ELEVENTH EDITION

MARKETING

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CHAPTER

18

ADVERTISING, SALES PROMOTION, AND PUBLIC RELATIONS

TYPES OF ADVERTISEMENTS
PRODUCT ADVERTISEMENTS

➤ **Advertising**

➤ **Product Advertisements**

- **Pioneering (or Informational)**

- **Competitive (or Persuasive)**

- **Comparative**

- **Reminder**

- **Reinforcement**

DEVELOPING THE ADVERTISING PROGRAM

➤ **Identifying the Target Audience**

➤ **Specifying the Advertising Objectives**

➤ **Setting the Advertising Budget**

DEVELOPING THE ADVERTISING PROGRAM
DESIGNING THE ADVERTISEMENT

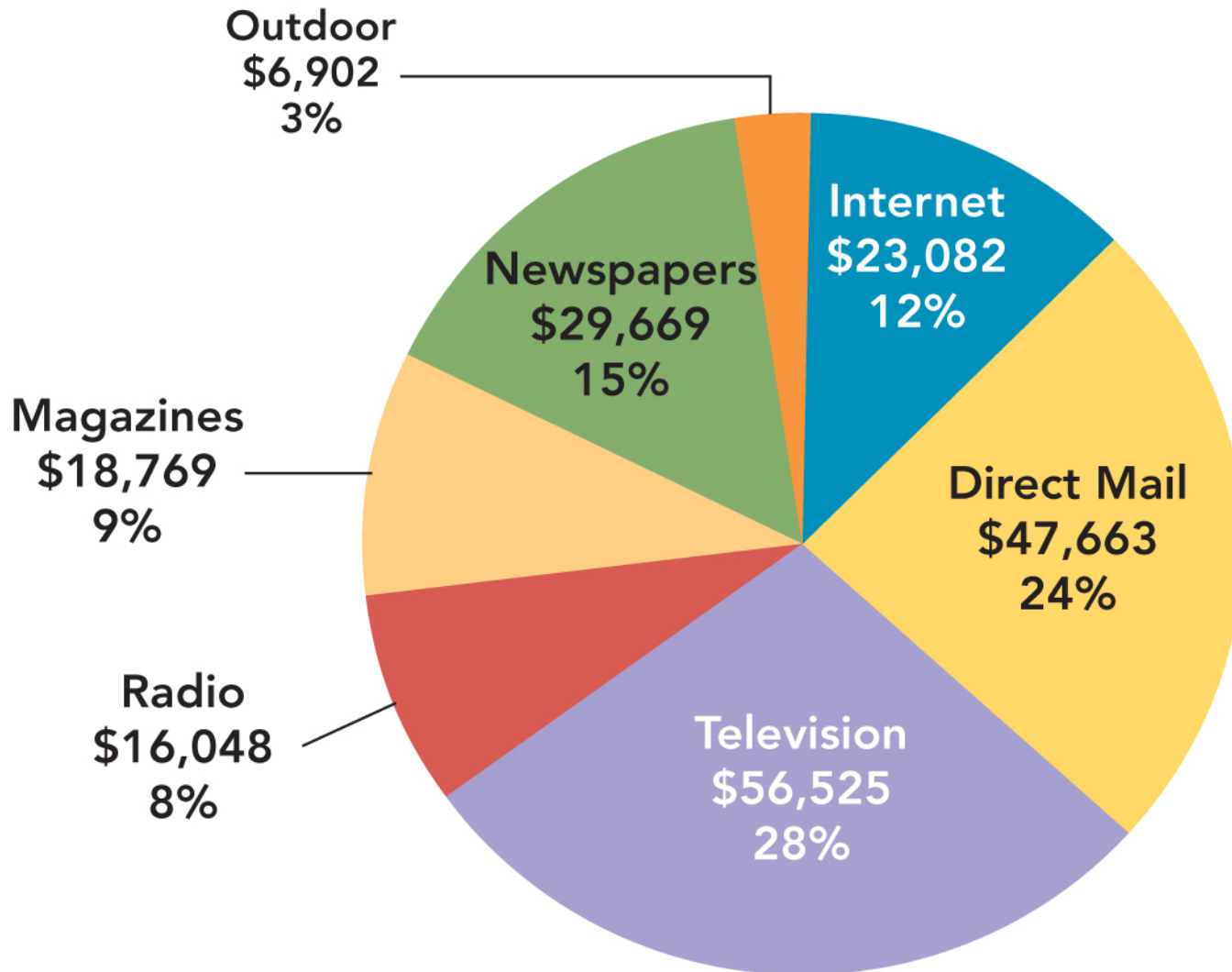➤ **Creating the Actual Message**

- **Celebrity Spokespeople**

- **Ideas and Artwork**

- **Cost**

DEVELOPING THE ADVERTISING PROGRAM
SELECTING THE RIGHT MEDIA

➤ **Advertising Media**

➤ **Media Planning Goals**

- **Maximize Exposure**

- **Minimize Costs**

FIGURE 18-2 Television, direct mail, and newspapers account for more than 65% of all advertising expenditures (in $millions)

