal posters, 441
promotional products marketing, 443

specialty advertising, 443
Yellow Pages, 446
directional medium, 446
product placement, 450
in-flight advertising, 453

Discussion Questions

1. Transit advertising takes a variety of forms, and many advertisers may be reluctant to use these media. Discuss some of the various forms of transit advertising and their relative advantages and disadvantages. Give examples of which products and/or services might effectively utilize this medium.

2. Describe what is meant by "stealth marketing." Give examples of products and/or services that you know have employed this strategy. Then describe some of the characteristics of companies that might most benefit from stealth marketing.

3. There seems to be a growing interest among marketers to engage in the use of product placements. These marketers are attracted by the success experienced by prior product placements. Give examples of product placements that you have seen. Then discuss what factors impact the success or lack of success of product placements.

4. Advertising in movie theaters is on the increase. A variety of reasons as to why this medium may be effective are offered in the chapter. Discuss the reasons why movie theater advertising may be advantageous. Then discuss some of the reasons why it might not be as successful as planned.

5. As advertisers engage in stealth marketing tactics, many companies are taking action to prohibit such activities. Ethical issues are raised on both sides—one side claiming free speech, while the other argues that such activities are unfair to paying advertisers, sponsors, etc. Discuss the positions of each side. Which do you favor?

6. Some advertisers claim that virtual ads are bad for the advertising industry in general. Explain some of the reasons why they feel this way. Are these reasons valid?

7. What are promotional products? List some of the advantages and disadvantages of this medium. Provide examples where the use of this medium would be appropriate.

8. Discuss some of the merits of in-flight advertising. What types of products might most effectively use this medium?

9. Support media have also been called alternative media, nonmeasured media, and nontraditional media. Why has the medium been assigned these titles?

10. Explain how various support media might be used as part of an IMC program. Take any three of the media discussed in the chapter and explain how they might be used in an IMC program for automobiles, cellular telephones, and Internet services.

Direct Marketing

14

Chapter Objectives

1. To recognize the area of direct marketing as a communications tool.

2. To know the strategies and tactics involved in direct marketing.

3. To demonstrate the use of direct-marketing media.

4. To determine the scope and effectiveness of direct marketing.

What Do Ab Rockers, Ginsu Knives, Mercedes, and Kitchen Appliances Have in Common?

If you don't know the answer to the above question, perhaps a few more hints will help. What if we added Monsters, Excite@Home, and the Indy Races to the list? That's right, all of the above are
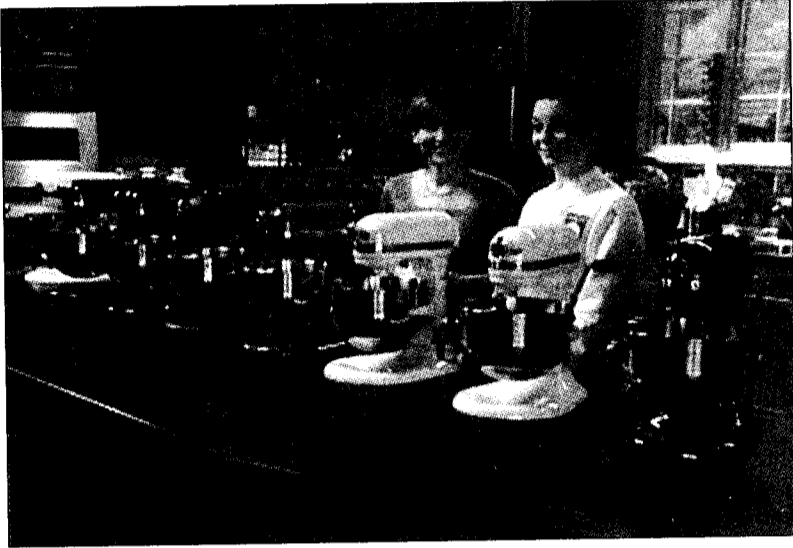
sponsors of infomercials—an advertising form that has long been considered appropriate only for Ronco Vegematics, Whopper Choppers, and Dione Warwick's *Psychic Friends.*

The infomercial, or—as those in the industry like to refer to it—long-form advertisement, is a 30- to 60-minute television segment designed to provide the viewer with a great deal of information and detail about a product or service. In effect, infomercials are long commercials designed to provide information as well as to sell. You will usually see long-form ads late at night, in the wee hours of the morning, or at any time when the advertising rates are at their lowest. As a result, this ad form has long been the domain of smaller, direct-response companies. But all that is changing.

The new infomercials are no longer low-budget productions that attempt only to sell, sell,

sell. And low-audience spots are no longer their only medium. Mercedes-Benz recently aired an infomercial for its E320 on national cable networks. The long-form ad, titled "The Mark of Passion," was very expensive looking and plugged the Starmark used-car program through archival footage and testimonials from very satisfied owners. Excite's objective was to provide information on its complex products and services and to demonstrate the advantages of broadband. Monster.com's "Monster Show" included a number of specific features, such as the "Learn to Love Monday Morning Quiz," which measures satisfaction with one's current employer. While the infomercials had a sales component, other measures of success were also employed. Mercedes's ads directed the viewers to learn more about the Starmark program by calling a toll-free number or logging on to the Starmark website (70 percent of the viewers used the website). Once there, information was collected for the development of a database and for mailings with additional information. Monster tracked activity on various aspects of the website.

But why use an infomercial for household appliances? Can't they just be sold through regular advertising and retail outlets? And, at an average price of $369.95 per appliance, isn't that a bit expensive for this medium? No and no says Brian Maynard, director of integrated marketing for KitchenAid, a 90-year-old company out of Benton Harbor, Michigan. The highly competitive market requires different thinking and different

ways to drive sales. The initial infomercial—which was designed to drive retail and break even on direct response—exceeded expectations by 60 to 70 percent. But, once again, it was not your typical infomercial. Set in a very expensive kitchen, the infomercial was portrayed to be more like a cooking show than a commercial. Well-known chefs, and two hosts from PBS cooking shows, were brought in, and additional IMC tools were employed. Traditional ads air between the two segments of the long-form ad. The company's website was enhanced to stimulate selling, and sales promotions featuring "free gifts" of aprons, spatulas, and bowl covers were included. Buyers also received three free issues of *Food & Wine*. And let's not forget the website's recipe page—with instructions written in "KitchenAid-ese." For consumers reluctant to purchase on their first visit, direct-mail pieces were sent. The results speak for themselves: 45 percent of the company's mixers are now sold through the website. Retail sales are up, and many of the viewers already own mixers but come to buy attachments.

And now about those Indy races. The Indy races include a circuit of 12 races plus the Indianapolis 500. Given that the races are not as well known as the NASCAR series, the goal of the infomercial was to educate racing fans on the Indy races' strengths relative to NASCAR. Included are shots from inside the race cars, interviews with drivers like Al Unser Jr., and testimonials from fans. Besides an overall increase in sales, attendance has been up by 15 percent at every track in areas where the infomercials have run preceding the races. And you thought infomercials were only for Tummy Tuckers.

Sources: Charles Wesley Orton; "KitchenAid Shares Its Recipe for DRTV," *Response*, January 2002, pp. 26–30; Bernard Stamler, "Indy Racing Uses Infomercial to Lure Viewers to the Track," New York Times.com, Aug. 8, 2001, pp. 1–2; Evantheia Schibsted, "Ab Rockers, Ginshu Knives, E320s," *Business 2.0*, May 29, 2001, pp. 46–49.

As marketers continue to explore options for delivering their messages, the media landscape is itself changing. The addition of new options like the Internet and interactive media is one change that has occurred. Another is the variety of innovations taking place in regard to existing media and the companies using them. Earlier in this text we discussed the changing role of support media such as product placements and movie theater advertising. The examples in this chapter's lead-in demonstrate one of the changes occurring in the direct-marketing area, specifically in regard to infomercials. But it is important to realize that the infomercial is only one of the tools used by direct marketers.

Direct Marketing

While most companies continue to rely primarily on the other promotional mix elements to move their products and services through intermediaries, an increasing number are going directly to the consumer. These companies believe that while the traditional promotional mix tools such as advertising, sales promotion, and personal selling are effective in creating brand image, conveying information, and/or creating awareness, going direct with these same tools can generate an immediate behavioral response. Direct marketing is a valuable tool in the integrated communications program, though it seeks somewhat different objectives.

In this chapter, we discuss direct marketing and its role as a communications tool. Direct marketing is one of the fastest-growing forms of promotion in terms of dollar expenditures, and for many marketers it is rapidly becoming the medium of choice for reaching consumers. Stan Rapp and Thomas Collins, in their book *Maximarketing*, propose that direct marketing be the driving force behind the overall marketing program.[1] Recently, others have agreed. Ropp and Collins present a nine-step model that includes creating a database, reaching prospects, developing the sale, and developing the relationship. We begin by defining direct marketing and then examine direct-marketing media and their use in the overall communications strategy. The section concludes with a basis for evaluating the direct-marketing program and a discussion of the advantages and disadvantages of this marketing tool.

Defining Direct Marketing

As noted in Chapter 1, **direct marketing** is a system of marketing by which organizations communicate directly with target customers to generate a response or transaction. This response may take the form of an inquiry, a purchase, or even a vote. In his *Dictionary of Marketing Terms,* Peter Bennett defines direct marketing as:

> the total of activities by which the seller, in effecting the exchange of goods and services with the buyer, directs efforts to a target audience using one or more media (direct selling, direct mail, telemarketing, direct-action advertising, catalogue selling, cable TV selling, etc.) for the purpose of soliciting a response by phone, mail, or personal visit from a prospect or customer.[2]

First we must distinguish between direct marketing and direct-marketing media. As you can see in Figure 14-1, direct marketing is an aspect of total marketing—that is, it involves marketing research, segmentation, evaluation, and the like, just as our planning model in Chapter 1 did. Direct marketing uses a set of **direct-response media,** including direct mail, telemarketing, interactive TV, print, the Internet, and other media. These media are the tools by which direct marketers implement the communications process.

The purchases of products and services through direct-response advertising currently exceed $2 trillion and are projected to reach $2.8 trillion by the year 2006.[3] Firms that use this marketing method range from major retailers such as the Gap, Restoration Hardware, and Victoria's Secret to publishing companies to computer retailers to financial services. Business-to-business and industrial marketers have also significantly increased their direct-marketing efforts, with an estimated $1.3 trillion in sales forecast by 2004.[4]

The Growth of Direct Marketing

Direct marketing has been around since the invention of the printing press in the 15th century. Ben Franklin was a very successful direct marketer in the early 1700s, and Warren Sears and Montgomery Ward (you may have heard of these guys) were using this medium in the 1880s.

The major impetus behind the growth of direct marketing may have been the development and expansion of the U.S. Postal Service, which made catalogs available to both urban and rural dwellers. Catalogs revolutionized America's buying habits; consumers could now shop without ever leaving their homes.

But catalogs alone do not account for the rapid growth of direct marketing. A number of factors in American society have led to the increased attractiveness of this medium for both buyer and seller:

- *Consumer credit cards.* There are now over 1 billion credit cards—bank, oil company, retail, and so on—in circulation in the United States. This makes it feasible for consumers to purchase both low- and high-ticket items through direct-response channels and assures sellers that they will be paid. It is estimated that over $1.23 trillion was charged on credit cards in the year 2001.[5] Of course, not all of this was through direct marketing, but a high percentage of direct purchases do use this method of payment, and companies such as American Express, Diners Club, MasterCard, and Visa are among the heaviest direct advertisers.

- *Direct-marketing syndicates.* Companies specializing in list development, statement inserts, catalogs, and sweepstakes have opened many new opportunities to marketers. The number of these companies continues to expand, creating even more new users.

- *The changing structure of American society and the market.* One of the major factors contributing to the success of direct marketing is that so many Americans are now "money-rich and time-poor."[6] The rapid increase in dual-income families has meant more income. (It is estimated that by 2008 women will make up about 48 percent of the labor force.)[7] At the same time, the increased popularity of physical fitness, do-it-yourself crafts and repairs, and home entertainment have reduced the time available for shopping and have increased the attractiveness of direct purchases.

- *Technological advances.* The rapid technological advancement of the electronic media and of computers has made it easier for consumers to shop and for marketers to be successful in reaching the desired target markets. Well over 110 million television
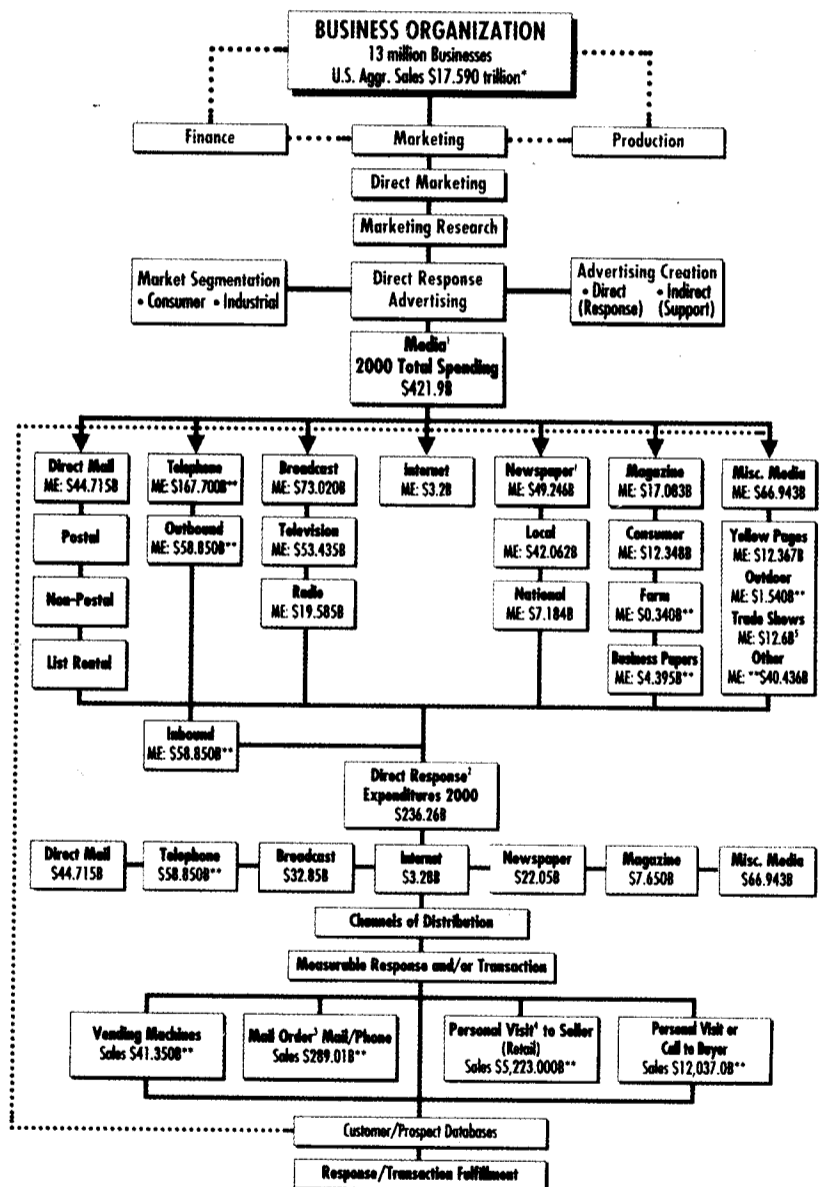
Figure 14-1 Direct
marketing flowchart

Direct Marketing...*An Aspect of Total Marketing*

Direct Marketing is an interactive system of marketing that uses one or more advertising media to effect a measurable response and/or transaction at any location, with this activity stored on database.

