Chapter ONE

What Is Advertising?

The main objectives in this chapter are to define integrated marketing communications (IMC) and advertising and to distinguish advertising from related forms of marketing communications. Students will also learn about the functions and effects of advertising in free economies and study the history of advertising in the United States. Finally, students will begin to develop an appreciation of some of the ways advertising has influenced our society.

**Learning Objectives**

LO 01-01 **Define** integrated marketing communications and explain its importance.

LO 01-02 **Define** advertising and distinguish it from other forms of marketing communications.

LO 01-03 **Explain** the role advertising plays in business and marketing.

LO 01-04 **Illustrate** the functions of advertising in a free-market economy.

LO 01-05 **Discuss** how advertising evolved with the history of commerce.

LO 01-06 **Describe** the impact of advertising on society.

**TEACHING TIPS AND STRATEGIES**

**Using the Opening Vignette in the Classroom**

Discuss the Wendy’s Twitter campaigns and ask students why they think they were so successful.

Ask students to consider how Wendy’s successfully used integrated marketing communications to promote its products and to offer opinions about: 1) why the company uses platforms such as Twitter and *Fortnite* and not traditional television advertisements, 2) how the goals of the IMC campaign differ from the goals of the old “Where’s the Beef?” campaign, and 3) what the Twitter campaign demonstrates about the nature of IMC.

Students should begin to focus on two important issues: 1) the reasons IMC, particularly with social media, might be better at reaching a younger audience and 2) the critical need to coordinate the various parts of an IMC campaign so that they work together.

It might be interesting to start considering the financial ramifications of using IMC instead of advertising. Is IMC inherently cheaper because of its greater reliance on social media? Or does the use of IMC simply change how advertising dollars are used?

**Other Tips and Strategies**

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

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

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

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

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

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

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

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

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

There are a number of approaches one can take to discuss the evolution of advertising in the U.S. The traditional approach is to focus on the developments within the advertising industry. Spend time with students on *Ad Age*’s timeline website (<https://adage.com/article/special-report-the-advertising-century/ad-age-advertising-century-timeline/143661>) and show their excellent pictorial timeline of how advertising started in America.

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

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

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

**Web Resources**

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| --- | --- |
| Advertising Age Historical Timeline | <https://adage.com/article/special-report-the-advertising-century/ad-age-advertising-century-timeline/143661> |
| Ads of the World | <http://adsoftheworld.com> |
| AdRants: A blog about advertising | <http://www.adrants.com> |
| Ad\*Access: John W. Hartman Collection | <https://repository.duke.edu/dc/adaccess> |
| AdFlip: Historical print ad archive | <http://www.adflip.com> |
| Ad Age Global Marketing and Advertising News | <https://adage.com/section/global-news> |
| Forbes: The 8 Keys to Successful Branding | <http://www.forbes.com/sites/mattsymonds/2012/05/30/the-8-keys-to-successful-branding-why-mad-men-and-bourbon-are-not-going-to-cut-it> |
| AdFreak: A blog about the best and worst of advertising, branding, and design | <https://www.adweek.com/category/adfreak> |

**Video Resources**

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| --- | --- |
| PSA about texting and driving | <https://youtu.be/rClJW9gnchc> |
| It’s On Us: Sexual Assault PSA | <https://youtu.be/wNMZo31LziM> |
| Coke 1971 Hilltop ad | <https://youtu.be/1VM2eLhvsSM> |
| Coke 1979 Mean Joe Green ad | <https://youtu.be/xffOCZYX6F8> |
| Cheerios 1950s commercial (example of unique selling proposition) | <https://youtu.be/hmafAVKOrOA> |
| Ford 1950s commercial (example of unique selling proposition and market segmentation) | <https://youtu.be/kmzlbkhyCJ4> |
| Secret 2000 deodorant commercial (example of market segmentation) | <https://youtu.be/LOdK_sJGfFA> |
| AHA Vintage Anti-Smoking PSAs (example of demarketing) | <https://youtu.be/GLT36rS0XO4> |

**Connect Exercises**

Advertising Today: Wendy's Advertising Evolution

Subway and IMC: Becoming a Multichannel Marketer

GoFuel Functions of Advertising

**Pedagogical Features**

**My Ad Campaign 1-A:** Overview

**My Ad Campaign 1-B:** Tools for Teamwork

# LECTURE OUTLINE

I. Vignette: Wendy’s

This gives an introduction to the world of advertising. It includes an example of an integrated marketing campaign from Wendy’s using Twitter and *Fortnite*.

