

part 1

An Introduction to Advertising

chapter one

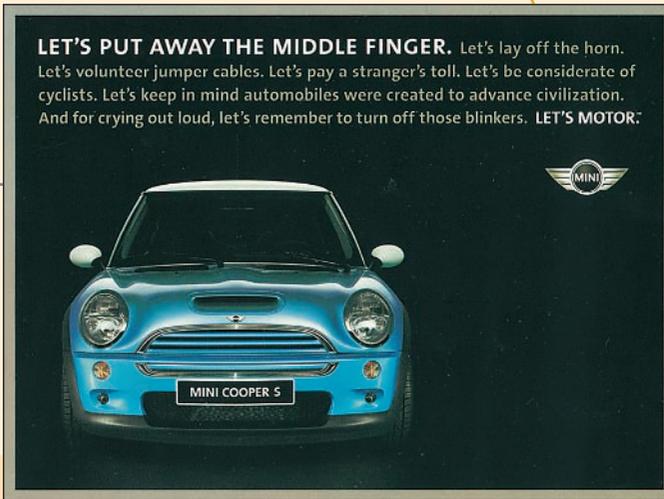
Advertising Yesterday, Today, and Tomorrow

Objectives

To define advertising and review its evolution. You will learn what advertising is and what it is not; the role advertising plays in business and our economy; how advertising evolved into what it is today; and the impact that advertising has on society.

After studying this chapter, you will be able to:

- * **Define** advertising and distinguish it from other forms of marketing communications.
- * **Explain** the role advertising plays in business and marketing.
- * **Explain** the importance of advertising in a free market economy.
- * **Discuss** how advertising evolved with the history of commerce.
- * **Explore** the impact of advertising on society.



The Beatles, Twiggy, and Queen Elizabeth

were all fans of the Mini Cooper in the swinging sixties. Well-publicized purchases by celebrities—backed by groundbreaking design—helped the original Mini motor through 40 years of production that put more than 5 million units on the streets. British Motor Corporation's icon was largely absent from the United States after 1967 because of changed emissions standards, but the original had (and still has) a huge following worldwide. In a poll of automobile experts and industry journalists, the Mini ranked as the number two "Car of the Century" behind the revolutionary Ford Model T.¹

In 1994, the Mini's new parent company, BMW, recognized the makings of a retro-cool profit grabber. To tap into the Mini's potential, BMW pumped about \$500 million and six years into engineering a Mini that met the luxury carmaker's standards for safety, performance, and knockout looks.²

In March 2002, the new Mini would go on sale in the United States. Kerri Martin, the Mini USA marketing communications director, needed to determine how best to introduce this retooled icon in the world's largest market for automobiles. After a four-month search for the right advertising agency, Martin enlisted Crispin Porter+Bogusky, a well-established, Miami-based, boutique agency. "Crispin convinced us they

could make our marketing dollars count by presenting creative that went beyond ads, to public relations, gear, and other brand experiences," said Martin.³

CP+B delivered with a quirky but integrated teaser campaign in fall 2001.⁴ Print, film, outdoor, and Internet ads along with guerilla marketing stunts fueled a word-of-mouth fire among the targeted group of consumers: opinion leaders. Demographics for Mini are not really relevant . . . but you can find a mindset" common to the people likely to purchase them, said Martin.⁵ "These are people who have a great appreciation for design and style; they're confident but not cocky; successful, but on their own terms. They love to discover things on their own and they don't like to be hit on the head with marketing messages."

Therefore, all of the advertising emphasized the newcomer's small stature and outsider mystique. Minis mounted atop Ford Excursions roamed through key urban markets, and they got free TV exposure when they were parked in the stands at pro baseball and football games. Magazine inserts established a cheery personality for the Mini, inviting readers into its friendlier world, where those in the know went "motoring" instead of "driving." Plain black billboards with white taglines such as "The SUV backlash officially starts now" drove the curious to www.miniusa.com.

Thrifty and creative media planning maximized a relatively small budget of about \$20 million (one-fifth of what Chrysler had spent the previous year to launch its own retro design, the PT Cruiser).⁶ Jim Poh, CP+B's director of creative content distribution at that time, said, "Lots of advertisers spend their money on frequency, but we'd rather spend the money on surprise than bore people over and over again."⁷ Poh fit advertisements in unusual places, such as the margins of magazines and on the front of a supermarket tabloid. In another unorthodox move, there were no TV spots in the campaign. Instead, Poh brokered a deal to show premovie commercials in a large, national theatre chain.

Where there had been no brand awareness, no product personality, nothing but potential a mere year before, there was now a phenomenon. Every one of the 20,000 Minis allocated to the U.S. market for all of 2002 sold in nine months, and thousands of prospective buyers were on waiting lists.

What Is Advertising?

You are exposed to hundreds and maybe even thousands of commercial messages every day. They may appear in the forms used by the Mini campaign—magazine ads, billboards, premovie commercials, Web sites, and publicity product exposure—or in the form of TV commercials, coupons, sales letters, event sponsorships, telemarketing calls, or e-mails. These are just a few of the many communication tools that companies and organizations use to initiate and maintain contact with their customers, clients, and prospects. You may simply refer to them all as "advertising." But, in fact, the correct term for these various tools is **marketing communications**. And advertising is just one type of marketing communication.