DIRECT MARKETING FLOW CHART

Martin Baier, Henry R. Hoke Jr., Robert Stone

BUSINESS ORGANIZATION
13 million Businesses
U.S. Aggr. Sales $17.590 trillion*

Finance · · · · Marketing · · · · Production

Direct Marketing

Marketing Research

Market Segmentation · Consumer · Industrial — Direct Response Advertising — Advertising Creation · Direct (Response) · Indirect (Support)

Media[1]
2000 Total Spending
$421.9B

Direct Mail ME: $44.715B	Telephone ME: $167.700B**	Broadcast ME: $73.020B	Internet ME: $3.2B	Newspaper[1] ME: $49.246B	Magazine ME: $17.083B	Misc. Media ME: $66.943B
Postal	Outbound ME: $58.850B**	Television ME: $53.435B		Local ME: $42.062B	Consumer ME: $12.348B	Yellow Pages ME: $12.367B
Non-Postal		Radio ME: $19.585B		National ME: $7.184B	Farm ME: $0.340B**	Outdoor ME: $1.540B** Trade Shows ME: $12.68[5]
List Rental					Business Papers ME: $4.395B**	Other ME: **$40.436B

Inbound ME: $58.850B**

Direct Response[1] Expenditures 2000 $236.26B

Direct Mail $44.715B	Telephone $58.850B**	Broadcast $32.85B	Internet $3.28B	Newspaper $22.05B	Magazine $7.650B	Misc. Media $66.943B

Channels of Distribution

Measurable Response and/or Transaction

Vending Machines Sales $41.350B**	Mail Order[5] Mail/Phone Sales $289.01B**	Personal Visit[4] to Seller (Retail) Sales $5,223.000B**	Personal Visit or Call to Buyer Sales $12,037.0B**

Customer/Prospect Databases

Response/Transaction Fulfillment

* 1998 U.S. Business Census ** Numbers refer to 1998 levels. [1] Newspaper includes supplements

[1]U.S. Census, Robert J. Coen (Universal McCann).
[2]Direct Response Expenditures are calculated as a percentage of total expenditures in each medium: Direct Mail (100%), Telephone (50%), Broadcast (45%), Yellow Pages (100%), Newspaper (45%), Magazine (45%), Misc. (100%), Internet (100%).
[5]The Mail Order Sales Figure excludes $69.810 billion** of charitable mail order contributions which are not included in the $17.590 trillion of U.S. Aggregate Sales.
[4]Personal visit to seller (retail) includes $2.213 trillion of Consumer Product Sales at retail plus 90% of Consumer Services Sales; 10% of Consumer Services Sales are conducted by salespeople visiting the buyer.

[3]*Business Marketing,* May 1999. Figure based on companies with sales/revenues of $50 million and up.
ME: Media Expenditures
Total advertising for 2000 was $421.9 billion. It is estimated that $236.26 billion of the $421.9 billion, or 56% of this volume, is direct response advertising. A growing percentage of Broadcast, Newspaper, Magazine and Internet advertising dollars can be categorized as direct response advertising. The percentage continues to grow rapidly as marketers learn the efficiency of measuring advertising performance.
Permission granted for reproduction with appropriate acknowledgment of source: *Direct Marketing* magazine, 224 Seventh Street, Garden City, New York 11530-5771.

homes receive home shopping programs, and home channel purchases are projected to reach $15.6 billion by 2006.[8]

• *Miscellaneous factors.* A number of other factors have contributed to the increased effectiveness of direct marketing, including changing values, more sophisticated marketing techniques, and the industry's improved image. These factors will also ensure the success of direct marketing in the future. The variety of companies employing direct marketing demonstrates its potential.

While some organizations rely on direct marketing solely to generate consumer response, in many others direct marketing is an integral part of the IMC program. They use direct marketing to achieve other than sales goals and integrate it with other program elements. We first examine the role of direct marketing in the IMC program and then consider its more *traditional* role.

The Role of Direct Marketing in the IMC Program

Long the stepchild of the promotional mix, direct marketing is now becoming an important component in the integrated marketing programs of many organizations. In fact, direct-marketing activities support and are supported by other elements of the promotional mix.

Combining Direct Marketing with Advertising

Obviously, direct marketing is in itself a form of advertising. Whether through mail, print, or TV, the direct-response offer is an ad. It usually contains a toll-free or 900 number or a form that requests mailing information. Sometimes the ad supports the direct-selling effort. For example, Victoria's Secret runs image ads to support its store and catalog sales. Both Marlboro and Benson & Hedges advertise their cigarettes, achieving a carryover effect of their image to their direct-response merchandise catalogs. Direct-response ads or infomercials are also referred to in retail outlet displays. Sometimes an advertisement will be sent through direct mail. CBS has tied into a Blockbuster video mailer to advertise its new fall lineup and offer a sneak-preview CD.

Combining Direct Marketing with Public Relations

As you will see later in this text, public relations activities often employ direct-response techniques. Private companies may use telemarketing activities to solicit funds for charities or cosponsor charities that use these and other direct-response techniques to solicit funds. Likewise, corporations and/or organizations engaging in public relations activities may include toll-free numbers or website URLs in their ads or promotional materials. Direct mail has also been shown to be effective in recruiting job candidates.[9]

Combining Direct Marketing with Personal Selling

Telemarketing and direct selling are two methods of personal selling (others will be discussed in Chapter 18). Nonprofit organizations like charities often use telemarketing to solicit funds. As you will see, for-profit companies are also using telemarketing with much greater frequency to screen and qualify prospects (which reduces selling costs) and to generate leads. Direct-mail pieces are often used to invite prospective customers to visit auto showrooms to test-drive new cars; the salesperson then assumes responsibility for the selling effort. The GM and BMW examples cited earlier in this text demonstrate effective use of this approach.

Combining Direct Marketing with Sales Promotions

How many times have you received a direct-mail piece notifying you of a sales promotion or event or inviting you to participate in a contest or sweepstakes? Ski shops regularly mail announcements of special end-of-season sales. Airlines send out mailers or e-mails announcing promotional airfares. Nordstom and other retail outlets call their existing customers to notify them of special sales promotions. Each of these is an example of a company using direct-marketing tools to inform customers of sales promotions. In turn, the sales promotion event may support the direct-marketing effort. Databases are often built from the names and addresses acquired from a promotion, and direct mail and/or telemarketing calls follow.

CAREER PROFILE
Melissa L. Fisher
Vice President, Marketing and Communications Cox Target Media, Inc.

I've always been envious of graduates from prestigious schools such as Northwestern, Wharton or Harvard, who land the ultimate marketing job and work on the mega brands. My story is different. I went to schools that gave me scholarships and work-study opportunities, participated in a number of internships and chose entry-level jobs that would give me vast experiences.

I graduated from Houghton College with a BS in business administration and a minor in music. I interned with the Buffalo Chamber of Commerce working on the "I Love New York" campaign, had a summer internship in Nashville to learn about the music industry, and filled in as the art director in the college's PR dept. I volunteered for the campus activity council and worked with a student chapter of the American Marketing Association.

After graduation, I moved back home and worked at the local credit and collections company for a year. I attended Regent University's School of Business. I received a partial scholarship but my meager finances motivated me to complete my master's degree in under a year. After I graduated, a local company recruited me to work in research and development. In a few months, I was promoted to Director of R&D and Marketing, directing all facets of product research, development and marketing. I worked with product suppliers, laboratories, nutritionists, chemists, printers, advertising agencies, media planners, research development firms, FDA/trademark/patent attorneys, and media service bureaus. Working there was a crash course in management, business law and marketing. I resigned when the company was sold and relocated to Dallas, Texas.

My next job was as a manager at Sentara Health Systems Inc., a large healthcare and hospital system. I was responsible for daily operations and patient flow of their Oncology, Urgent Care, Rehabilitation and Emergency departments. I did well at that job, but it was not my dream vocation. I missed marketing, and

left Sentara to accept a position at CableRep, the advertising sales wing of COX Communications, the local cable company. I was hired as a Promotions Coordinator but was promoted to Marketing Manager within the first year.

I went from an event coordinator and planner to having full responsibility for marketing, promotional, and strategic development. My efforts to build revenue streams—commercial spots in over 40 networks, local origination programs, direct mail coupons, video production, resort programming and COX Interactive Media Internet ad sales—were so successful, that we broke all earnings records several times over and I won several awards.

I am now the Vice President of Marketing and Communications at Cox Target Media. I joined CTM in 2000 to create unified sales tools for disparate national sales teams representing eight direct marketing product lines. In 2001, CTM consolidated several of its product lines including Cox Direct, Cox Sampling, Carol Wright and Valpak Direct Marketing Systems, Inc. I was selected to lead the consolidation and direction of CTM's marketing and communications functions, a role requiring me to unify various departments to more effectively market the company's signature products: Valpak and Valpak.com. Valpak envelopes deliver over 15 billion coupons and advertising offers to consumers each year. I was responsible for Valpak's 2002 rebranding program and its national advertising campaign. I also led Valpak's effort to develop new national promotional partnerships with such media companies as CBS, 20th Century Fox, Warner Bros. and Paramount Pictures.

I think the best part of working in marketing is that there is continual change and challenges. Every day is different and you are always dealing with interesting problems and issues. And, most important, I enjoy every minute of it.

> ## "I think the best part of working in marketing is that there is continual change and challenges."

Combining Direct Marketing with Support Media   Adding a promotional product to a direct mailer has proved to increase response rates. One company included a promotional product in half of its 10,000 mailers and not in the other half. The former generated 65 percent more orders. 3M used a promotional product as an incentive for people responding to a direct-mail offer. The incentive generated a 23 percent response rate versus only 9 percent for the regular mailer.

To successfully implement direct-marketing programs, companies must make a number of decisions. As in other marketing programs, they must determine (1) what the program's objectives will be; (2) which markets to target (through the use of a list or marketing database); (3) what direct-marketing strategies will be employed; and (4) how to evaluate the effectiveness of the program.

Direct-Marketing Objectives

The direct marketer usually seeks a direct response. The objectives of the program are normally behaviors—for example, test drives, votes, contributions, and/or sales. A typical objective is defined through a set response, perhaps a 2 to 3 percent response rate.

Not all direct marketing seeks a behavioral response, however. Many organizations use direct marketing to build an image, maintain customer satisfaction, and inform and/or educate customers in an attempt to lead to future actions. Exhibit 14-1 shows how the city of San Diego uses direct mail to encourage tourism.

Developing a Database

As we have discussed throughout this text, market segmentation and targeting are critical components of any promotional program. Direct-marketing programs employ these principles even more than others, since the success of a direct-marketing program is in large part tied to the ability to do *one-to-one marketing*. To segment and target their markets, direct marketers use a **database,** a listing of customers and/or potential customers. Research by the U.S. Postal Service showed that 65 percent of the companies surveyed rely on their internal databases for marketing purposes.[10] This database is a tool for **database marketing**—the use of specific information about individual customers and/or prospects to implement more effective and efficient marketing communications.[11]

Figure 14-2 demonstrates how database marketing works. As you can see, the database marketing effort must be an integral part of the overall IMC program. At the

Exhibit 14-1   San Diego encourages visits through direct mail

Figure 14-2   How database marketing works

Figure 14-3 Contents for a comprehensive database

Consumer Database	Business-to-Business Database
Name	Name of company/contact/decision maker(s)
Address/Zip code	Title of contact
Telephone number	Telephone number
Length of residence	Source of order/inquiry or referral
Age	Credit history
Gender	Industrial classification
Marital status	Size of business
Family data (number of children, etc.)	Revenues
Education	Number of employees
Income	Time in business
Occupation	Headquarters location
Transaction history	Multiple locations
Promotion history	Purchase history
Inquiring history	Promotion history
Unique identifier	Inquiry history
	Unique identifier

very least, this list contains names, addresses, and Zip codes; more sophisticated databases include information on demographics and psychographics, purchase transactions and payments, personal facts, neighborhood data, and even credit histories (see Figure 14-3). This database serves as the foundation from which the direct-marketing programs evolve. Databases are used to perform the following functions:[12]

• *Improving the selection of market segments.* Some consumers are more likely to be potential purchasers, users, voters, and so on than others. By analyzing the characteristics of the database, a marketer can target a greater potential audience. For example, catalog companies have become very specialized. Companies such as Lands' End, Lilly's Kids, and Johnson & Murphy have culled their lists and become much more efficient, targeting only those who are most likely to purchase their products.

• *Stimulate repeat purchases.* Once a purchase has been made, the customer's name and other information are entered into the database. These people are proven direct-marketing users who offer high potential for repurchase. Magazines, for example, routinely send out renewal letters and/or call subscribers before the expiration date. Blockbuster Entertainment helps its video-rental customers select movies, locate additional Blockbuster stores, and review their membership. Companies from window cleaners to carpet cleaners to car dealers build a base of customers and contact them when they are "due" to repurchase.

• *Cross-sell.* Customers who demonstrate a specific interest also constitute strong potential for other products of the same nature. For example, the National Geographic Society has successfully sold globes, maps, videos, travel magazines, and an assortment of other products to subscribers who obviously have an interest in geography and/or travel. Likewise, Victoria's Secret has expanded its clothing lines primarily through sales to existing customers, and Kraft–GF has successfully cross-sold products in its varied food line. Upon responding to the direct-mail piece sent by Hertz (Exhibit 14-2), you are asked for your permission for Hertz to provide your name to its parent company, Ford, and others, and to allow Hertz to send you information on other products and services. Notice how many cross-selling offers are contained in the Blockbuster piece in Exhibit 14-3.

• *Customer relationship management.* Customer relationship management (CRM), which is described in more detail in Chapter 16, requires that the marketer develop

Exhibit 14-2 Hertz seeks permission to use receivers' names

and maintain a significant amount of information about its clients. The aim of CRM is to establish a relationship with one's customers through affinities, personalized communications, and product/service offerings. For CRM to work effectively, a database is required. While CRM relies on technology specifically designed for managing customer relationships, there are overlapping characteristics of CRM and database marketing. Suffice it to say at this point that many of the techniques employed in database marketing are necessary to develop an effective CRM program.

Numerous other companies have established comprehensive databases on existing and potential customers both in the United States and internationally. IMC Perspective 14-1 provides additional examples. Database marketing has become so ubiquitous that many people are concerned about invasion of privacy. Direct marketers are concerned as well. The Direct Marketing Association (DMA), the trade association for direct marketers, has asked its members to adhere to ethical rules of conduct in their marketing efforts. It points out that if the industry does not police itself, the government will.

Sources of Database Information
There are many sources of information for direct-marketing databases:

- *The U.S. Census Bureau.* Census data provide information on almost every household in the United States. Data include household size, demographics, income, and other information.

Exhibit 14-3 Blockbuster uses mailers to cross promote

IMC PERSPECTIVE 14-1

Database Marketers Cross Over Industries

Many marketers subscribe to the notion that one's current customers are also one's best potential customers. Now more and more companies from a variety of industries are taking that rule to heart—or should we say to their databases?

These days, it seems that every time we make a purchase we are asked to give our life histories. Buy something from Radio Shack, and the salesclerk will ask you for your Zip code and, if you are willing to spend the time, for much additional information, including your name, address, phone number, and e-mail address. Other companies collect the same information through warranty cards, credit card applications, or online registrations on the Internet.

But then what? Why do companies want this information? For many companies, the database constitutes the basis for all other IMC activities. Consider the following examples:

• *Petco.* Over 62 percent of households in the United States have at least one pet, creating a gold mine of opportunities for the $26 billion pet supply industry. Historically dominated by large brands like Alpo, Kal Kan, and Purina, the majority of sales have been through supermarkets. Now specialty pet stores like PetsMart and Petco want some of this action, and they are getting it, due in part to successful database marketing. While Petco is price-competitive, the company's marketing success can be attributed to strong customer service and direct marketing, which in turn guides its other IMC efforts. Petco was the first to introduce a customer loyalty program—PALS ("Petco Animal Lovers Save")—which now has over 17 million card members. The information provided by members allows the specialty store to effectively personalize direct-marketing efforts and gain an understanding of its customers' needs. This information is used to provide customers with highly targeted in-store discounts and promotional offers. Advertising plays an important role in creating awareness of Petco programs, and the company frequently advertises through monthly circular ads in Sunday newspapers. Radio and cable TV spots are also employed, as is localized public relations (each store gets involved in activities in its trade area). All these approaches consistently remind

the pet food customer of the advantages of being a PALS member.

• *Wrigley.* How do you create a database of gum chewers? Ask Wrigley. The long-time purveyor of chewing gum recently launched its "Get your code and go" summer movie promotion for PlenTPaks of Winterfresh gum by dropping 8.8 million packs into stores bearing splash graphics for the promotion. Consumers were directed to the Internet site www.winterfresh.com to sign in (and, of course, provide information about themselves) and to enter a code found on the inside wrapper to earn points. Point totals were tracked, with 5 points automatically triggering a free-ticket voucher valid at participating theaters. The promotional campaign was supported by TV ads promoting the gum's flavor. The objectives of the movie promo were to provide Wrigley with more data on who is chewing its gum and to initiate the development of a loyalty program.