Outdoor
$6,902
3%

Internet
$23,082
12%

Newspapers
$29,669
15%

Magazines
$18,769
9%

Direct Mail
$47,663
24%

Radio
$16,048
8%

Television
$56,525
28%

Basic Terms

- **Reach**

- **Rating**

RANK	PROGRAM	NETWORK	RATING	SHARE
1	American Idol—Wednesday	FOX	13.3	21
2	Dancing with the Stars	ABC	13.5	21
3	American Idol—Thursday	FOX	12.5	21
4	NCIS	CBS	11.4	18
5	Dancing with the Stars—Results	ABC	11.6	17

- **Frequency**

- **Gross Rating Points (GRPs)**   **= Reach × Frequency**

- **Cost per Thousand (CPM)**

LO2

What is the Best Way to Reach 1,000 Customers?

Cost per Thousand (CPM) Impressions

$$\text{CPM (\$)} = \frac{\text{Advertising Cost (\$)}}{\left(\dfrac{\text{Impressions Generated (\#)}}{1{,}000}\right)}$$

Media Alternative	Cost of Ad	Audience Size	Cost per Thousand Impressions
Bloomberg Businessweek (magazine)	$139,500	900,000	$155
USA Today (newspaper)	$242,600	2,046,486	$119
Super Bowl (television)	$3,000,000	110,000,000	$27

FIGURE 18-3 Advertisers must consider the advantages and disadvantages of the many media alternatives

MEDIUM	ADVANTAGES	DISADVANTAGES
Television	Reaches extremely large audience; uses picture, print, sound, and motion for effect; can target specific audiences	High cost to prepare and run ads; short exposure time and perishable message; difficult to convey complex information
Radio	Low cost; can target specific local audiences; ads can be placed quickly; can use sound, humor, and intimacy effectively	No visual element; short exposure time and perishable message; difficult to convey complex information
Magazines	Can target specific audiences; high-quality color; long life of ad; ads can be clipped and saved; can convey complex information	Long time needed to place ad; relatively high cost; competes for attention with other magazine features
Newspapers	Excellent coverage of local markets; ads can be placed and changed quickly; ads can be saved; quick consumer response; low cost	Ads compete for attention with other newspaper features; short life span; poor color
Yellow Pages	Excellent coverage of geographic segments; long use period; available 24 hours/365 days	Proliferation of competitive directories in many markets; difficult to keep up-to-date
Internet	Video and audio capabilities; animation can capture attention; ads can be interactive and link to advertiser	Animation and interactivity require large files and more time to load; effectiveness is still uncertain
Outdoor	Low cost; local market focus; high visibility; opportunity for repeat exposures	Message must be short and simple; low selectivity of audience; criticized as a traffic hazard
Direct mail	High selectivity of audience; can contain complex information and personalized messages; high-quality graphics	High cost per contact; poor image (junk mail)

FIGURE 18-4   Google and Yahoo! have the largest shares of Internet searches and offer opportunities for online advertising