II. What Is Advertising?

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

**Advertising** is defined as:

1. The structured and composed.

2. Nonpersonal, or mass, communication of information.

3. Usually paid for.

4. Delivered through various media.

5. Usually persuasive to get the audience to do something and often promotes products.

6. By identified sponsors.

**My Ad Campaign1-A: Overview**

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

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

Instructors approach advertising projects differently. No matter which approach your instructor takes, the good news is that developing an advertising campaign follows a similar path. The My Ad Campaign feature is designed to help guide you through the process.

Let’s begin with a definition. An ad campaign involves the creation and placement of a series of strategic communications that are unified by an underlying theme or core message.

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

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

Let’s analyze this definition:

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

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

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

1. Advertising reaches us through a channel of communication referred to as a **medium**, such as radio advertising, television advertising, Instagram ads, Google ads, and so on. Personal communication about products or **word-of-mouth (WOM) advertising** is a communication medium, but it has not generally been considered an advertising medium until recently. The popularity of social media is forcing advertisers to reconsider this belief. Historically, advertisers have used **mass** **media** (the plural of medium), such as radio, TV, newspapers, magazines, and out-of-home media such as billboards. Other types of media include:

a. Addressable media (direct mail)

b. Interactive media (Snapchat)

c. Nontraditional media (specialty advertising or event sponsorship)

5. Advertising is usually persuasive in nature—it is designed to motivate people to try new things, to stay loyal to the brands they already use, to increase their usage of a product, to support a candidate or cause, or even to do *less* of something. Advertising promotes tangible **goods** (e.g., oranges, oatmeal, and olive oil),publicizes intangible **services**,(e.g., bankers, beauticians, bike repair shops),andadvocates a wide variety of **ideas** (concepts based on economics, politics, etc.). In this book, the term **product** encompasses goods, services, and ideas.

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

✓**Check Yourself 1-1**

**1.** What are the six key components of the definition of advertising?

Advertising is:

* a type of communication
* typically directed at groups of people rather than individuals
* paid for by sponsors
* carried to audiences via a medium
* intended to be persuasive in promoting a product
* associated with an identified sponsor

**2.** Which of these components do product placements not fulfill?

Product placements are often made to look natural and unobtrusive so the sponsorship is not identified, leaving audiences unsure that they are seeing a promotion.

**CONNECT EXERCISE: Advertising Today: Wendy's Advertising Evolution**

**Activity Summary**: This activity is designed to aid students in differentiating between advertising and integrated marketing communications (IMC). In the exercise, students watch three videos of different promotions for Wendy’s. One is an advertisement from their 1980s, classic “Where’s the Beef?” campaign. The other two videos show Wendy’s more recent promotions, which reflect their IMC approach. This is followed by multiple-choice questions regarding how and why Wendy’s advertising changed.

**Type:** Video Case

**Learning Objectives:**

01-01 Define integrated marketing communications and explain its importance.

01-02 Define advertising and distinguish it from other forms of marketing communications.
**Difficulty Level:** 1 Easy; 2 Medium

**Blooms:** Remember;Apply

**AACSB:** Knowledge Application; Reflective Thinking; Analytical Thinking

**Follow-Up Activity:** Instructors could ask students to find examples of brands that have evolved from a focus strictly on advertising to an IMC approach and to provide examples of these brands’ IMC efforts.

III. The Role of Advertising in Business

A. Business organizations are typically classified under three broad categories:

1. Operations (R&D, production/manufacturing)
2. Finance/administration
3. Marketing

Marketing is the only one whose primary role is to bring in revenue.

B. What Is Marketing?

1. **Marketing** is:

a. the activity, set of institutions, and processes

b. for creating, communicating, delivering, and exchanging offerings

c. that have value for customers, clients, partners, and society at large.

2. Marketing is a process, a sequence of activities, aimed at profitably satisfying consumer needs.

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

* 1. Advertising and the Marketing Process

1. Advertising helps a company achieve marketing goals. So do market research, sales, and distribution. These other marketing specialties affect the kind of advertising a company uses. An effective advertising specialist must have a broad understanding of marketing to know what type of advertising to use in a given situation.

2. The **marketing strategy** will help determine who the targets of advertising should be, in what markets the advertising will appear, and what goals the advertising should accomplish. The **advertising strategy**, in turn, will refine the target audience and define what response the advertiser is looking for.