• *General Motors.* GM, the largest automobile company in the United States, has apparently discovered yet another way to successfully market its cars. Using national TV and print to promote the "Overdrive" corporate umbrella theme, GM used information provided by more than 1 million GM cardholders who registered at gmcard.com to target direct mailers to those cardholders who indicated that they might currently be in the market for a new car or truck. The mailer offered cardholders monetary incentives for new-vehicle purchases that could total as much as $3,500 over seven years. New cardholders were also being attracted through GM's sponsorship of country singer Kenny Chesney's 50-stop concert tour. Those who agreed to fill out an application received a free CD featuring Chesney and four other artists and the chance to win an opportunity to meet the singer. Did it work? Within two weeks of the mailing, GM recorded four of its top 10 new-vehicle sales days in the history of the credit card. And you thought such companies just wanted mailing information!

Sources: Jean Halliday, "GM Plays Cards Right," *Advertising Age,* May 27, 2002, p. 45; Mike Beime, "Wrigley Gum Entices Info via Internet," *Brandweek,* July 15, 2002, p. 4.

- *The U.S. Postal Service.* Postal Zip codes and the extended four-digit code provide information on both household and business locations.
- *List services.* Many providers of lists are available. The accuracy and timeliness of the lists vary.
- *Standard Rate and Data Service.* SRDS provides information regarding both consumer and business lists. Published in two volumes, *Direct Mail List Rates and Data* contains over 50,000 list selections in hundreds of classifications.
- *Simmons Market Research Bureau.* SMRB conducts an annual study of customers who buy at home via mail or telephone (see Figure 14-4). It compiles information on total orders placed, types of products purchased, demographics, and purchase satisfaction, among others.
- *Direct Marketing Association.* The direct marketers' trade organization promotes direct marketing and provides statistical information on direct-marketing use. The DMA's *Fact Book of Direct Marketing* contains information regarding use, attitudes toward direct marketing, rules and regulations, and so forth.

Consumer-goods manufacturers, banks, credit bureaus, retailers, charitable organizations, and other business operations also sell lists and other selected information. Companies can build their own databases through completed warranty cards, surveys, and so on.

Determining the Effectiveness of the Database   While many companies maintain a database, many do not use them effectively. Collecting names and information is not enough; the list must be kept current, purged of old and/or inactive customers, and updated frequently. The more information about customers that can be contained in the database, the more effective it will be. The Postal Service recommends an **RFM scoring method** for this purpose.[13] *RFM* stands for the recency, frequency, and monetary transactions between the company and the customer. More specifically, data need to be entered each time there is a transaction so the company can track how recently purchases have been made, how often they are made, and what amounts of money are being spent. In addition, tracking which products and/or services are used increases the ability to conduct the activities previously mentioned (on page 467). By analyzing the database on a regular basis, the company or organization can identify trends and buying patterns that will help it establish a better relationship with its customers by more effectively meeting their needs.

Direct-Marketing Strategies and Media

As with all other communications programs discussed in this text, marketers must decide the message to be conveyed, the size of the budget, and so on. Perhaps the major difference between direct-marketing programs and other promotional mix programs regards the use of media.

As shown in Figure 14-1, direct marketing employs a number of media, including direct mail, telemarketing, direct-response broadcasting, the Internet, and print. Each medium is used to perform specific functions, although they all generally follow a one- or two-step approach.

In the **one-step approach,** the medium is used directly to obtain an order. You've probably seen TV commercials for products like wrench sets, workout equipment, or magazine subscriptions in which the viewer is urged to phone a toll-free number to place an order immediately. Usually these ads accept credit cards or cash on delivery and give an address. Their goal is to generate an immediate sale when the ad is shown.

The **two-step approach** may involve the use of more than one medium. The first effort is designed to screen, or qualify, potential buyers. The second effort generates the response. For example, many companies use telemarketing to screen on the basis of interest, and then follow up to interested parties with more information designed to achieve an order or use personal selling to close the sale.

Direct Mail   Direct mail is often called "junk mail"—the unsolicited mail you receive. More advertising dollars continue to be spent in direct mail than in almost any

Figure 14-4 SMRB provides information on consumers who ordered merchandise by mail or phone

|	Total US 000	Ordered by Mail or Phone			
		A 000	B % Down	C Across %	D Index
Total adults	185,822	97,715	100.0	52.6	100
Males	88,956	42,488	48.5	47.8	91
Females	96,866	55,227	56.5	57.0	108
Principal shoppers	112,018	60,697	62.1	54.2	103
18–24	23,965	9,846	10.1	41.1	78
25–34	42,832	22,434	23.0	52.4	100
35–44	39,908	23,902	24.5	59.9	114
45–54	27,327	16,047	16.4	58.7	112
55–64	21,238	10,939	11.2	51.5	98
65 or older	30,552	14,547	14.9	47.6	91
18–34	66,798	32,280	33.0	48.3	92
18–49	121,918	65,339	66.9	53.6	102
25–54	110,067	62,383	63.8	56.7	108
35–49	55,120	33,059	33.8	60.0	114
50 or older	63,905	32,376	33.1	50.7	96
Graduated college	36,463	23,374	23.9	64.1	122
Attended college	44,294	24,904	25.5	56.2	107
Graduated high school	66,741	34,408	35.2	51.6	98
Did not graduate high school	38,324	15,028	15.4	39.2	75
Employed males	65,500	32,228	33.0	49.2	94
Employed females	55,910	34,804	35.6	62.3	118
Employed full-time	110,363	60,402	61.8	54.7	104
Employed part-time	11,047	6,630	6.8	60.0	114
Not employed	64,412	30,682	31.4	47.6	91
Professional/manager	31,718	19,851	20.3	62.6	119
Technical/clerical/sales	37,895	22,703	23.2	59.9	114
Precision/craft	13,954	6,930	7.1	49.7	94
Other employed	37,843	17,548	18.0	46.4	88
Single	41,284	17,744	18.2	43.0	82
Married	109,023	62,594	64.1	57.4	109
Divorced/separated/widowed	35,515	17,376	17.8	48.9	93
Parents	62,342	35,701	36.5	57.3	109
White	158,841	87,327	89.4	55.0	105
Black	21,122	7,896	8.1	37.4	71
Other	5,859	2,492	2.6	42.5	81
Household income					
$75,000 or more	24,165	14,731	15.1	61.0	116
$60,000 or more	40,979	24,220	24.8	59.1	112
$50,000 or more	57,996	34,185	35.0	58.9	112
$40,000 or more	80,078	47,018	48.1	58.7	112
$30,000 or more	106,838	62,069	63.5	58.1	110
$30,000–$39,000	26,759	15,051	15.4	56.2	107
$20,000–$29,000	30,669	15,147	15.5	49.4	94
$10,000–$19,999	29,083	13,069	13.4	44.9	85
Under $10,000	19,232	7,430	7.6	38.6	73
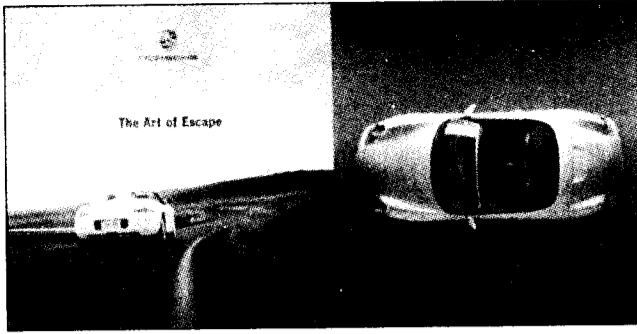
Exhibit 14-4 Porsche targets direct mail to upscale audiences

other advertising medium—an estimated \$46.5 billion in 2001.[14] Mail-order sales exceeded \$582 billion in 2001 (\$359 billion in the consumer market).[15] Direct mail is not restricted to small companies seeking our business. Respected large companies such as General Electric, American Express, and Citicorp have increased their expenditures in this area, as have many others. Sales through direct mail in the business-to-business market are expected to reach over \$345 billion by the year 2006.[16]

Many advertisers shied away from direct mail in the past, fearful of the image it might create or harboring the belief that direct mail was useful only for low-cost products. But this is no longer the case. For example, Porsche Cars North America, Inc., uses direct mail to target high-income, upscale consumers who are most likely to purchase its expensive sports cars (Exhibit 14-4). In one example, Porsche developed a direct-mail piece that was sent to a precisely defined target market: physicians in specialties with the highest income levels. This list was screened to match the demographics of Porsche buyers and narrowed further to specific geographic areas. The direct-mail piece was an X ray of a Porsche 911 Carrera 4 written in the language of the medical audience. This creative campaign generated one of the highest response rates of any mailing Porsche has done in recent years.[17] The materials shown in Exhibit 14-5 are just some of the ones sent by Mercedes to introduce its new sports utility vehicle. The *Express* retail chain and *Vogue* magazine teamed up to offer the store's credit card holders a one-year subscription to the magazine, to be charged to their credit cards.

Keys to the success of direct mail are the **mailing list,** which constitutes the database from which names are generated, and the ability to segment markets. Lists have become more current and more selective, eliminating waste coverage. Segmentation on the basis of geography (usually through Zip codes), demographics, and lifestyles
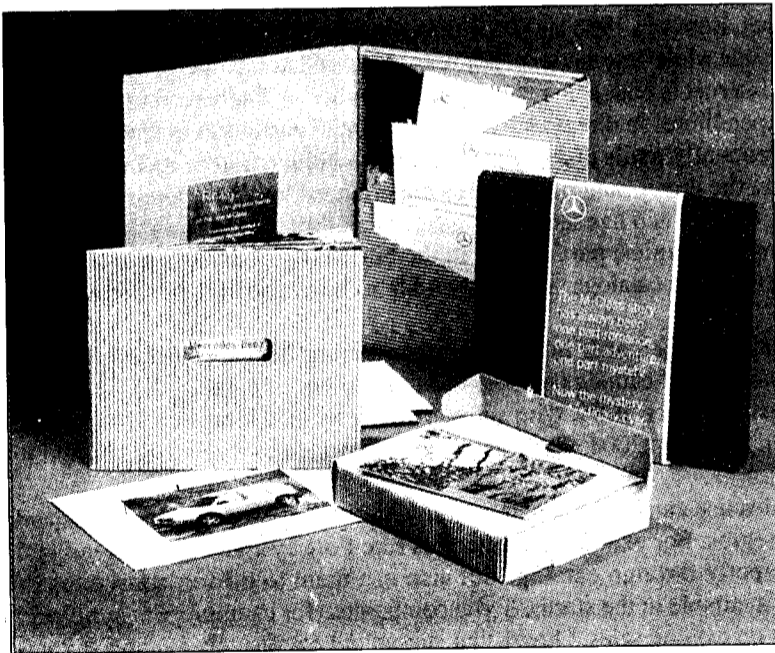

Exhibit 14-5 Mercedes used direct mail to introduce its new SUV

Exhibit 14-6   VNU
provides lists for purchase

has led to increased effectiveness. The most commonly used lists are of individuals who have already purchased direct-mail products.

The importance of the list has led to a business of its own. It has been estimated that there are over 38 billion names on lists, and many companies have found it profitable to sell the names of purchasers of their products and/or services to list firms. Companies like A. B. Zeller and VNU Business Media (Exhibit 14-6) provide such lists on a national level, and in most metropolitan areas there are firms providing the same service locally.

While direct mail continues to be a favorite medium of many advertisers, and projections are that the market will continue to grow, this medium has been seriously threatened by the Internet. Between 1996 and 2001 direct-mail expenditures rose at the rate of 6.15 percent per year while Internet expenditures increased at the rate of 95 percent.[18] Interestingly, the Internet is both a threat and an opportunity, as Internet companies have increased their expenditures in direct mail to drive potential customers to their sites. For example, AOL frequently mails disks with free time to induce trial of its Internet service. Nevertheless, the direct-mail business has experienced lower response rates from customers than in the past and has seen many advertisers shift dollars from this medium to the Net.[19] Many companies, particularly in the business-to-business market, have shifted from print to online catalogs, and legal problems have also hurt the industry.

Catalogs   Major participants in the direct-marketing business include catalog companies. The number of catalogs mailed and the number of catalog shoppers have increased significantly since 1984, with sales growing by an average of 11.4 percent each year between 1996 and 2001. Catalog sales are expected to reach $16.3 billion in 2006.[20]

Many companies use catalogs in conjunction with their more traditional sales and promotional strategies. For example, companies like Pottery Barn, Nordstrom, and JCPenney sell directly through catalogs but also use them to inform consumers of product offerings available in the stores. Some companies (for example, Fingerhut and Alloy) rely solely on catalog sales. Others that started out exclusively as catalog com-

panies have branched into retail outlets, among them The Sharper Image, Lands' End, and Banana Republic. L.L. Bean recently opened a superstore on the East Coast. As you can see by the following examples, the products being offered through this medium have reached new heights as well:

• The 2002 Neiman Marcus Christmas catalog was used to introduce the 2004 Cadillac XLR—MFRP $85,000. Cadillac produced only 101 of the "Neiman-Marcus XLRs—99 for sale through the catalog, 2 for charity. They sold out in 14 minutes! (Exhibit 14-7)

• Victoria's Secret featured a $1 million Miracle Bra in its Christmas catalog. Modeled by supermodel Claudia Schiffer, the bra contained over 100 carats of real diamonds as well as hundreds of semiprecious stones.

• Saks' Holding Co., a division of Saks Fifth Avenue, offered a pair of Mercedes-Benz convertibles in a catalog, with bidding to start at $50,000.

• Hammacher Schlemmer featured a $43,000 taxicab and a $34,000 train set in its Christmas catalog.

• The Sharper Image offered a $375,000 silver saddle in its catalog (though it didn't sell any).
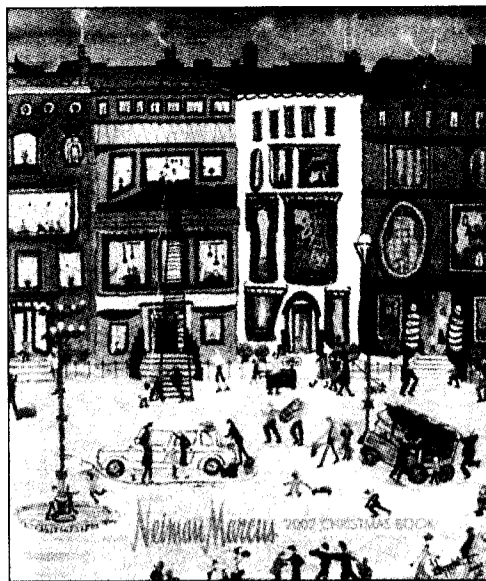
Exhibit 14-7 Neiman-Marcus is one of many successful catalog companies

In addition to the traditional hard copies, catalogs are now available on the Internet for both consumer and business-to-business customers. In some instances in the consumer market the catalog merchandise is available in retail stores as well. In others, the catalog and retail divisions are treated as separate entities. For example, if you purchase through the Eddie Bauer catalog, you can exchange or return the merchandise to the retail stores. Victoria's Secret products must be returned to the catalog department. At the Gap, the catalog is used to supplement the inventory in stock, and phone orders for different sizes and so on can be made from the store and shipped for free.

Broadcast Media The success of direct marketing in the broadcast industry has been truly remarkable; over 77 percent of the U.S. population report that they have viewed a direct-response appeal on TV.[21] Direct-response TV is estimated to have generated more than $79.3 billion in sales in 2002—with projections of $108.2 billion by 2006. However, forecasts are for slower growth in the next few years, averaging 8.8 percent through 2007.[22]

Two broadcast media are available to direct marketers: television and radio. While radio was used quite extensively in the 1950s, its use and effectiveness have dwindled substantially in recent years. Thus, the majority of direct-marketing broadcast advertising now occurs on TV, which receives the bulk of our attention here. It should be pointed out, however, that the two-step approach is still very common on the radio, particularly with local companies.

Direct marketing in the broadcast industry involves both direct-response advertising and support advertising. In **direct-response advertising,** the product or service is offered and a sales response is solicited, through either the one- or two-step approach previously discussed. Examples include ads for magazine subscriptions, CDs and tapes, and tips on football or basketball betting. Toll-free phone numbers are included so that the receiver can immediately call to order. **Support advertising** is designed to do exactly that—support other forms of advertising. Ads for Publishers Clearing House or *Reader's Digest* or other companies telling you to look in your mailbox for a sweepstakes entry are examples of support advertising.

Direct-response TV encompasses a number of media, including direct-response TV spots like those just mentioned, infomercials, and home shopping shows (teleshopping). And as noted in Chapter 10, Internet TV has recently been introduced.