Ask 3.0%
AOL 1.5%

Microsoft (including MSN and Bing) 14.7%

Yahoo! 15.5%

Google 65.3%
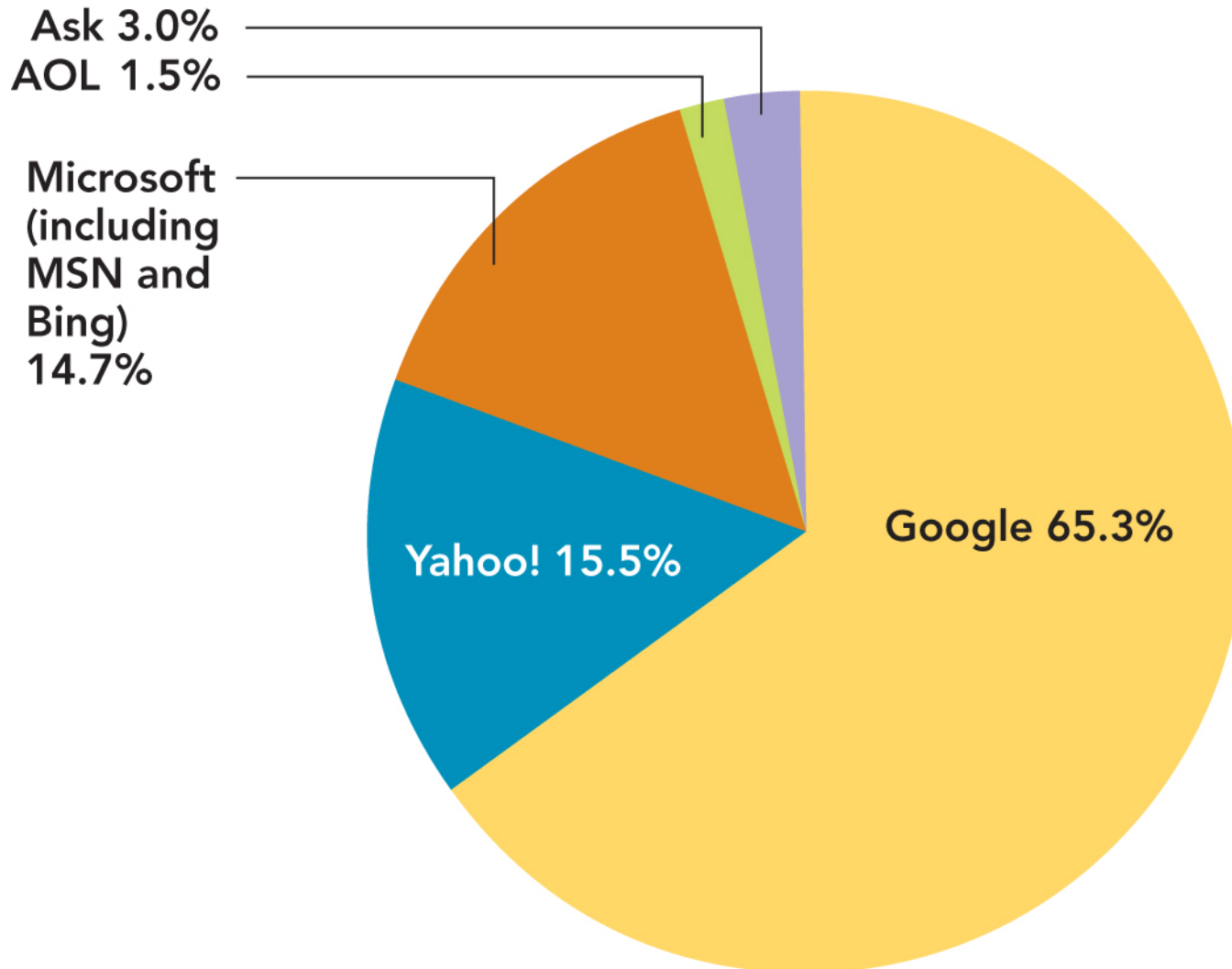
DEVELOPING THE ADVERTISING PROGRAM
SCHEDULING THE ADVERTISING

➤ **Factors to Consider**

- **Buyer Turnover**

- **Purchase Frequency**

- **Forgetting Rate**

> **Approaches**

- **Continuous (Steady) Schedule**

- **Flighting (Intermittent) Schedule**

- **Pulse (Burst) Schedule**

EXECUTING THE ADVERTISING PROGRAM
CARRYING OUT THE ADVERTISING PROGRAM

➤ **Full-Service Agency**

➤ **Limited-Service Agencies**

➤ **In-House Agencies**

FIGURE 18-5 Alternative structures of advertising agencies used to carry out the advertising program

TYPE OF AGENCY	SERVICES PROVIDED
Full-service agency	Does research, selects media, develops copy, and produces artwork; also coordinates integrated campaigns with all marketing efforts
Limited-service (specialty) agency	Specializes in one aspect of creative process; usually provides creative production work; buys previously unpurchased media space
In-house agency	Provides range of services, depending on company needs