3. Marketing is a set of exchanges that create value for the parties involved. At a broader level, such exchanges create an **economy**, so it is helpful to consider the economic dimension of advertising and how it has evolved as both an economic and a societal tool.

✓**Check Yourself 1-2**

**1.** What is the ultimate goal of marketing?

The ultimate goal of the marketing process is to earn a profit for the firm by exchanging products or services with customers who need or want them.

**2.** What are the 4Ps of the marketing mix, and under which does advertising fall?

The 4Ps are developing *products*, *pricing* them strategically, distributing them to customers at appropriate *places*, and *promoting* them through sales and advertising activities.

**3.** What guidance does marketing strategy give to advertising planning?

It helps determine who the targets of advertising should be, in which markets the advertising will appear, and what goals the advertising should accomplish.

**CONNECT EXERCISE: Subway and IMC: Becoming a Multichannel Marketer**

**Activity Summary**: In this activity students learn about a real-world example of the importance of integrated marketing communications and the need to reach customers through online and mobile media. They first watch a video describing how Subway came to recognize the importance of modernizing its means of reaching its customers and the steps the company took to adopt a consumer-centric approach and achieve this. They then answer a series of multiple-choice questions about what they have learned.

**Type:** Video Case

**Learning Objectives:**

01-01 Define integrated marketing communications and explain its importance.

01-04 Illustrate the functions of advertising in a free-market economy.

01-05 Discuss how advertising evolved with the history of commerce.
**Difficulty Level:** 1 Easy; 2 Medium

**Blooms:** Apply; Understand

**AACSB:** Knowledge Application; Analytical Thinking

**Follow-Up Activity:** Instructors should ask students to identify brands that they feel have adapted their practices to exhibit a more consumer-centric approach. Task students with identifying specific practices the business or brand has adopted that show this adaptive approach.

1. Economics: The Growing Need for Advertising

Economics has driven the growth of advertising since its beginnings and has made advertising one of the hallmarks of the free-enterprise system. Today business and advertising are undergoing dramatic changes. To understand the nature of these changes and why they are taking place, we look at how advertising has evolved.

A. Principles of Free-Market Economics

 The United States and other Western nations embrace economic practices that are often called capitalism. Capitalism is based on the idea of free-market competition. Market-driven societies try to achieve four fundamental assumptions of free-market economics:

1. *Self-interest*—People and organizations look out for their own interests, and we all have a natural desire to acquire more for less. Companies formed to offer products and services that help people acquire things of value. They are motivated to do so because successful companies earn enough revenue to reward employees, owners, and shareholders.

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

3. *Many buyers and sellers*—A large number of sellers ensures that if one company does not satisfy customer needs, another company can try to do so. A large number of buyers with different needs helps companies find markets for unique products. In contrast, when a seller has a monopoly (it is the only provider), it can force consumers to pay high prices.

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

B. Functions and Effects of Advertising in a Free Economy

For any business, advertising performs a variety of functions. The history of Coca-Cola illustrates this.

1. Identify products and differentiate them from others through **branding**.

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

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

4. Stimulate the distribution of a product.

5. Increase product use.

6. Build value, brand preference, and loyalty.

7. Lower the cost of sales.

✓**Check Yourself 1-3**

**1.** What are the seven functions of advertising as a marketing tool?

* Identify products and differentiate them from others.
* Communicate information about the product, its features, and its place of sale.
* Induce consumers to try new products and to suggest reuse.
* Stimulate the distribution of a product.
* Increase product use.
* Build value, brand preference, and loyalty.
* Lower the overall cost of sales.
1. Provide an example of each function from the history of Coca-Cola.
* Identify products and differentiate them from others: Coca-Cola created a distinctive logo and bottle shape.
* Communicate information about the product, its features, and its place of sale: Pemberton and Robinson added the word *drink* before the product name on signs in the front of drugstores where it was sold.
* Induce consumers to try new products and to suggest reuse: Asa Candler mailed out thousands of coupons for free drinks to get people to try Coca-Cola.
* Increase product use: Company executive persuaded the government to give troops Coca-Cola during World War II, creating a loyal customer base.
* Stimulate the distribution of a product: Coca-Cola established bottling plants around the world.
* Build value, brand preference, and loyalty: Coca-Cola advertising has consistently spread the message that Coca-Cola makes life’s relaxing moments even better.
* Lower the overall cost of sales: Coca-Cola has sought out the most cost-effective advertising, such as buying commercials during highly watched TV programs.