Infomercials The lower cost of commercials on cable and satellite channels has led advertisers to a new form of advertising. An **infomercial** is a long commercial that ranges from 30 to 60 minutes. Many infomercials are produced by the advertisers and
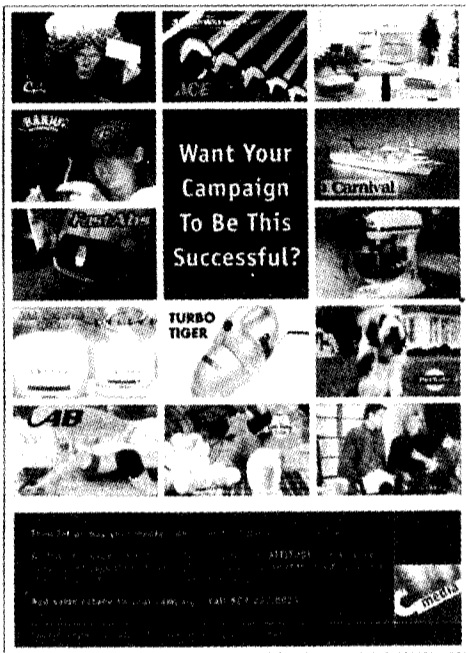
Exhibit 14-8 A variety of companies use infomercials to sell their products

are designed to be viewed as regular TV shows. Consumers dial a toll-free or 900 number to place an order. Programs such as "Liquid Luster," "Amazing Discoveries," and "Stainerator" (the so-called miracle-product shows) were the most common form of infomercial in the 1980s. While this form of show is still popular, the infomercial industry has been adopted by many big, mainstream marketers, as noted in the lead-in to this chapter (see Exhibits 14-8 and 14-9).

As to their effectiveness, studies indicate that infomercials get watched and sell products. Figure 14-5 shows the demographics of TV shoppers. This profile is consistent with research conducted by Naveen Donthu and David Gilliland profiling infomercial viewers and buyers. These studies demonstrate that this advertising medium is indeed effective with a broad demographic base, not significantly different from the infomercial nonshopper in age, education, income, or gender. Infomercial sales in the year 2002 were expected to exceed $20 billion, three times the amount spent in 1995.[23] Retail stores are benefiting from infomercials as well, as brand awareness leads to increased in-store purchases. For example, a $500,000 print campaign combined with an infomercial for the George Foreman Grill led to more sales at retail stores than through Direct TV.[24]

However, some people are not sold on the idea of ads disguised as programs. For example, infomercials disguised as "ultrahip" TV shows have been targeted at teenagers, raising fears that kids under the age of 13 will be susceptible to their lure. Consumer complaints are on the rise, and the FTC has already levied fines for deceptive endorsements against infomercial sponsors. Four consumer groups (the Consumer Federation of America, Center for the Study of Commercialism, Center for Media Education, and Telecommunications Research and Action Center) have asked the FCC to require all infomercials to display a symbol that indicates a "paid ad" or "sponsored by" so that viewers won't confuse them with regular programming.

TV Advertorials In 1999, Peugot took its first step into TV programming by developing a series of **advertorials** to show the public its entire model range. Peugeot is the first auto manufacturer to use TV advertorials. The company developed eight 5-minute films positioning the autos as "The Drive of Your Life" while providing comprehensive information on test drives, technical specifications, and demonstrations. In addition, the auto company developed advertorials for its website, with each advertorial targeted to different target audiences.[25]

Teleshopping The development of toll-free telephone numbers, combined with the widespread use of credit cards, has led to a dramatic increase in the number of people who shop via their TV sets. Jewelry, kitchenware, fitness products, insurance,

Figure 14-5 Here's who's watching (and buying from) infomercials

Survey					
	U.S. Census	2001	2000	1999	1998
Female purchaser	n/a	79%	84%	84%	84%
Caucasian	69%	73	76	80	84
Married	52	61	68	63	77
White collar/technical	n/a	41	33	37	57
Homeowner	66	76	73	72	87
Income:					
$26,000–$35,000	12	13	13	15	8
$36,000–$55,000	22	27	27	27	10
$56,000 or more	46	34	42	34	62

Exhibit 14-9 Volvo uses an infomercial to attract buyers

compact discs, and a variety of items are now promoted (and sold) this way. The major shopping channel in the United States (QVC) accounted for over $3.9 billion worth of sales in 2002, reaching over 84 million households and fielding more than 130 million calls.[26] Industry studies project a 5 percent growth rate, to $15.6 billion, by 2006.[27] QVC is pursuing international markets (including the United Kingdom, Canada, and Latin America) to follow up on its successes in Germany and Japan, partnerships (United signed on as official airline of the "Quest for America's Best" program), and sponsorships (for example, Geoff Bodine on the NASCAR circuit).

Print Media   Magazines and newspapers are difficult media to use for direct marketing. Because these ads have to compete with the clutter of other ads and because the space is relatively expensive, response rates and profits may be lower than in other media. This does not mean these media are not used (as evidenced by the fact that expenditures totaled over $9.8 billion in 2001.)[28] Exhibit 14-10 shows a direct ad that appeared in a magazine. You can find many more in specific interest areas like financial newspapers or sports, sex, or hobby magazines.

Telemarketing   If you have a telephone, you probably do not have to be told about the rapid increase in the use of **telemarketing,** or sales by telephone. Both profit and charitable organizations have employed this medium effectively in both one- and two-step approaches. Combined telemarketing sales (consumer and business-to-business) totaled over $661 billion in 2001—with $274.2 billion in the consumer market.[29] Telemarketing is a very big industry and still growing. Consider these facts:

- Over 6.3 million people are now employed in the telemarketing industry.[30]
- Telemarketing accounts for 45.2 percent of all b-to-b marketing sales.[31]
- Marketers spend an estimated $76.2 billion a year on outbound telemarketing calls.[32]

Business-to-business marketers like Adobe Systems, Kaiser Permanente, and Hewlett-Packard are just a few of the many companies that use this direct-marketing medium effectively. B-to-b sales are expected to reach $588 billion by 2006.[33]

As telemarketing continues to expand in scope, a new dimension referred to as **audiotex** or **telemedia** has evolved. Tom Eisenhart defines telemedia as the "use of telephone and voice information services (900, 800, and 976 numbers) to market, advertise, promote, entertain, and inform."[34] Many telemedia programs are interactive. While many people
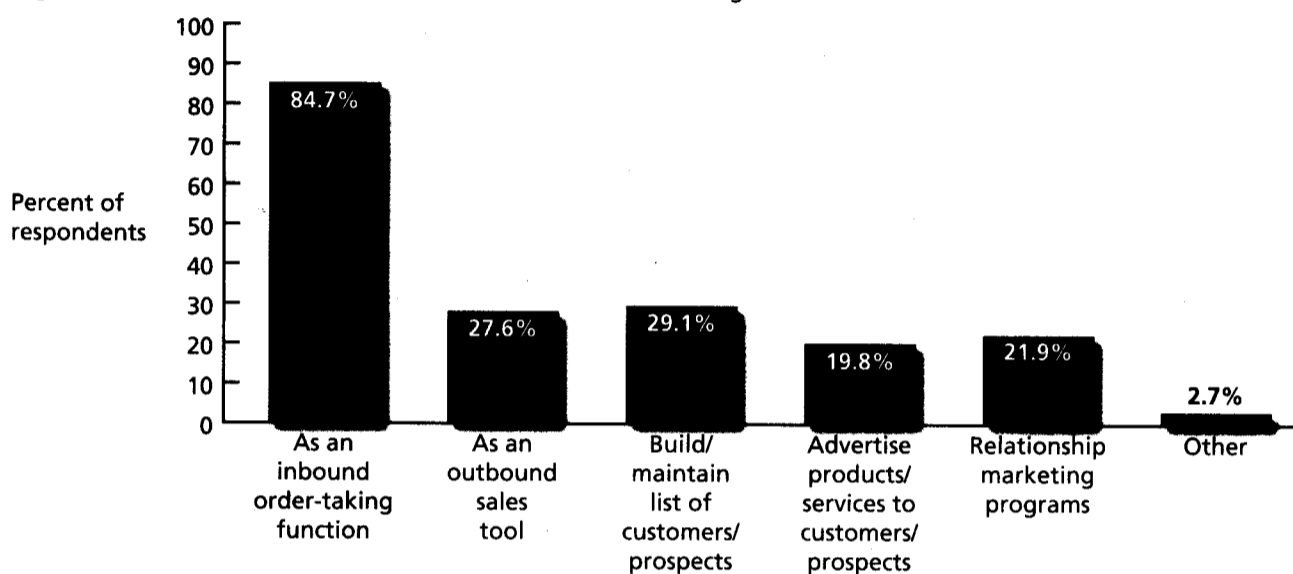
Exhibit 14-10   A direct-response print ad

477

Figure 14-6   The use of 800, 900, and 976 numbers in marketing

Note: *Direct* forecast survey was conducted by Jacobson Consulting Applications. The firms mailed a four-page questionnaire to direct-marketing executives on an *n*th name basis from *Direct's* circulation list. There were 565 responses.

still think of 900 and 976 numbers as rip-offs or "sex, lies, and phone lines," over 7,000 programs are carried on 900 numbers alone, including Tele-Lawyer, a legal information services organization; Bally's Health & Tennis Corp., the nation's largest health-club chain; and NutraSweet. Figure 14-6 shows more specifically how 800, 976 and 900 numbers are used as marketing tools.[35]

Problems associated with telemarketing include its potential for fraud and deception and its potential for annoyance. (Doesn't it seem as if every time you sit down to dinner you receive a phone call from someone trying to sell you something or asking for a donation?)

Those in the telemarketing and telemedia industry have responded to public criticisms. Dial-a-Porn and its ilk hold a diminishing share of 800, 900, and 976 offerings. As more and more large companies use telemedia, its tarnished image will likely brighten up.

Electronic Teleshopping   Unlike infomercials and home shopping channels, which have relied on broadcast or cable TV, **electronic teleshopping** is an online shopping and information retrieval service accessed through personal computers. While we will discuss e-commerce in detail in the next chapter, it is important to reiterate that Internet shopping is a direct-response medium that traditional direct marketers are adding to their businesses as well. For example, QVC, the home shopping channel, has started iQVC, an Internet home shopping channel that complements its cable TV channel and adds incremental sales (the cable channel drives customers to the website). The company was one of the first "Web department stores" to turn a profit. QVC's Internet shopping channel did $400 million in sales in 2002.[36] Other direct marketers have met with less success, finding out the hard way that selling on the Internet requires different strategies. One such company, K-Tel, Inc., a highly successful direct-response TV marketer (Top 40 music, Veg-o-matic), has had much less success in adapting its traditional methods to the Web.[37]

Direct Selling   An additional element of the direct-marketing program is **direct selling,** the direct, personal presentation, demonstration, and sales of products and services to consumers in their homes. Avon, Cutco, Mary Kay Inc., and Tupperware are some of the best-known direct-selling companies in the United States and are now extending these programs overseas (Exhibit 14-11). Close to 11 million people engage in direct selling throughout the world; 99 percent of them are independent contractors (not employees of the firm they represent). These 11 million generate approximately $25.57 billion in sales.[38]

Exhibit 14-11 Cutco uses direct selling successfully in marketing their knives
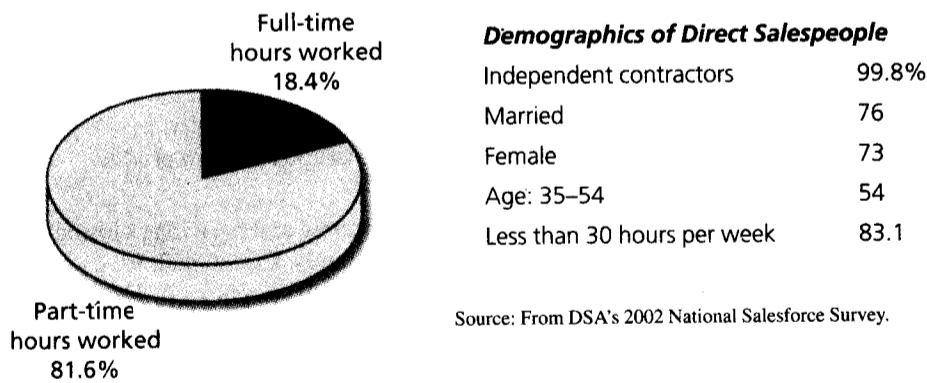
The three forms of direct selling are

1. *Repetitive person-to-person selling*. The salesperson visits the buyer's home, job site, or other location to sell frequently purchased products or services (for example, Amway).

2. *Nonrepetitive person-to-person selling*. The salesperson visits the buyer's home, job site, or other location to sell infrequently purchased products or services (for example, Encyclopaedia Britannica).

3. *Party plans*. The salesperson offers products or services to groups of people through home or office parties and demonstrations (for example, Tupperware and PartyLite Gifts).

While a number of products and services are sold through direct selling, home and family care products (33.7 percent) and personal care products (26.4 percent) are the most popular. The "typical" direct-selling representative is female (73 percent), married (76 percent), and between 35 and 44 years of age (Figure 14-7). For most of the

Figure 14-7 2002 direct sales force demographics

Full-time hours worked 18.4%

Part-time hours worked 81.6%

Demographics of Direct Salespeople

Independent contractors	99.8%
Married	76
Female	73
Age: 35–54	54
Less than 30 hours per week	83.1

Source: From DSA's 2002 National Salesforce Survey.

representatives, direct selling is not a full-time job but an opportunity to earn additional income and a way to get the product at a discount for themselves. Over half of those employed in this industry spend less than 10 hours a week selling, and 81.6 percent spend less than 30 hours a week.

Evaluating the Effectiveness of Direct Marketing

Because they generate a direct response, measuring the effectiveness of direct-marketing programs is not difficult. Using the **cost per order (CPO),** advertisers can evaluate the relative effectiveness of an ad in only a few minutes based on the number of calls generated. By running the same ad on different stations, a direct marketer can determine the relative effectiveness of the medium itself. For example, if the advertiser targets a $5 return per order and a broadcast commercial (production and print) costs $2,500, the ad is considered effective if it generates 500 orders. Similar measures have been developed for print and direct-mail ads.

For direct-marketing programs that do not have an objective of generating a behavioral response, traditional measures of effectiveness can be applied. (We discuss these measures in Chapter 19.)

Advantages and Disadvantages of Direct Marketing

Many of the advantages of direct marketing have already been presented. A review of these and some additions follow:

1. *Selective reach.* Direct marketing lets the advertiser reach a large number of people and reduces or eliminates waste coverage. Intensive coverage may be obtained through broadcast advertising or through the mail. While not everyone drives on highways where there are billboards or pays attention to TV commercials, virtually everyone receives mail. A good list allows for minimal waste, as only those consumers with the highest potential are targeted. For example, a political candidate can direct a message at a very select group of people (those living in a certain Zip code or members of the Sierra Club, say); a music club can target recent purchasers of CD players.

2. *Segmentation capabilities.* Marketers can purchase lists of recent product purchasers, car buyers, bank-card holders, and so on. These lists may allow segmentation on the basis of geographic area, occupation, demographics, and job title, to mention a few. Combining this information with the geocoding capabilities of Prizm or VALS (discussed in Chapter 2), marketers can develop effective segmentation strategies.

3. *Frequency.* Depending on the medium used, it may be possible to build frequency levels. The program vehicles used for direct-response TV advertising are usually the most inexpensive available, so the marketer can afford to purchase repeat times. Frequency may not be so easily accomplished through the mail, since consumers may be annoyed to receive the same mail repeatedly.

4. *Flexibility.* Direct marketing can take on a variety of creative forms. For example, the Discovery Network sent 17-inch TV sets to media buyers through the mail. The only message accompanying the TV sets was one on the cord that said "Plug me in" and another on a videotape that read "Play me." Upon doing so, the recipient was greeted with a seven-minute promotional video. Direct-mail pieces also allow for detailed copy that provides a great deal of information. The targeted mailing of videotapes containing product information has increased dramatically, as companies have found this a very effective way to provide potential buyers with product information.

5. *Timing.* While many media require long-range planning and have long closing dates, direct-response advertising can be much more timely. Direct mail, for example, can be put together very quickly and distributed to the target population. TV programs typically used for direct-response advertising are older, less sought programs that are

likely to appear on the station's list of available spots. Another common strategy is to purchase available time at the last possible moment to get the best price.

6. *Personalization.* No other advertising medium can personalize the message as well as direct media. Parents with children at different age levels can be approached, with their child's name included in the appeal. Car owners are mailed letters congratulating them on their new purchase and offering accessories. Computer purchasers are sent software solicitations. Graduating college students receive very personalized information that recognizes their specific needs and offers solutions (such as credit cards).