FIGURE 18-6 Sales promotions can be used to achieve many objectives

KIND OF SALES PROMOTION	OBJECTIVES	ADVANTAGES	DISADVANTAGES
Coupons	Stimulate demand	Encourage retailer support	Consumers delay purchases
Deals	Increase trial; retaliate against competitor's actions	Reduce consumer risk	Consumers delay purchases; reduce perceived product value
Premiums	Build goodwill	Consumers like free or reduced-price merchandise	Consumers buy for premium, not product
Contests	Increase consumer purchases; build business inventory	Encourage consumer involvement with product	Require creative or analytical thinking
Sweepstakes	Encourage present customers to buy more; minimize brand switching	Get customer to use product and store more often	Sales drop after sweepstakes
Samples	Encourage new product trial	Low risk for consumer	High cost for company
Loyalty programs	Encourage repeat purchases	Help create loyalty	High cost for company
Point-of-purchase displays	Increase product trial; provide in-store support for other promotions	Provide good product visibility	Hard to get retailer to allocate high-traffic space
Rebates	Encourage customers to purchase; stop sales decline	Effective at stimulating demand	Easily copied; steal sales from future; reduce perceived product value
Product placement	Introduce new products; demonstrate product use	Positive message in a noncommercial setting	Little control over presentation of product

➤ **Trade-Oriented Sales Promotion**

➤ **Allowances and Discounts**

- **Merchandise Allowance**

- **Case Allowance**

  ▪ **Free Goods**

- **Finance Allowance**

  ▪ **Floor Stock Protection**   ▪ **Freight Allowance**

PUBLIC RELATIONS
PUBLICITY TOOLS

➤ **Public Relations**

➤ **Publicity Tools**

- **News Release**

- **Public Service Announcement (PSA)**

- **News Conference**

INCREASING THE VALUE OF PROMOTION

➤ **Building Long-Term Relationships with Promotion**

➤ **Self-Regulation**

VIDEO CASE **18**

GOOGLE, INC.: THE RIGHT ADS AT THE RIGHT TIME

1. Describe several unique characteristics about Google and its business practices.

2. What is Google's philosophy about advertising? How can less advertising be preferred to more advertising?

3. Describe the types of online advertising available today. Which type of advertising does Google currently dominate? Why?

4. How can Google be successful in the display advertising business? What other areas of growth are likely to be pursued by Google in the future?

Advertising

Advertising is any paid form of nonpersonal communication about an organization, good, service, or idea by an identified sponsor.

Product Advertisements

Product advertisements are advertisements that focus on selling a good or service and which take three forms:
(1) pioneering (or informational),
(2) competitive (or persuasive),
and (3) reminder.

Institutional Advertisements

Institutional advertisements are advertisements designed to build goodwill or an image for an organization rather than promote a specific good or service.

Reach

Reach is the number of different people or households exposed to an advertisement.

Rating

A **rating** is the percentage of households in a market that are tuned to a particular TV show or radio station.

Frequency

Frequency is the average number of times a person in the target audience is exposed to a message or an advertisement.

Gross Rating Points (GRPs)

Gross rating points (GRPs) is a reference number used by advertisers that is obtained by multiplying reach (expressed as a percentage of the total market) by frequency.

Cost per Thousand (CPM)

Cost per thousand (CPM) is the cost of reaching 1,000 individuals or households with the advertising message in a given medium (M is the Roman numeral for 1,000).

Infomercials

Infomercials are program-length (30-minute) advertisements that take an educational approach to communication with potential customers.

Pretests

Pretests are tests conducted before an advertisement is placed in any medium to determine whether it communicates the intended message or to select among alternative versions of the advertisement.

Full-Service Agency

A **full-service agency** is an advertising agency that provides the most complete range of services, including market research, media selection, copy development, artwork, and production.

Limited-Service Agencies

Limited-service agencies are advertising agencies that specialize in one aspect of the advertising process, such as providing creative services to develop the advertising copy, buying previously unpurchased media space, or providing Internet services.

In-House Agencies

In-house agencies consist of the company's own advertising staff, who may provide full services or a limited range of services.

Posttests

Posttests are tests conducted after an advertisement has been shown to the target audience to determine whether it accomplished its intended purpose.

Consumer-Oriented Sales Promotion

Consumer-oriented sales promotion consists of sales tools used to support a company's advertising and personal selling directed to ultimate consumers. Also called *consumer promotions*.

Product Placement

Product placement is a consumer sales promotion tool that uses a brand-name product
in a movie, television show, video game, or a commercial for another product.

Trade-oriented sales promotions are sales tools used to support a company's advertising and personal selling directed to wholesalers, distributors, or retailers. Also called *trade promotions*.

Cooperative Advertising

Cooperative advertising consists of advertising programs by which a manufacturer pays a percentage of the retailer's local advertising expense for advertising the manufacturer's products.

Publicity Tools

Publicity tools are methods of obtaining nonpersonal presentation of an organization, good, or service without direct cost, such as news releases, news conferences, and public service announcements.