**CONNECT EXERCISE: GoFuel Functions of Advertising**

**Activity Summary**: This activity explores how well students understand the function, ethics, and economics of advertising in free-market economies. It does so by presenting them with a case study of an oil company. GoFuel has had an oil spill and wishes to use advertising to address the accident. Students then answer multiple choice questions about how GoFuel can most effectively use advertising in this case and what ethical and legal pitfalls it faces in doing so.

**Type:** Case Analysis

**Learning Objectives:**

01-02 Define advertising and distinguish it from other forms of marketing communications.

01-04 Illustrate the functions of advertising in a free-market economy.

01-06 Describe the impact of advertising on society.

**Difficulty Level:** 1 Easy; 2 Medium

**Blooms:** Remember; Understand; Apply

**AACSB:** Analytical Thinking; Reflective Thinking

**Follow-Up Activity:** Students could be assigned into small groups and tasked with developing advertisements for GoFuel's campaign. Instructors should remind students to consider the functions of advertising while creating their ads.

1. The Evolution of Advertising as an Economic Tool

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

A. Early Advertising

When people learned to farm, civilized living became possible. Having a stable food supply led to cities, which were centers of commerce and trade. The creation of money made exchanges easier. The need to call attention to products and services led to the earliest advertising, which usually took the form of shop signs, many of which used symbols rather than words. This period, the **preindustrial age**, extended from the beginning of recorded history until roughly the start of the nineteenth century. During this period, important developments that led to modern advertising included:

1. The Chinese invented paper, and Europe had its first paper mill by 1275.

2. In the 1440s, Johannes Gutenberg invented the printing press in Germany. The printing press is the most important development in the history of advertising because it changed the way people communicated, lived, and worked. Previously, people relied only on oral communication, and most were illiterate.

3. The invention of printing led to advertising in the form of posters, handbills, and signs, then eventually to the first mass-medium—newspapers.

4. In 1472, the first ad appeared in English, a handbill.

5. By the early 1700s, the Western world’s population had grown to 600 million, and the concentration of population in some major cities made volume advertising possible.

6. Advertising volume led to a new ad strategy to gain attention—*puffery*, which was the practice of making extravagant promises.

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

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

B. The Industrial Age and the Birth of Agencies

The Industrial Revolution began in the mid-1700s, and by the early 1800s, it had spread to North America. During this period, important developments that led to modern advertising included:

1. Machinery led to mass production of goods with uniform quality.
2. Large companies increased their productivity.
3. It cost individuals less to buy a product than to make it themselves.
4. People left farms to work in the city, which caused urban growth.
5. Population growth and urbanization led to increased demand for goods.
6. Better transportation—the railroad and the steamship—made it possible to distribute goods beyond the local market where they were produced.
7. Mass consumption increased the need for mass-marketing techniques such as advertising to inform markets of the availability of goods.
8. These changes collectively led to the **industrial age**, which lasted roughly until the end of World War II (1945).
9. During this period, manufacturers were mainly concerned with production.
10. Advertising to consumers was up to local retailers and large mail-order catalog companies like Montgomery Ward and Sears Roebuck.
11. The profession of advertising began in 1841 when Volney B. Palmer opened a business to buy large volumes of advertising space and then resell it to advertisers at a higher rate.
12. In 1869, Ayer & Sons became the first agency to charge a commission based on “net cost space.”
13. Technological advances added to advertisers’ toolkit: photography, telegraphs, telephones, typewriters, phonographs, and motion pictures aided communication.
14. In 1840, magazine advertising begins.
15. In 1896, the U.S. government inaugurated free rural mail delivery, and print media flourished.
16. Public schooling increased literacy to 90 percent, meaning most people could read ads.
17. The United States entered the twentieth century with a national marketing system propelled by advertising.
18. In the 1920s, after World War I, the war machine returned to peacetime production. Society became driven by the consumption of products.
19. Claude Hopkins published *Scientific Advertising* in 1923. It proposed a basic copy strategy of a preemptive product claim repeated loudly and often.
20. Radio was born, offering immediacy, expanded audiences, and new types of ads.
21. New markets developed for new, inexpensive brands of consumer luxury and convenience goods referred to as **consumer packaged goods**.
22. Each brand sought to sell the product on its own special qualities. **Product differentiation** began: emphasizing that products were different because of quality, variety, and convenience.
23. In October 1929, the stock market crashed and the Great Depression began. Advertising expenditures fell.
24. Advertising focused on research to improve its effectiveness to survive.
25. Began studying consumer attitudes and preferences.