7. *Costs.* While the CPM for direct mail may be very high on an absolute and a relative basis, its ability to specifically target the audience and eliminate waste coverage reduces the actual CPM. The ads used on TV are often among the lowest-priced available, and a video can be delivered for less than $1 (including postage).

A second factor contributing to the cost effectiveness of direct-response advertising is the cost per customer purchasing. Because of the low cost of media, each sale generated is very inexpensive.

8. *Measures of effectiveness.* No other medium can measure the effectiveness of its advertising efforts as well as direct response. Feedback is often immediate and always accurate.

Disadvantages of direct marketing include the following:

1. *Image factors.* As we noted earlier, the mail segment of this industry is often referred to as junk mail. Many people believe unsolicited mail promotes junk products, and others dislike being solicited. Even some senders of direct mail, including Motorola, GM, and Air Products & Chemicals, say they throw out most of the junk mail they receive. This problem is particularly relevant given the increased volume of mail being sent. (One study estimates the typical American receives 14 pieces of junk mail per week.)[39] Another predicts that by 2007 consumers will receive over 3,900 junk e-mails per year.[40] In 2002 over 205.7 billion pieces of mail were sent in the United States alone.[41]

Likewise, direct-response ads on TV are often low-budget ads for lower-priced products, which contributes to the image that something less than the best products are marketed in this way. (Some of this image is being overcome by the home shopping channels, which promote some very expensive products.) Telemarketing is found to be irritating to many consumers, as is "spam" or Internet junk mail. As you can see in Ethical Perspective 14-2, other factors have also created image problems for the direct-marketing industry.

2. *Accuracy.* One of the advantages cited for direct mail and telemarketing was targeting potential customers specifically. But the effectiveness of these methods depends on the accuracy of the lists used. People move, change occupations, and so on, and if the lists are not kept current, selectivity will decrease. Computerization has greatly improved the currency of lists and reduced the incidence of bad names; however, the ability to generate lists is becoming a problem.[42]

3. *Content support.* In our discussion of media strategy objectives in Chapter 10, we said the ability of magazines to create mood contributes to the overall effectiveness of the ads they carry. In direct-response advertising, mood creation is limited to the surrounding program and/or editorial content. Direct mail and online services are unlikely to create a desirable mood.

4. *Rising costs.* As postal rates increase, direct-mail profits are immediately and directly impacted.

Scam Artists Know No Boundaries

As direct-marketing scam artists get more sophisticated, they have expanded their efforts beyond the United States and into foreign countries. Apparently—like legitimate marketers—they have discovered market potential in these new markets.

One such market is Canada. Driven by the strength of the dollar (one U.S. dollar is worth about one-and-a-half Canadian dollars), Canada's lenient stance on white-collar crime, and the problems with getting lawbreakers back into the United States to face trial, Canada has become a virtual haven for telemarketing scam artists preying on Canadian and U.S. citizens as well as the elderly in England and Australia. With all due respect to both Canadian and U.S. officials, it is not as though the scammers operate at will. Both countries have increased their efforts against scammers, but the sophistication of the telemarketing rings make it hard to catch them.

The rings use a maze of business names, bank accounts, and mail drops. They are highly mobile, moving monthly or even weekly, and know how to throw authorities off track. Their primary target audiences are the elderly, the financially desperate, persons seeking a lucrative investment, and/or those just hoping to get rich quick.

One such scheme is the sweepstakes-winner scam. Working from lists, the telemarketers phone and tell the unwary receivers that they may already have won a lottery or sweepstakes but they must pay a fee ranging from a few hundred dollars to thousands of dollars to cover taxes or currency exchanges to collect. Once they pay, they are told they may have won an even larger prize, and more fees are collected. Some scammers pose as FBI or IRS agents. Others prey on the emotions of victims—particularly those with children in poor physical or financial health. All are good at what they do.

Another scam artist very good at what she does—or shall we say, did—is Miss Cleo. The flamboyant Caribbean clairvoyant scammed consumers out of millions of dollars with false promises of free psychic readings. Miss Cleo was actually a fictitious name established by two Florida firms, Psychic Readers Network, Inc., and Access Resources Services, Inc., that used TV ads, infomercials, and direct mailings to lure in customers. The ads featured the Caribbean-accented voice of a woman saying "Call me now" and promised free psychic readings if people called an 800 number. Once they did, they were referred to a 900 number for a "free" three-minute reading. After the three minutes the customer would be billed at $4.99 a minute, and operators did everything they could to get them past the free time—including putting them on hold! Over 6 million people called the hot line, averaging $60 per call, for a total of $360 million before the scam was busted. A settlement was awarded in December 2002.

A London-based company was forced by the FTC to suspend operations for selling false domain names ending in ".USA"—the names were useless. Shortly after the September 11, 2001, terrorist attacks, the promotion used e-mails to encourage consumers to be patriotic and register for USA domain names. The FTC believes the company made over $1 million from the scams.

While these are just some of the many scams being run, no one knows how many more are operating on a daily basis or how many people are being cheated. The only things that are known is that the scammers are a very tiny minority of the direct marketers out there and that legitimate telemarketers are as unhappy about the scams as are consumers and the authorities. After all, they are getting scammed too.

Sources: Myron Levin, "Canada Scam Artists Have a Global Reach," *Los Angeles Times*, July 7, 2002, p. C4; Myron Levin, "Psychic Hotline Accused of Caller Scam," *Los Angeles Times*, Feb. 1, 2002, p. C1; Christopher Saunders, "Courts Silence '.USA' Marketer," *Advertising Report*, Mar. 12, 2002, pp. 1-2.

Summary

This chapter introduced you to the rapidly growing field of direct marketing, which involves a variety of methods and media beyond direct mail and telemarketing. The versatility of direct marketing offers many different types of companies and organizations a powerful promotional and selling tool.

Direct marketing continues to outpace other advertising and promotional areas in growth; many of the Fortune 500 companies now use sophisticated direct-marketing strategies. Database marketing has become a critical component of many marketing programs.

Advantages of direct marketing include its selective reach, segmentation, frequency, flexibility, and timing. Personalized and custom messages, low costs, and the ability to measure program effectiveness are also advantages of direct-marketing programs.

At the same time, a number of disadvantages are associated with the use of direct marketing. Image problems, the proliferating sale and use of databases (some of them based on inaccurate lists), lack of content support, and the intrusive nature of the medium make some marketers hesitant to use direct-marketing tools. However, self-policing of the industry and involvement by large, sophisticated companies have led to significant improvements. As a result, the use of direct marketing will continue to increase.

Key Terms

direct marketing, 463
direct-response media, 463
database, 467
database marketing, 467
RFM scoring method, 471

one-step approach, 471
two-step approach, 471
mailing list, 473
direct-response advertising, 475

support advertising, 475
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telemarketing, 477
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telemedia, 477
electronic teleshopping, 478
direct selling, 478
cost per order (CPO), 480

Discussion Questions

1. Many marketers felt that the Internet would hurt the direct mail catalog industry. In fact, this has not been the case. Explain some of the similar characteristics of catalog shopping and shopping on the Internet. Then explain why you feel the mail catalog business has not been hurt.

2. What is the difference between direct marketing and direct selling? Describe the various forms of direct selling and some of the characteristics of the industry that make it unique.

3. What are the characteristics of the infomercial watcher? In viewing this profile, does it surprise you? Explain why or why not.

4. Explain why companies like those cited in the lead in to Chapter 14 have been successful in adopting direct marketing techniques. Describe the conditions that contribute to the successful implementation of direct marketing programs.

5. Identify some of the factors that have contributed to the growth of direct marketing. Do you see these factors being as relevant today? Discuss why or why not, and the impact they will have on direct marketing in the future.

6. The catalog has become an important part of the shopping lives of many consumers. Describe different groups that you think might find catalogs useful in the consumer market, and explain what aspects of catalogs would attract them to this medium.

7. Most of the methods for measuring effectiveness of direct marketing have to do with behaviors like sales, cost per order, etc. Explain how the adoption model discussed in Chapter 5 might also be employed to measure effectiveness.

8. One of the disadvantages associated with direct-marketing media is the high cost per exposure. Some marketers feel that this cost is not really as much of a disadvantage as is claimed. Argue for or against this position.

9. Why have companies like Volvo, Cadillac, and General Motors increased their use of infomercials? Is this a wise strategy?

10. Give an example of how companies might use direct marketing as part of an IMC program. Provide examples of both consumer and business marketers.

The Internet and Interactive Media

15

Chapter Objectives

1. To understand the different ways the Internet is used to communicate.

2. To know the advantages and disadvantages of the Internet and interactive media.

3. To know the role of the Internet and interactive media in an IMC program.

4. To understand how to evaluate the effectiveness of communications through the Internet.

The Internet: Powerful IMC Tool or Just Another Medium?

The rise and fall of the World Wide Web (WWW) brings to mind images of riding a roller-coaster. First there was the very rapid growth of the medium and the dot-com boom. Next came the
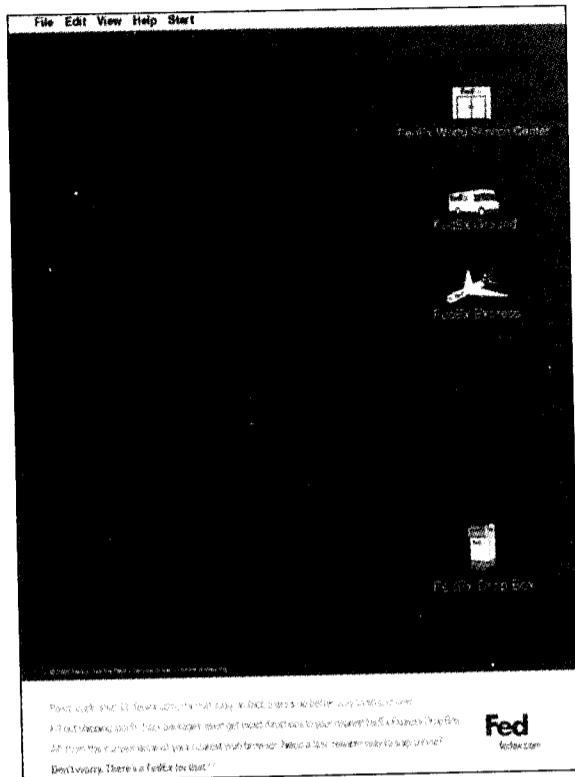
dot-com bust and rapid downhill spending by marketers. Now the predictions are that the Net is slowly climbing back up. It appears that the ups and downs of this medium have many marketers confused about how to use the Internet.

Part of the problem regarding how best to use the Internet can be attributed to the infancy of this medium and to differing opinions as to what role the Internet should assume. Direct marketers, for example, argue that the Internet is just another direct-marketing medium—albeit one with great sales potential. Others take a much broader perspective, viewing the Internet as an important IMC tool capable of supporting and enhancing other program elements. They see the Internet as a medium whose role is central to the effectiveness of the IMC program.

One of the proponents of the latter perspective is David A. Aaker, a University of California–Berkeley professor and the author of numerous articles and books on branding. Aaker argues that one of the ways to improve the ROI of brand marketing is to "increase the synergies and impact among the firm's individual brand-building programs so that the whole is greater than the sum of its parts." Aaker's view of the Internet is not that it is just another medium but that it is the "integrator" of the IMC program—the "glue" that holds the IMC program together. Proper integration of the Internet into the IMC program, he argues, requires that it is used creatively and as a component of the overall brand-building process. He feels that the Internet can be used to amplify other IMC elements.

One of the problems with the Internet, however, has been the inability of marketers to implement what Aaker has suggested. For years, companies have struggled with how to use the Net for branding purposes. The literature is full of articles on this problem, and many are of the notion that marketers aren't quite there yet. They cite the fact that there are not many powerful success stories to support the branding efforts.

At the same time, there are numerous examples of Internet success stories that go beyond direct marketing and support the position of proponents of a more enhanced role for the medium. Aaker cites numerous examples of effective branding and integration programs involving PepsiCo, Oscar Mayer, Valvoline, FedEx, and Procter & Gamble among others. Since it declared bankruptcy in 2002, Kmart has also relied more heavily on the Net to reclaim its brand image, emphasizing tighter cross-integration of IMC components through its "Stuff of Life" campaign. Its website now carries exactly the same logo,

type fonts, and imagery as every other component, including TV and print.

While the above list reflects the success experienced by large companies with large communications budgets, one shouldn't be deceived into thinking that integration is the domain of only those with large expenditure capabilities. The issue is not so much the amount of money spent but how it is spent, and there are plenty of success stories among smaller companies with less money but good strategies. Crate & Barrel, Godiva, and Sharper Image are just a few of the companies that have enhanced their brands through effective merchandising on the Web while still maintaining the

selling component. Territory Ahead, akademiks, and fubu have created strong brand images among their target audiences with limited budgets and a strong Internet premise.

The capability of the Internet to tie together various elements of the IMC program may take the medium back to the top again. Let's just hope that its lack of integration doesn't take it back down.

Sources: David A. Aaker, "Fast Brand Building in Slow-Growth Markets," *strategy+business*, Third Quarter 2002, pp. 48–57; Mary Wagner, "Richard Blunck Has Kmart.com Ready for Success—the Rest Is Up to Kmart," *Internet Retailer*, September 2002, pp. 18–21; Mary Wagner, "On the Web, Merchandising No Longer Follows Rules Developed in Other Channels," *Internet Retailer*, September 2002, pp. 22–25.

Anyone who has followed the Internet industry over the last decade has seen an amazing series of events. Moving from a medium with almost no presence in the marketing environment to one that was the center of attention, the Internet experienced a boom that unfortunately became a bust. What some marketers thought would be the "be all and end all" of communications has now become a puzzle waiting to be solved, as many marketers have yet to discover what role the Internet will assume in their communications program.

What the lead-in to this chapter illustrates, however, is that some companies have apparently solved the puzzle and have effectively integrated the Internet into their marketing communications programs. As you will see in this chapter, others have been successful as well, particularly when they view the Internet as a component of the integrated marketing communications program and not as the only tool required for success.

In this chapter we will discuss the Internet and interactive media, marketers' objectives for using these media, and ways to measure their effectiveness. As you will see, the Internet and interactive media are valuable components of the integrated marketing communications program and, like other components, are most effective when used in conjunction with other program elements. We will begin our discussion with the Internet.

Defining the Internet

Before beginning our discussion, it may be useful to establish some common ground. While all of us are familiar with the Internet, the degree to which we are familiar varies. Understanding the material presented in this chapter will be easier if you are familiar with the terms used in the discussion.

The **Internet** is a worldwide means of exchanging information and communicating through a series of interconnected computers. It was started as a U.S. Defense Department project, but it is now accessible to anyone with a computer and a modem. While the most popular component of the Internet is the **World Wide Web (WWW),** there are other features as well, as shown in Figure 15-1. For marketers, a number of these features offer potential, but it is the Web that has developed as the commercial component. For that reason, the following discussion will focus on using the Web as a communications and sales tool. Before reading further, however, please take a few minutes to examine Figure 15-2, to familiarize yourself with some of the terms that we will be using. In reality, there are many more words that have been added to our language as a result of the growth of the Internet (you can actually purchase a dictionary of Internet terms), but space permits only a small inclusion here. Thus, we have stayed away from the technical jargon, concentrating primarily on marketing communications terms. If you are not familiar with terms like *URL, backbone, browser,* and so on, you may wish to consult another source before continuing.

Figure 15-1 Features of the Internet

Electronic mail (e-mail)	Allows users to send electronic mail anywhere in the world
Usenet	Discussion groups, newsgroups, and electronic bulletin boards, similar to those offered by online services
Telnet	Online databases, library catalogs, and electronic journals at hundreds of colleges and public libraries
File transfer protocol (ftp) or hypertext transfer protocol (http)	The ability to transfer files from one mainframe computer to another
Client server	Allows for the transfer of files from one mainframe computer to another
Gopher	A document retrieval system used to search for information
Wide Area Information Server (WAIS)	Enables one to use keywords in specific databases and retrieve full text information
World Wide Web (WWW)	Does much the same thing as gopher and WAIS, but combines sound, graphic images, video, and hypertext on a single page; the commercial arm of the Internet

Figure 15-2 Internet terminology

Term	Definition
Ad clicks	Number of times users click on an ad banner.
Ad click rate	Often referred to as "click-through," the percentage of ad views that result in an ad click.
Ad views (impressions)	Number of times an ad banner is downloaded (and presumably seen by viewers).
Banner	An ad on a Web page that may be "hot-linked" to the advertiser's site.
Button	An advertisement smaller than a traditional banner ad. Buttons are usually square in shape and located down the left or right side of the site; sometimes referred to as "tiles."
CPC	Cost per click—a marketing formula used to price ad banners. Some advertisers pay on the basis of the number of clicks a specific ad banner gets.
CPM	Cost per thousand for a site.
Domain name	The unique name of an Internet site. There are six domains widely used in the U.S.: .com (commercial), .edu (education), .net (network operations), .gov (U.S. government), .mil (U.S. military), and .org (organization).
	Additional two letter domains specify a country, for example, .sp for Spain.
Hit	Each instance in which a server sends a file to a browser. Hits are used to measure the traffic on a site.
Interstitial	An advertisement that appears in a window on your screen while you are waiting for a Web page to load.
Link	An electronic connection between two websites.
Opt-in-e-mail	List of Internet users who have voluntarily signed up to receive commercial e-mail about topics of interest.
Page views	Number of times a user requests a page that contains a particular ad; used to indicate the number of times an ad was potentially seen, or "gross impressions."
Rich media	Advanced technology used in Internet ads, such as streaming video, which allows interaction and special effects.
Sponsorships	The sponsoring of a site's content by an advertiser.
Unique users	Number of different individuals who visit a site within a specific time period.
Valid hits	Number of hits that deliver all the information to a user (excludes error messages, redirects, etc.)
Visits	A sequence of requests made by one user at one site.

Figure 15-3 Internet users
worldwide, by region,
2000–2004 (in millions)

	2000*	2001	2002	2003	2004	CAGR** 2000–2004
North America[†]	108.1	133.4	152.0	169.3	184.5	14.3%
Europe	100.9	139.3	170.7	196.2	221.1	21.7
Asia-Pacific	123.3	145.9	168.0	205.0	232.1	17.1
Latin America	15.8	22.0	32.0	43.4	60.6	39.9
Africa	4.1	5.3	7.2	9.0	10.9	27.7
Total	352.2	445.9	529.9	622.9	709.1	19.1

*_eMarketer_'s year 2000 baseline is from the International Telecommunication Union's estimate of Internet users age
2 years and older, who have accessed the Internet within the previous 30 days.
**Compound annual growth rate.
[†]North America includes the United States and Canada; Mexico is included in Latin America.

Developing an Internet Program

As with other media discussed earlier in this text, using the Internet requires the development of a plan. This plan should consider target audiences (users of the Net), specific objectives and strategies, and methods for measuring effectiveness.

Web Participants

The Web, like all other media, has both customers (users) and those trying to reach these users (advertisers, sponsors, e-commerce). As with other media, target markets include consumers and the business-to-business (b-to-b) markets. Let's start our discussion with the users—the target markets.

Users: Consumer Market In 1995, there were an estimated 14.9 million users on the Net. By mid-2002, there were an estimated 150 million, with 64.3 percent of all U.S. households now accessing the medium.[1] The rapid adoption continues internationally as well, with an estimated 445.9 million users worldwide.[2] (See Figure 15-3.) As shown in Figure 15-4, the adoption curve of the Internet greatly outpaces that of

Figure 15-4 Adoption curves for various media—the Web is ramping fast


```
Years to reach 50 MM users
Radio    = 38
TV       = 13
Cable    = 10*
Internet =  5+
```
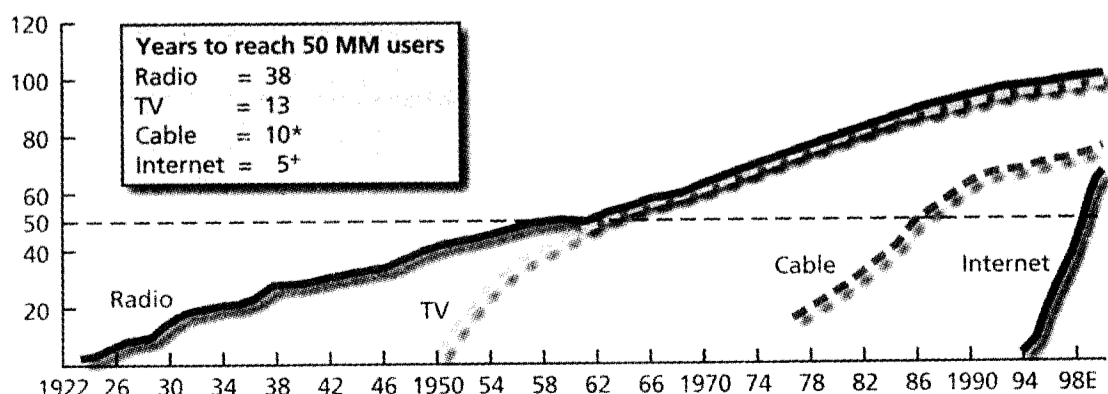
* The launch of HBO in 1976 was used to estimate the beginning of cable as an
entertainment/advertising medium. Though cable technology was developed in the late
1940s, its initial use was primarily for the improvement of reception in remote areas. It was
not until HBO began to distribute its pay-TV movie service via satellite in 1976 that the
medium became a distinct content and advertising alternate to broadcast television.
+ Morgan Stanley Technology Research Estimate

any other medium. A number of reasons have been offered to explain this rapid adoption. A long period of economic prosperity, Internet innovation, heavy investments by companies, and (as noted in the previous chapter) changing lifestyles of the American consumer (consumers are now "money rich and time poor") have all contributed.

The demographic profile of Internet users has changed as well. Whereas in 1996, the Web was clearly a male-dominated medium (82 percent male versus 18 percent female), Internet users are now much more consistent with the profile of the overall U.S. population (Figure 15-5), although persons with more education and more income tend to be online slightly more than others. The use of the Internet for shopping, searching for information about products and services, and buying is predicted to continue to show growth, as indicated in Figure 15-6. Whether the increase in Internet usage and e-commerce will slow or continue to grow at its current pace, it will account for a substantial amount of consumer spending, as can be seen in Figure 15-6.

Users: Business to Business   The consumer market figures may seem astronomical enough, but they pale in comparison to the figures on business-to-business marketing. While some consumer companies feel that a website is not a critical component of their communications mix, most business marketers consider a good site a necessity. The number of businesses online is expected to rise to 8.3 million by 2004, with over 100 million business-to-business decision makers online.[3] The revenue generated by these business sites is much higher than that generated in the consumer market—with projections of $6.2 trillion by the year 2004 (yes, that is a *t!*).[4] Businesses in the computer and electronics, shipping and warehousing, and utilities industries expect that by 2004 they will conduct over 70 percent of their transactions over the Internet. (So-called heavy industries like aerospace and defense are expected to transact less than 50 percent through this medium.)

	Adults Online	All Adults
Age:		
18–29	28%	22
30–39	23	22
40–49	23	20
50–64	24	18
65+	5	16
Gender:		
Men	49	48
Women	51	52
Race/Ethnicity:		
White	76	76
Black	12	12
Hispanic	9	10
Education:		
High school or less	37	52
Some college	31	26
College grad/post grad	32	22
Household Income:		
$25,000 or less	18	25
$25,001–$50,000	25	29
$50,001 and over	46	32

Figure 15-5 Profile of U.S. online population, February–March 2002

Figure 15-6 U.S. consumer online buying and shopping grid, 2000–2004 (in millions and percent penetration)

	2000	2001	2002	2003	2004
Shoppers:					
Internet users aged 14+	73.0%	77.0%	79.0%	81.0%	82.0%
Shoppers aged 14+	63.2	83.2	97.5	111.6	123.2
Buyers:					
Internet users aged 14+	48.5%	53.2%	55.8%	58.3%	59.9%
Buyers aged 14+	42.0	57.5	68.9	80.3	90.0
Average annual purchase per online buyer	$969.02	$880.67	$1,089.21	$1,248.48	$1,400.47
Total U.S. B2C e-commerce revenues (incl. online travel)*	$40,700	$50,600	$75,000	$100,300	$126,000

*eMarketer benchmarks its B2C retail revenue figures against U.S. Department of Commerce data, for which the last period measured was Q4 2001; the travel component was formulated based on aggregated data.

Business-to-business marketers use the Internet in a variety of ways. Hewlett-Packard has budgeted over $100 million to target b-to-b users of its equipment.[5] Cisco and Dell use the Web to track and distribute sales leads in real time, while others like Scientific International train their sales representatives and host sales meetings via the Web as well as sell.[6] Cisco estimates that it saves $1 million per month by having sales meetings on the Web.[7] One of the main benefits for business-to-business marketers is the ability to acquire information about products and services. In today's Internet world, a company can immediately pull up the product and service offerings of a provider, without having to make a phone call or wait for a salesperson to visit. In turn, the same company can reach thousands of potential customers that it would not have been possible to reach without a website—at a significantly reduced cost.

Web Objectives

When major corporations first began to conduct business on the Internet, they put up websites primarily for information purposes. Companies like United Airlines and Maytag had sites that were really not much more than online catalogs designed for information purposes only. The role of the website quickly changed, however; sites have become much more creative, promoting brand images, positioning, and offering promotions, product information, and even products and services for sale. With the introduction of Java in 1995, it became possible to create fancier graphics, audio, and animation online. This resulted in marketers' utilizing the Internet in an entirely new way, moving beyond the purely informational role. As you will see, the objective of disseminating information still remains, but additional communications and sales objectives are now being pursued.

Developing and Maintaining a Website

Before we discuss marketers' Web objectives in detail, it is important that you understand the role of the **website**—the place where information is made available to users of the Internet by the provider. Developing and maintaining a successful website requires significant time and effort. To attract visitors to the site and have them return to it requires a combination of creativity, effective marketing, and continual updating of the site. In addition, other media must be integrated with the website, as noted in the introduction to this chapter.
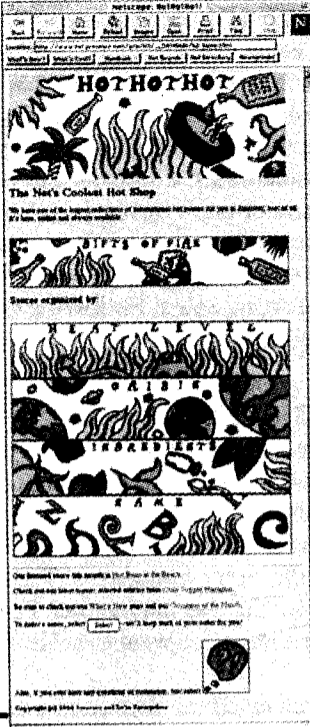
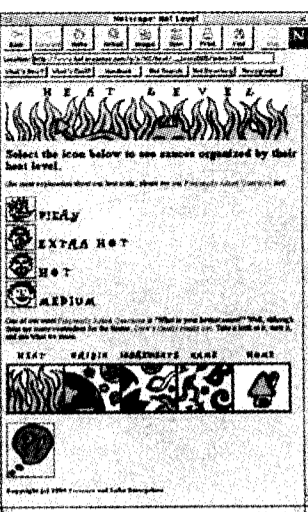**Exhibit 15-1**   Hot Hot Hot founders demonstrate what makes a website work

Exhibit 15-1 demonstrates what makes a website work. Making a site work and having one work successfully are not the same thing, however, and whether a site is effective is determined by what it is that management hopes to achieve through the site. As already noted, some sites are offered for informational purposes only (this tends to be more common in the business-to-business market than the consumer market), while others approach the market much more aggressively. For example, Kimberly-Clark Corporation, the manufacturer of Huggies brand (diapers, Pull-Ups training pants, and Little Swimmers swim pants) has been extremely successful in its Internet marketing efforts. The Huggies homepage (Exhibit 15-2) goes well beyond providing information. The site has additional objectives, such as developing a relationship with parents, establishing a brand image for the products, and supporting sales. Part of the site is

Exhibit 15-2   Huggies homepage
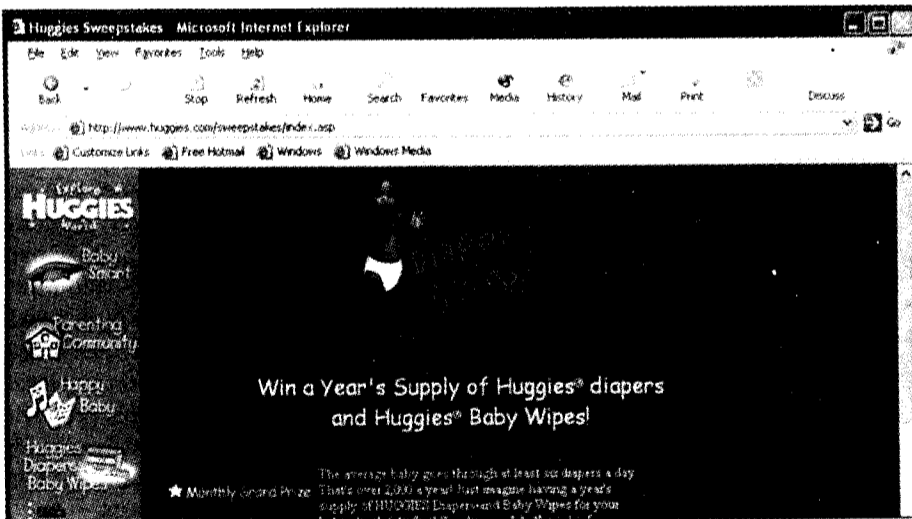
designed to develop one-on-one relationships by offering a free sample to anyone who sends in his or her name, address, and e-mail address. Thousands of people have responded to the offer, providing Kimberly-Clark with an enormous database useful for future marketing efforts. Another part targets parents visiting other websites such as CTW.org (Children's Television Workshop—producer of *Sesame Street*), Women.com, iVillage.com, and BabyZone.com. In addition, anyone typing in the keywords *diapers* or *infant care* on the portal AltaVista is greeted with a Huggies banner ad. To bring visitors to the site, Huggies provides tips on baby care, chats with other parents, access to other baby links, and additional information about Huggies products. Finally, to support sales, the site directs customers to the nearest retail store that sells Huggies brands.

As the Huggies example demonstrates, a website can be an effective tool for the marketer. Depending on the nature of one's business and one's marketing objectives for the Internet, a website can range from being a very simple source of information about the company and its products to being a powerful tool for developing a brand image, sampling, and even generating sales. Following are some of the objectives sought by those marketing on the Internet.
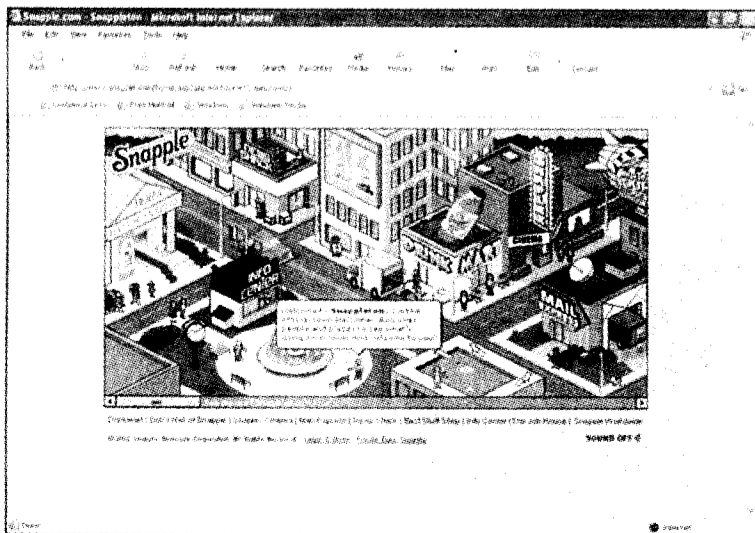
Communications Objectives

Unlike other media discussed thus far in the text, the Internet is actually a hybrid of media. In part, it is a communications medium, allowing companies to create awareness, provide information, and influence attitudes, as well as pursue other communications objectives. But for some it is also a direct-response medium, allowing the user to both purchase and sell products through e-commerce. Thus, we will discuss two sets of objectives pursued by companies that use the Internet. Let's first look at some of the communications objectives these companies want to achieve.

Create Awareness   Advertising on the Web can be useful in creating awareness of an organization as well as its specific product and service offerings. For small companies with limited budgets, the Web offers the opportunity to create awareness well beyond what might be achieved through traditional media. For example, a company in Los Angeles that distributed paper to business-to-business firms in the local market now conducts 80 percent of its business internationally as a result of posting its website. While a valuable tool for creating awareness—particularly for smaller companies that may have limited advertising budgets—the Internet is not likely to be the most effective of the IMC elements for achieving this objective. Advertising may be more useful for this purpose, given its larger reach.