C. The Golden Age of Advertising

The **golden age** lasted from the end of World War II (1945) until about 1979. The U.S. economy was strong, having emerged relatively undamaged from the war. During this period, important developments that led to modern advertising included:

1. In 1941, the mass medium of television was introduced. It became the largest advertising medium in terms of revenues.
2. In the prosperous late 1940s and early 1950s, consumers tried to climb in social status by buying more and more modern products. Ads focused on product features that conveyed social acceptance, style, luxury, and success.
3. Giant advertising agencies emerged.
4. Rosser Reeves introduced the idea that every ad must highlight the product’s **unique selling proposition (USP)**, the features that differentiate it from its competitors. As all advertisers adopted USP, consumers started to find it difficult to see anything as unique.
5. In the 1960s, strategy changed to **market segmentation**—a process whereby marketers search for unique groups of people whose needs could be addressed through more specialized products.
6. In the 1960s, advertising strategy changed from product features to brand image or personality. Me-too images killed the market segmentation era.

7. Increased competition led to the positioning era in the 1970s. **Positioning** strategies proposed that what really mattered was how a brand ranked against its competition. Positioning separated a particular brand from its competitors by associating that brand with a particular set of consumer needs. In addition, advertising professionals who had worked for Procter & Gamble and Colgate-Palmolive began to teach international clients how to do mass marketing.

D. The Postindustrial Age

The **postindustrial age** began around 1980. People became aware of the negative effects of consumption on the environment and worried about dependence on vital natural resources. Notable moments in history include:

1. Energy producers used advertising to ask people to slow consumption; people were asked to not run clothes washers during peak times, for example.
2. **Demarketing** refers to the method any company or organization uses advertising to request consumers to refrain from use of that product for a particular reason (e.g., products not considered energy efficient, tobacco, alcohol).
3. The end of the Cold War opened untapped markets in former Warsaw Pact states, and companies wanted to expand internationally. Agencies began consolidating and going global in megamergers.
4. European and Asian advertising agencies grew. A British advertising agency—Saatchi & Saatchi—became the largest in the world and bought out many U.S. agencies.
5. Then the global economy went into recession, mergers stopped, and business management turned to the theories of Total Quality Management (TQM) to cut costs and increase efficiency.
6. Marketing in this period was characterized by (1) the aging of traditional products, with corresponding growth in competition, and (2) the growing affluence and sophistication of the consuming public.
7. Growing international trade fueled competition, which provided consumers with more choices, higher quality, and lower prices.
8. Newly affluent consumers wanted to spend money on products that represented who they aspired to be. By the mid-1980s, ads were aimed at the “me” generation.
9. The U.S. economy slowed, and clients trimmed their ad budgets, turning to more cost-effective **sales promotion** alternatives. By 1990, advertising had lost 25 percent of its share of the marketing budget to other forms of marketing communications.
10. Clients demanded better results from their promotional dollars; small, imaginative agencies won accounts away from big agencies. Even such major clients as Coca-Cola defected.
11. Newspapers, magazines, and TV networks all lost advertising dollars. The advertising agency business lost more than 13,500 jobs; about 40 magazines ceased publication.
12. By the mid-1990s, U.S. marketers began to shift dollars back to advertising to rebuild value in their brands. Fueled by the latest mass medium—the Internet—ad spending increased every year from 1994 to 2000.
13. In 2001, a series of economic setbacks contributed to a record decline in advertising activity. The terrorist attacks on September 11 of that year also curbed marketing and advertising.
14. By 2005, U.S. advertising expenditures had more than recovered from the 2001 decline.
15. However, technological changes (including the explosion of the Internet), evolving lifestyles, new fears over security, and rising costs had permanently changed the advertising industry.