Generate Interest   A visit to CocaCola.com or Snapple.com will demonstrate how companies attempt to use the Web to generate interest in their sites as well as their products and services. On the Coca-Cola site, visitors can find a number of activities to generate and maintain their interests. For example, there is "Coke Music," a click upon which will take you on a musical tour and allow you to create your own demo, take a quiz, and chat with others about music. If your interest is football, you can visit Coke Football Town to see where the Coke football tour is in your state. If your interests tend more to philanthropic events, you can explore the Coke Youth Partnership. While on the site, you can also learn about Coca-Cola products, the company itself, or visit the Coca-Cola Store to purchase Coca-Cola clothing, clocks, and other products. Snapple, in its attempt to attract visitors and hold their interests, has created Snappleton, a make-believe town with many places to visit while learning about Snapple products (Exhibit 15-3). The objectives of these sites is simple: Create interest that will bring visitors back to learn more about the products.

Exhibit 15-3   Snapple creates interest through their website

Disseminate Information One of the primary objectives for using the Web is to provide in-depth information about a company's products and services. In business-to-business markets, having a website has become a necessity, as more and more buyers expect that a company will have a site providing them with detailed information about its offerings. In the government sector, contracts are often put out to bid on the Internet. Information regarding requirements, specifications, submission dates, and so on, is disseminated much quicker, to more potential candidates, and at a much lower cost via the Net than it is through other media. For many consumer companies, their websites serve as a means of communicating more information about their products and services. The Huggies site discussed earlier shows how a website can facilitate this objective, while the Cheerios box shown in Exhibit 15-4 demonstrates how General Mills uses its package to refer users to its site for additional information.

Create an Image Many websites are designed to reflect the image a company wants to portray (Exhibit 15-5). For example, when you have a few minutes to spare, check out the consumer sites at www.fubu.com and www.akademiks.com or the business-to-business site at www.sharp.com (Exhibit 15-6). All of these are excellent examples of websites used for image building. Interestingly, one of the difficulties traditional marketers have experienced is that of creating a brand image on the Internet. While some of these companies have been successful, others have not fared as well and have come to realize that branding and image-creating strategies must be specifically adapted to this medium.

Exhibit 15-4 Cheerios uses its package to send users to its homepage

Create a Strong Brand As David Aaker pointed out in the introduction to this chapter, the Internet—as part of an integrated marketing communications program—can be a useful tool for branding. Unfortunately, many companies have not yet figured out how to successfully brand through the Internet. A review of the literature over the past five years will lead to a number of articles discussing this very topic and the difficulties in achieving this objective. While space does not permit an in-depth review, let's discuss just a few of the many reasons why companies attempting to create branding through the Internet may not be achieving their goals.

Branding Is a Complicated Process While creating a strong brand is not easy in any communications effort, some marketers feel that it may be even more difficult to do on the Internet. As noted by Karen Benezra, editor of *Brandweek* magazine,
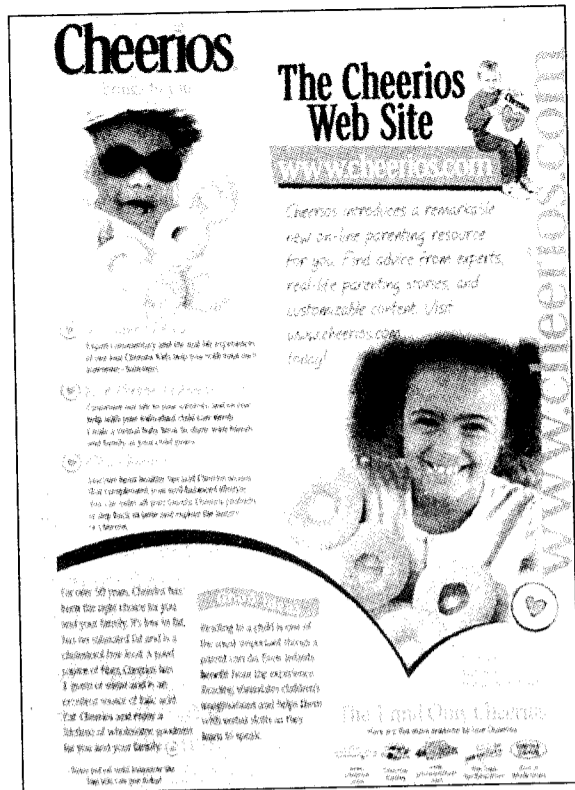
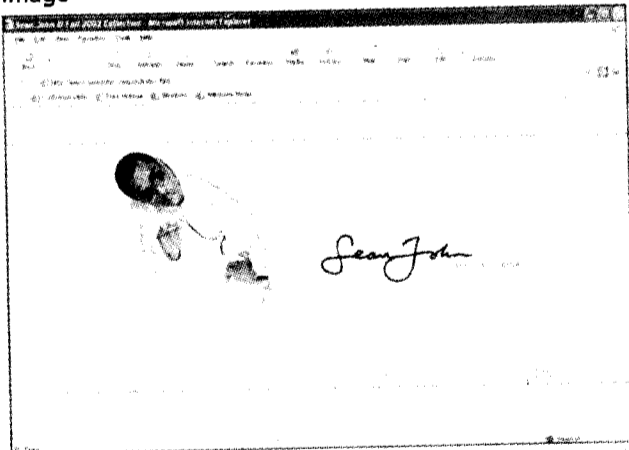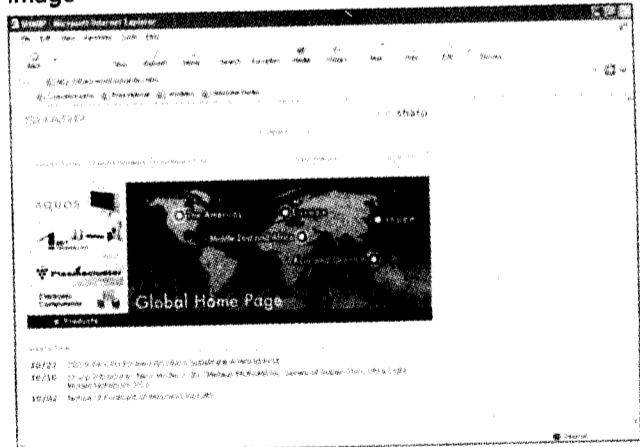Exhibit 15-5 Sean John uses the Web to establish an image

Exhibit 15-6 Sharp uses the Web to enhance its image

many companies—dot-coms as well as traditional—have spent millions of dollars trying to brand by advertising on the Internet, with only lukewarm success. One reason behind this problem, Benezra notes, is the lack of a clear understanding of the role the Web should assume in the branding process. New or less well known brands may have to assume different strategies than those used by more established brands such as Volvo, BMW, or The Gap. Another reason is that many marketers mistakenly believe that simply creating awareness or attention will lead to a strong brand. Finally, notes Benezra, it takes a long time to establish a brand relationship with a customer, and the Internet hasn't been around long enough to prove its branding capabilifies.[8]

Branding and Direct Response May Be Counterobjectives   Noting the similarities between the Internet and other direct-response media like catalogs or interactive TV, some marketers feel that the Internet is best suited to be a direct-response medium. They contend that direct marketing requires a very targeted effort, searching for high-probability buyers. Branding, on the other hand, is much less targeted and reaches out to numerous audiences. According to Erwin Ephron of *Advertising Age,* the Internet is somewhere in between, and trying to achieve both objectives at the same time has led to unsuccessful branding efforts.[9]

The Costs Are Too High   Successful branding does not take place overnight. Unfortunately, many marketers aren't willing, or feel that they can't afford, to wait. Such marketers may view the Internet as a "quick fix" that will allow them to instantly establish their brands. When they discover that the Internet is not able to provide instant identity, they may quickly return to their focus on ROI or the bottom line. Cutting advertising and brand identity efforts on the Internet will immediately reflect cost savings and a return to business as normal.[10]

The above are just a few of many reasons that can be offered as to why branding on the Internet has been less successful than many hoped. We believe that the Internet—as part of an integrated marketing communications program—can be used for branding purposes, as well as for other objectives. IMC Perspective 15-1 provides just a few examples of companies that have used this medium effectively, by integrating media.

Stimulate Trial   Many marketers have found the Internet to be an effective medium for stimulating trial of their products or services. Some websites offer electronic coupons in an attempt to stimulate trial of their products. Others offer samples, promotions, and sweepstakes designed to encourage trial.
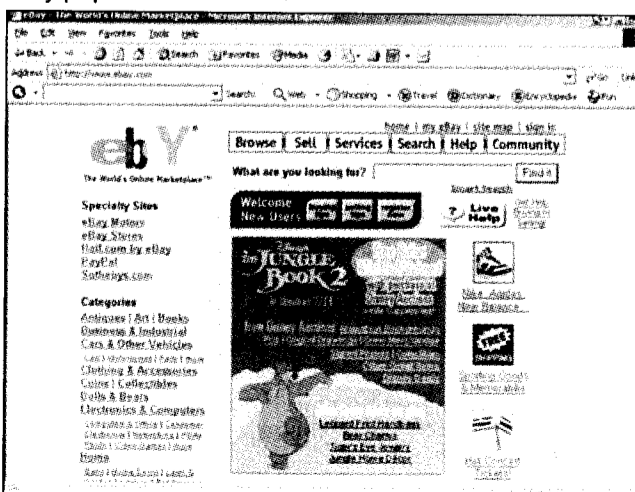
E-Commerce

The Internet also offers the opportunity to sell directly to customers in both the consumer market and the business-to-business market. This direct selling of goods and services has been labeled **e-commerce.** Many of the sites already mentioned in this chapter have a sales component—either as a primary or secondary goal.

Many companies maintain their existing "brick and mortar" stores while also selling through the Internet. Consumer-targeted companies like Eddie Bauer, The Gap, and Barnes and Noble are a few examples. Sears allows online visitors to Sears.com to choose from 4 million parts and carries schematics of 90,000 items. The items carry the same prices as they do in the stores and can be picked up at and returned to the stores as well.[11] Circuit City has a similar program. Others like Amazon.com, eBay.com, and E-toys.com maintain Internet sites only (Exhibit 15-7).

We will discuss more about e-commerce and strategies employed in this area a little later in the chapter. Before we do, let's have a look at how the Internet can be used as part of an IMC program.

Exhibit 15-7   eBay is a very popular Internet site

# Integrating the Internet—TV Commercials Hit the Web

As the Internet moves beyond being a direct-response medium, assuming additional marketing objectives such as branding, the format of the communications are changing as well. Knowing that banner ads and interstitials may not be doing the job, electronic marketers are turning to an old reliable—the TV commercial. Only now, the TV commercial is on the Web. As the technology on the Internet improves, more and more marketers have taken their commercials to the Web hoping to attract viewers' attention and interest. Traditional advertisers and their agencies like the idea, because they are used to dealing with commercials and the costs are lower than those for TV. While the idea of delivering commercials via websites is not new—now defunct PointCast and Excite@Home have done it for a few years—the poor quality led many advertisers to shy away from the medium. But all that is changing.

Take Apple Computers as an example. With its latest "Switch" campaign, designed to attract Windows users to the Macintosh camp, Apple has taken the integration of TV and the Web to a new level. Eight 30-second TV spots created by TBWA/Chiat/Day and directed by Errol Morris (director of the movie *The Thin Blue Line*) feature regular people talking about their switch from Windows to Macintosh—and, of course, about how happy they are for having done so. The $75 million ad campaign has been integrated with a new Apple website (apple.com/switch) by directing viewers to the site for more information. That's nothing new. But once at the site, consumers can actually view the TV commercials (the IMC program also includes print). The commercials appear in the same quality as they would on TV, and they have become a big hit—in one case creating a new crush named Ellen Feiss, whose homework was eaten by a PC.

Apple is not the only one integrating TV and the Internet in this manner. PepsiCo featured a Britney Spears spot on its site nearly a year before Apple added its commercials, and Universal Pictures used its website to promote its movie *A Beautiful Mind.* A video ad for the movie *Collateral Damage* was shown on the *Los Angeles Times* website, the city of New York ran commercials to promote New York City on the *New York Times* website, and the New York Stock Exchange ran digital ads on the website of *The Wall Street Journal.* Automobile companies like Toyota and Volvo have also run spots, as has Porsche in the introduction of its new SUV, the Cayenne. The CBS MarketWatch site estimated that as many as 75 percent of the campaigns run on its site in 2002 would include commercials.

But the real question is, "Will consumers watch the commercials?" Skeptics argue that consumers are watching fewer commercials on television and are probably less likely to watch commercials on their computers. Amicada, one of the companies offering the technology to deliver high-quality commercials, thinks they will watch them—particularly if other traditional methods are also employed. Amicada suggests a permission-based program coupled with incentives (gaining points for watching) and access to premium content and entertaining video content such as music videos or movie previews that would include the ads. Viewers would get credit only when they viewed the entire commercial, which would be tracked using Internet technology. Advertisers would pay only for the commercials watched—$1 for each CPCV (Amicada's equivalent of CPM). While some advertisers are not sold on the CPCV concept (Greg Smith of Carat Interactive, in New York, considers it arm twisting), they do seem to like the permission-based and pay-for-performance aspects. With a number of large companies now showing commercials on TV and the Internet, can others be far behind?


"My PC wasn't Plug-n-Play. It was Plug-n-Get-Mad."

Why switch to a Mac?

Questions about switching
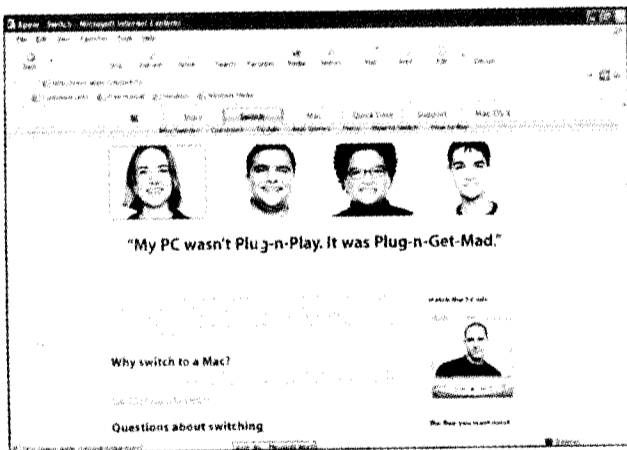
Sources: Mylene Mangalindan, "Now TV Ads Are in Reruns on Web Sites," *The Wall Street Journal,* Feb. 11, 2002, p. B5; Aaron Baar, "Porsche SUV Entry Teases with Web, Print Effort," adweek.com, Apr. 29, 2002, pp. 1–2; Thom Weidlich, "Online Spots—a New Generation," *Advertising Age,* July 30, 2001, p. S10; John Schwartz, "Out-of-It Eyebrow Lift Gives Apple a Superstar," *New York Times,* Aug. 19, 2002, p. 3; Theresa Howard, "PC Users Make the Switch in Mac Ads; Apple Launches $75M Campaign to Nab Some of Microsoft's Market," *USA Today,* June 11, 2002, p. B2.

The Internet and Integrated Marketing Communications

Up to this point, we have mentioned the need for using the Internet as part of an IMC program. In this section, we discuss how the Web can be used with other program elements.

Exhibit 15-8 Banner ad formats
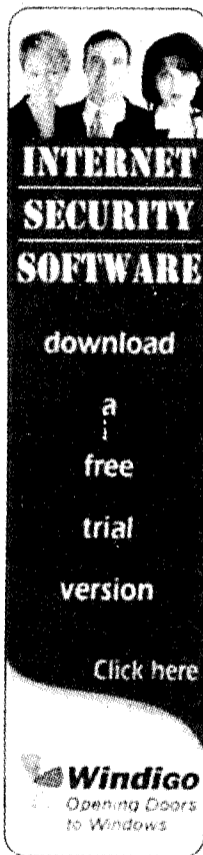
Advertising

Advertising on the Internet
Like broadcast or print, the Internet is an advertising medium. Companies and organizations working to promote their products and services must consider this medium as they would television, magazines, outdoor, and so on. Advertising on the Internet employs a variety of forms, as shown in Figure 15-7.

Banners The most common form of advertising on the Web is **banner ads.** Banner ads may be used for creating awareness or recognition or for direct-marketing objectives. Banner ads may take on a variety of forms, as shown in Exhibit 15-8, as well as a number of names such as *side panels, skyscrapers,* or *verticals.* Initially banner ads constituted the vast majority of advertising on the Net, but studies indicating their questionable effectiveness have led to a decline in usage. Reports on click-through rates vary, but most studies indicate a less than 1 percent response rate.[12] A few studies have shown an increase in response rates in recent years. These findings may lead to increased use of this method of advertising in the future.[13]

Sponsorships Another common form of advertising is **sponsorships.** There are two types of sponsorships. *Regular sponsorships* occur when a company pays to sponsor a section of a site, for example, Clairol's sponsorship of a page on GirlsOn.com and Intuit's Turbo Tax sponsorship of a page on Netscape's financial section. A more involved agreement is the **content sponsorship,** in which the sponsor not only provides dollars in return for name association but participates in providing the content itself. In some cases, the site is responsible for providing content and having it approved by the sponsor; in other instances, the sponsor may contribute all or part of the content. Due in part to the lack of effectiveness of banner ads, sponsorships have been increasing in popularity. Notice the number of partners on the iVillage site in Exhibit 15-9—each of which provides content.

Pop-Ups/Pop-Unders When you access the Internet, have you ever seen a small window appear on Netscape advertising AOL's "Instant Messenger"? Such windows

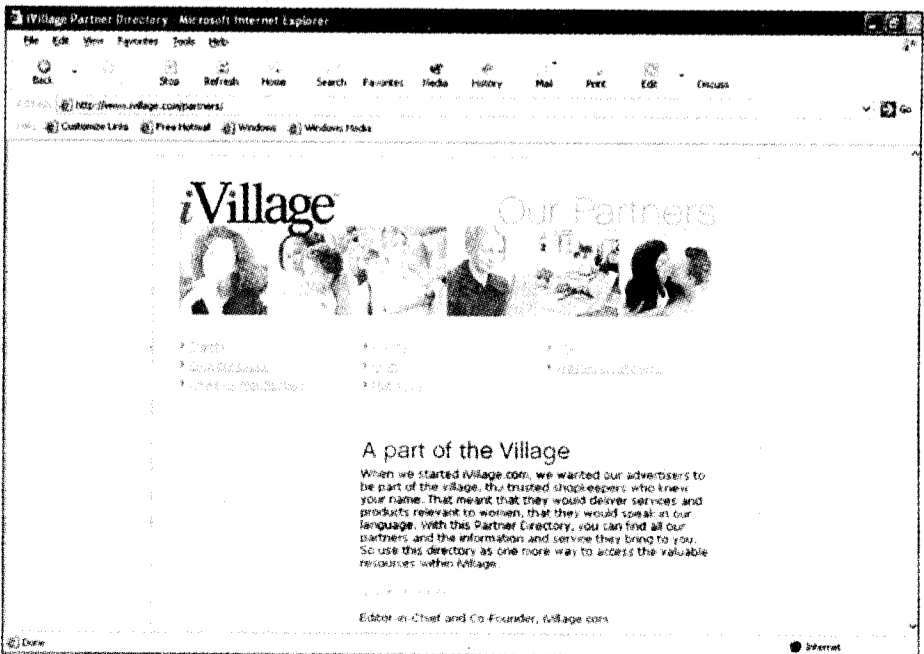**Exhibit 15-9** iVillage has numerous Internet partners

Figure 15-7 Way Beyond the Banner. New online ad formats are whirling, shaking, popping, and tilting all over the Web.

Ad Format	Cost (CPM)	Effectiveness	Annoyance Factor	Pros	Cons	Check It Out
Banner Standard rectangular ad still found atop most webpages	$6–$60	•	•	Much, much cheaper than ever before, and clickthrough rates have rebounded	Average clickthrough rate: just 0.75%	Any commercial website
Floating ad or *shoshkele* Animated object, like a car that races across your screen	$25–$35	••••	••••	Can be amusing and attention-getting	They work only with the latest Web browsers	www.unitedvirtualities.com
Interstitial or *superstitial* Full page ad, often with video or animation	$30–45	••••	••••	Unavoidable; can accommodate movie trailers and TV spots	Web users complain that ads take over the screen	www.unicast.com
Large rectangle Oversize ad placed in the center of the page	$10–$85	••	•••	Ideal for news outlets, where readers don't want to leave website	Average clickthrough rate: 1% to 1.5%	www.news.com
Pop-under Ad opens in a window down under the webpage	$2–$5	••	••••	Low cost; intrusive	72.4% of people close the ads without reading them	www.latimes.com
Pop-up Ad opens in a window on top of the webpage	$10–$75	•••	•••••	Highly intrusive	Highly intrusive	www.hollywood.com
Skyscraper Vertical banner	$5–$75	••	••	In tests, raise brand awareness 7%	On small screens, reader's can't see ads	www.americangreetings.com
Superbanner Twice as wide as a standard banner	$6–$35	••	•••	20% higher clickthrough than banners	0.9%? That's still pretty low	www.yahoo.com
Surround session Users are served ads from one advertiser during their entire visit to a site	$90–$115	••••	••	Raise brand awareness 11%, nearly three times more than banner ads do	Costly	www.nytimes.com
Text ad No-frills, text-only ad that appears alongside search results	$20–$80	•••••	•	Average clickthrough: 2% on Google	No graphics	www.google.com

*Prices are measured in cost per 1,000 impressions (CPM) and are based on ranges found in published rate cards; negotiated rates may be much lower.
Adapted from: Bus. 2.0 June 2002. p. 120.
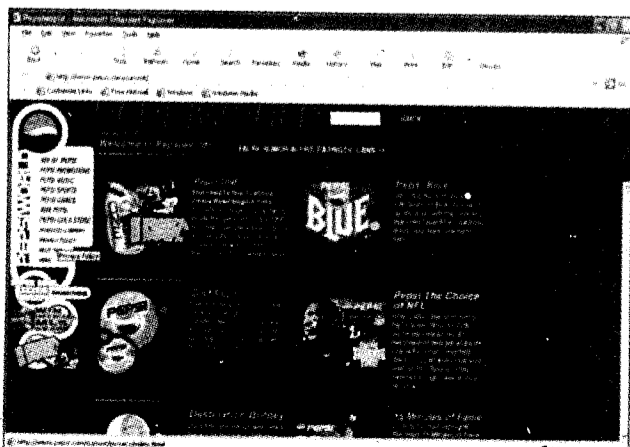
are known as **pop-ups,** and they often appear when you access a certain site. Pop-ups are usually larger than a banner ad but smaller than a full screen.

Pop-unders are ads that appear underneath the web page and become visible only when the user leaves the site. For example, if you ever visited a travel website, you probably were hit with a pop-under ad for Orbitz—one of the heaviest users of this form of web advertising. Go to the *Los Angeles Times* website, and when you leave, you will almost certainly see an example of this form of advertising.

While some companies like Orbitz believe that pop-ups and pop-unders are effective forms of advertising, others disagree. Consumer complaints have led Google.com, iVillage.com, and Earthlink (among others) to no longer accept these advertising forms. (According to iVillage, its research indicates that as many as 90 percent of its users dislike such ads.) Nevertheless, indications are that despite the annoying qualities of pop-ups and pop-unders, more and more websites are offering this type of advertising.

Interstitials   **Interstitials** are ads that appear on your screen while you are waiting for a site's content to download. Although some advertisers believe that interstitials are irritating and more of a nuisance than a benefit, a study conducted by Grey Advertising found that only 15 percent of those surveyed felt that the ads were irritating (versus 9 percent for banner ads) and that 47 percent liked the ads (versus 38 percent for banners). Perhaps more importantly, while ad recall of banner ads was approximately 51 percent, recall of interstitials was much higher, at 76 percent. Recently, Acura introduced its Integra Type R model using an interstitial. Coca-Cola, TriStar, and Macy's commonly employ this ad form.

Push Technologies   **Push technologies,** or **webcasting** technologies, allow companies to "push" a message to consumers rather than waiting for them to find it. Push technologies dispatch web pages and news updates and may have sound and video geared to specific audiences and even individuals. For example, a manager whose job responsibilities involve corporate finance might log on to his or her computer and find new stories are automatically there on the economy, stock updates, or a summary of a speech by Alan Greenspan. Companies provide screen savers that automatically "hook" the viewer to their sites for sports, news, weather reports, and/or other information that the viewer has specified. Users can use **personalization**—that is, they can personalize their sites to request the kinds of specific information they are most interested in viewing. For example, if you are into college sports, you can have updates sent to you through sites providing college sports information. The service is paid for by advertisers who flash their messages on the screen.

Links   While considered by some as not a type of advertising, **links** serve many of the same purposes as are served by the types discussed above. For example, a visitor to one site may click on a link that provides additional information and/or related materials at another site. At the bottom of the homepage at women.com are a number of links to magazines, including *Cosmopolitan* and *Good Housekeeping* among others. Clicking on one of these takes you to the magazine's site and usually a pop-up for a subscription to the magazine appears.

Other forms of advertising, such as ads placed in chat rooms, are also available. Given the limited use of many of these alternatives, we suggest the reader consult additional resources for more information.

Sales Promotion on the Internet

Companies have found the Internet to be a very effective medium for disseminating sales promotions. As noted earlier, Huggies ties in the use of sales promotions with its website. Other examples such as GMC's special financing offers, Pontiac Vibe's announcements of events, and PepsiCo's use of sweepstakes and contests (Exhibit 15-10) are just a few of many. Levis has used

Exhibit 15-10   Pepsi uses sales promotions on the Web

the net for a variety of promotions including contests, Internet films and Super Bowl tie-ins.

Personal Selling on the Internet

The Internet has been both a benefit and a detriment to many of those involved in personal selling—particularly those in the business-to-business market. For some, the Internet has been a threat that might take away job opportunities. Companies have found that they can remain effective—even increase effectiveness—by building a strong Web presence. The high-cost and poor-reach disadvantages of personal selling are allowing these companies to reduce new hires and even cut back on their existing sales forces.

On the positive side, websites have been used quite effectively to enhance and support the selling effort. As noted earlier, the Web has become a primary source of information for millions of customers in the consumer and business-to-business markets. Visitors to websites can gain volumes of information about a company's products and services. In return, the visitors become a valuable resource for leads that both internal and external salespersons can follow up, and they become part of a prospect database. Not only can potential customers learn about the company's offerings, but the selling organization can serve and qualify prospects more cost-effectively.

The Web can also be used to stimulate trial. For many companies, personal salespersons can reach only a fraction of the potential customer base. Through trial demonstrations and/or samples offered online, customers can determine if the offering satisfies their needs and if so request a personal sales call. In such cases both parties benefit from time and cost savings.

Some companies have used the Internet to improve their one-on-one relationships with customers. By providing more information in a more timely and efficient manner, a company enables customers to learn more about what it has to offer. This increases the opportunity for cross-selling and customer retention. For example, Neoforma.com links hospitals and medical supply vendors with listings of 300,000 medical products, with pages describing separate product categories.[14] For those interested in medical products, the site has become a one-stop shopping center (Exhibit 15-11). In addition, by providing a website, companies can improve their response times to inquiries as well as complaints, thereby improving customer service.

In a well-designed IMC program, the Internet and personal selling are designed to be complementary tools—working together to increase sales. It appears that more and more companies are coming to this realization.

Public Relations on the Internet

As with other media, the Internet is a useful medium for conducting public relations activities. Many sites devote a portion of their content to public relations activities, including the provision of information about the company, its philanthropic activities, annual reports, and so on. Shel Holtz, in his book *Public Relations on the Internet*, notes that the public relations industry has been slow to adopt the Internet.

Exhibit 15-11 Neoforma sells products on the net

Some of the more traditional public relations organizations do not use the Net at all, while most others use it primarily as a tool for disseminating information. Holtz notes that the Web offers a number of opportunities to public relations practitioners, including: (1) the development of media relations websites, (2) the ability to provide customized information dissemination, and (3) the development of positive e-mail relationships.

One example of the use of public relations on the Internet is provided by Chrysler. Working with reporters, Chrysler developed a one-stop information source for the media (the public could also use the site, but reporters would have to register to use the "newsroom"). News stories and other forms of content, photo images, and cross-references to other sites or media were included on the site,
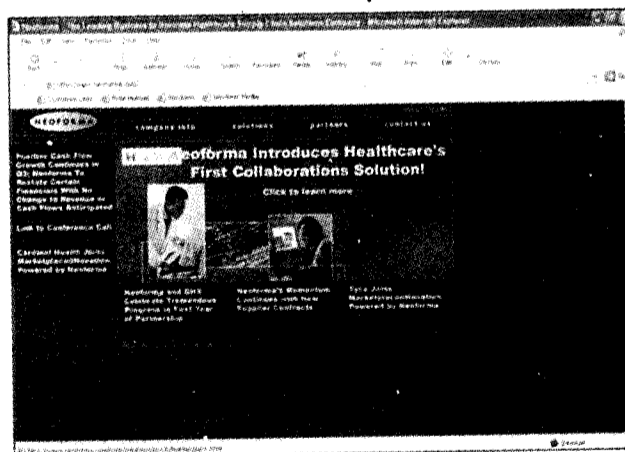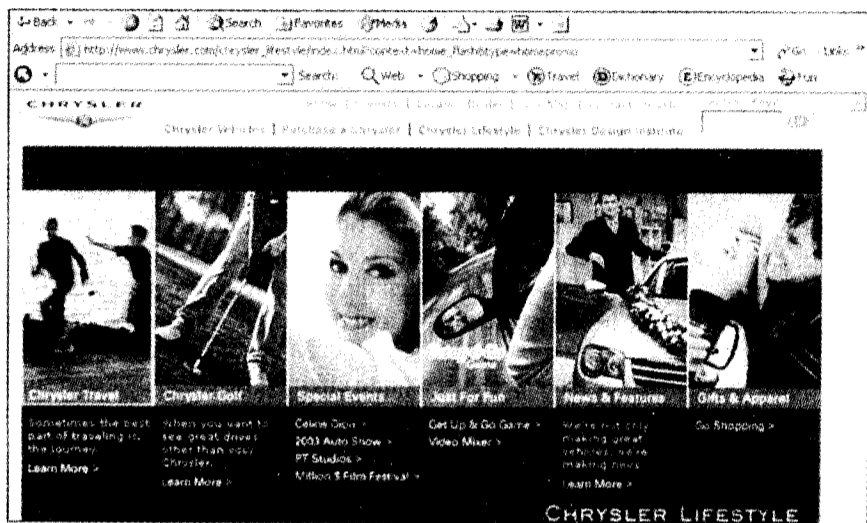
Exhibit 15-12   Chrysler provides public relations information on its site

as were press kits and a calendar of upcoming events (Exhibit 15-12). The objective of the site was to improve relations with the press, and Chrysler was quite effective in doing so. In addition, Chrysler's newsroom contains many of the articles written about the corporation, including awards won and philanthropic efforts such as its $10 million support for children of the victims of the September 11 terrorist attack.

Other examples of effective use of public relations activities on the Internet are also available, as you will see in the chapter on public relations. The Web is a useful medium for conducting public relations activities, and its use for this function is on the increase.

At the same time, many philanthropic and nonprofit organizations have found the Internet to be a useful way to generate funds. Several sites have developed to perform the functions that are required in traditional fund-raising programs. For example, Ben and Jerry's uses its website to express concerns about dioxin and forced child labor as well as its support for the Red Cross and other charities. Other sites have been formed to handle public relations activities for charitable organizations, provide information regarding the causes the charity supports, collect contributions, and so on. In an example of integrating the Internet with public relations and television, Youth AIDS has initiated a Public Service campaign featuring artists like Alicia Keyes, Destiny's Child, and others to direct 15- to 24-year-olds to its website www.youthAIDS.org to learn more about the disease and contribute to the cause.

Direct Marketing on the Internet

Our discussion of direct marketing and the Internet will approach the topic from two perspectives: the use of direct-marketing tools for communications objectives (as discussed in Chapter 14), and e-commerce. As we stated previously, many direct-marketing tools like direct mail, infomercials, and the like, have been adapted to the Internet, as you will see. At the same time, e-commerce—selling directly to the consumer via the Internet—has become an industry of its own.

Direct Mail   Direct mail on the Internet (e-mail) is essentially an electronic version of regular mail. Like regular mail it is highly targeted, relies heavily on lists, and attempts to reach consumers with specific needs through targeted messages. As we discussed earlier under personalization, consumers can opt to have specific types of e-mail sent to them and other types not sent. For example, if you permit, The *New York Times* will e-mail you information about specific promotions, articles that will appear, books on sale, and other items that you might purchase from it.

Sometimes users may also receive less targeted and unwanted e-mails. The electronic equivalent of junk mail, these messages are referred to as **SPAM.** (One e-mail-filtering company estimates that as many as 25 percent of all e-mails are SPAM.)[15] U.S. companies spent $927 million on e-mail ads in 2001, up 87 percent from