E. The Global Interactive Age: Looking at the Twenty-First Century

1. The rest of the world has, in many respects, caught up to North America. Recent estimates of worldwide advertising expenditures outside the United States exceed $400 billion per year.
2. The importance of advertising in individual countries depends on that country’s level of development and national attitude toward promotion.
3. Eastern European countries now encourage private enterprise and realize the benefits of advertising. China has become the second largest market for media spending.
4. New media developments include transformation of television to a more specialized, **narrowcasting** medium.
5. Fast Internet service is bringing about an even more revolutionary change: TV on demand. Viewers find it convenient and preferable to watch what they want, when they want, through **cable cutting**.
6. Digital technology, such as personal computers, smartphones, tablets, and smart devices give advertisers new media for reaching consumers.
7. Perhaps the biggest new change in consumer media habits is the widespread use of social media.
8. The growth of new media has disrupted traditional media. The newspaper industry has been particularly hard hit with a steep decline in ad revenue, causing several high-profile papers to fold.
9. Even capitalism itself has come under scrutiny. The 2016 presidential campaign of Bernie Sanders demonstrated that many young people are open to the idea of socialism. The impact of this trend on advertising remains to be seen.
10. As 2020 begins, the digital tsunami continues to change the way advertising is practiced. Media are bought and sold through computer algorithms and auctions rather than a phone call between two professionals. A whole new category of TV advertising, OTT (Over-the-Top) is allowing brands to reach the fast-growing video streaming and gaming audiences. On the horizon are the potential game changers of wearable technologies, virtual reality, and 5G phone service.
11. Companies are now realizing that their most important asset is their customer and the relationship they have with that person or organization. Companies are trying to do a better job of relationship marketing by being consistent in what they say and do. They realize they must integrate all their marketing communications with everything else they do.

✓**Check Yourself 1-4**

**1.** What are the four identified periods in the history of Western civilization and what key developments characterized each period?

* The Preindustrial Age: Farming led to a food surplus; cities were established; some people were able to work at crafts; trade developed.
* The Industrial Age: Machinery led to mass production of goods with uniform quality. Large companies increased their productivity. People left farms to work in the city, which caused urban growth. Population growth and urbanization led to increased demand for goods. Better transportation made it possible to distribute goods beyond the local market where they were produced.
* The Postindustrial Age: People became aware of the dangers of consumption for the environment and worried about dependence on vital natural resource. The end of the Cold War opened up untapped markets in former Warsaw Pact states. The economy became more global.
* The Global Interactive Age: Many other countries have caught up to North America. Eastern European countries now encourage private enterprise. China’s economy may be as large as America’s. Technology has changed rapidly, including the explosion of the Internet, the widespread use of mobile communications devices such as smartphones, and the pervasive use of social media.

**2.** Explain how one development during each period impacted the evolution of advertising.

* The Preindustrial Age: Most people could not read, so advertising consisted of signs with symbols.
* The Industrial Age: Mass consumption increased the need for mass-marketing techniques such as advertising to inform markets of the availability of goods.
* The Postindustrial Age: One result of the rise in environmental concerns was demarketing, efforts to reduce consumption of some scarce resources.
* The Global Interactive Age: Companies are now trying to do a better job of relationship marketing by being consistent in what they say and do. They realize they must integrate all their marketing communications with everything else they do.

**My Ad Campaign 1-B:** **Tools for Teamwork**

1. Advertising agencies look for at least three qualities in the people they hire: talent, knowledge, and the ability to work well with others.
2. Your campaign assignment may be the first time you have worked on a group project. If so, you will discover that working on a team is very different from doing a project on your own.

 a) First, you will need to coordinate everything that you do.

 b) Second, you will be sharing work.

 c) Third, consider the importance of leadership in a group.

 d) Finally, everyone is accountable. Talk to your professor about whether he or she expects peer evaluations or some other means of assessing differences in group member effort and performance.

1. Many Internet tools are now available to help improve the coordination of teams. These include e-mail, document sharing sites like Google Docs, calendar programs for staying organized, research tools, and websites devoted to promoting ways to work with others.
2. Society and Ethics: The Effects of Advertising

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

B. Encourages increased productivity by both management and labor.

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

D. Imbues products with personality.

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

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

G. In 1906, Congress passed the Pure Food and Drug Act to protect the public and control drug advertising. In 1914, it passed the Federal Trade Commission Act to protect the public from unfair business practices.

H. Advertising practitioners themselves formed groups to improve advertising, promote professionalism, and safeguard the integrity of the industry.

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

J. Today, attention has shifted to more subtle problems in advertising: puffery, advertising to children, the advertising of unhealthy products, and advertising ethics.

K. On a broader scale, the industry is taking steps to deal with the issue that it lacks diversity.

✓**Check Yourself 1-5**

**1.** What are some of the social needs that are served by advertising in the United States?

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

**2.** What are some of advertising’s societal shortcomings?

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