So, then, what is advertising?

At the beginning of the twentieth century, Albert Lasker, generally regarded as the father of modern advertising, defined advertising as "salesmanship in print, driven by a reason why."⁸ But that was long before the advent of radio, television, or the Internet. The nature and scope of the business world, and advertising, were quite limited. Over century later, our planet is a far different place. The nature and needs of business have changed, and so have the concept and practice of advertising.

Definitions of advertising abound. Journalists, for example, might define it as a communication, public relations, or persuasion process; businesspeople see it as a marketing process; economists and sociologists tend to focus on its economic, societal, or ethical significance. And some consumers might define it simply as a nuisance. Each of these perspectives has some merit, but for now we'll use the following functional definition:

Advertising is the structured and composed nonpersonal communication of information, usually paid for and usually persuasive in nature, about products (goods, services, and ideas) by identified sponsors through various media.

Let's take this definition apart and analyze its components. Advertising is, first of all, a type of *communication*. It is actually a very *structured* form of communication, employing both verbal and nonverbal elements that are *composed* to fill specific space and time formats determined by the sponsor.

Second, advertising is typically directed to groups of people rather than to individuals. It is therefore *nonpersonal*, or *mass communication*. These people

THE DOCTOR TAKES A LOOK AT YOUR COLON AND IF THERE'S A POLYP ● IT'S REMOVED BEFORE IT TURNS INTO CANCER.

Now you know how you can prevent colon cancer.

If you're 50 or older, talk to your doctor about getting tested for colon cancer. For a free information packet on the different ways you can be tested, call 1-800-ACS-2345 or visit www.cancer.org/colon.



Hope. Progress. Answers.® | 1-800-ACS-2345 | www.cancer.org

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Even nonprofits use advertising to bring in needed revenue.

could be **consumers**, who buy products for their personal use. Or they might be businesspeople who would buy large quantities of products for resale in their stores.

Most advertising is *paid* for by sponsors. GM, Wal-Mart, Coca-Cola, and your local fitness salon pay the newspaper or the radio or TV station to carry the ads you read, see, and hear. But some sponsors don't have to pay for their ads. The American Red Cross, United Way, and American Cancer Society are among the many national organizations whose **public service announcements (PSAs)** are carried at no charge because of their nonprofit status. Likewise, a poster on a school bulletin board promoting a dance is not paid for, but it is still an ad—a structured, nonpersonal, persuasive communication.

Of course, most advertising is intended to be *persuasive*—to win converts to a product, service, or idea. Some ads, such as legal announcements, are intended merely to inform, not to persuade. But they are still ads because they satisfy all the other requirements of the definition.

In addition to promoting tangible **goods** such as oranges, iPods, and automobiles, advertising helps publicize the intangible **services** of bankers, beauticians, bike repair shops, bill collectors, and Internet providers. Increasingly, advertising is used to advocate a wide variety of **ideas**, whether economic, political, religious, or social. In this book the term **product** encompasses goods, services, and ideas.

An ad *identifies* its sponsor. This seems obvious. The sponsor wants to be identified, or why pay to advertise?

Finally, advertising reaches us through a channel of communication referred to as a **medium**. An advertising medium is any paid means used to present an ad to its target audience. Thus, we have radio advertising, television advertising, newspaper ads, and so on. When you tell somebody how cool a Mini is, that's sometimes called **word-of-mouth (WOM) advertising**. Although WOM is a communication medium, it's not an advertising medium. It's not structured, or openly sponsored, or paid for. Historically, advertisers have used the traditional **mass media** (the plural of medium)—radio, TV, newspapers, magazines, and billboards—to send their messages. Modern technology enables advertising to reach us efficiently through a variety of addressable media (like direct mail) and interactive media (like the Internet). Advertisers also use a variety of other nontraditional media such as shopping carts, blimps, and DVDs to find their audience.

CONCEPT CHECK

Describe the six components that define advertising.

The Role of Advertising in Business

In Chapter 5 we discuss in more detail how advertising helps to inform and persuade consumers, but first let's consider advertising's role in business. Every business organization performs a number of activities, typically classified into three broad divisions:

- Operations (production/manufacturing)
- Finance/administration
- Marketing

Of all the business functions, marketing is the only one whose primary role is to bring in revenue. Without revenue, of course, a company cannot pay its employees' salaries or earn a profit. So marketing is very important.

What Is Marketing?

Over the years, the concept of marketing has evolved based on the supply of and demand for products. Because we need to understand marketing as it relates to *advertising*, we will use the American Marketing Association's definition:

Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.⁹

We will devote all of Part 2 to the subject of marketing and consumer behavior. What's important to understand now is that marketing is a *set of processes*—a series

of actions that take place sequentially—aimed at satisfying customer needs profitably. These processes are typically broken down into the 4 Ps of the **marketing mix**: developing *products*, *pricing* them strategically, distributing them so they are available to customers at appropriate *places*, and *promoting* them through sales and advertising activities (see Exhibit 1–1). The ultimate goal of the marketing process is to earn a profit for the firm by consummating the exchange of products or services with those customers who need or want them. And the role of advertising is to promote—to inform, persuade, and remind groups of customers, or markets, about the need-satisfying value of the company’s goods and services.

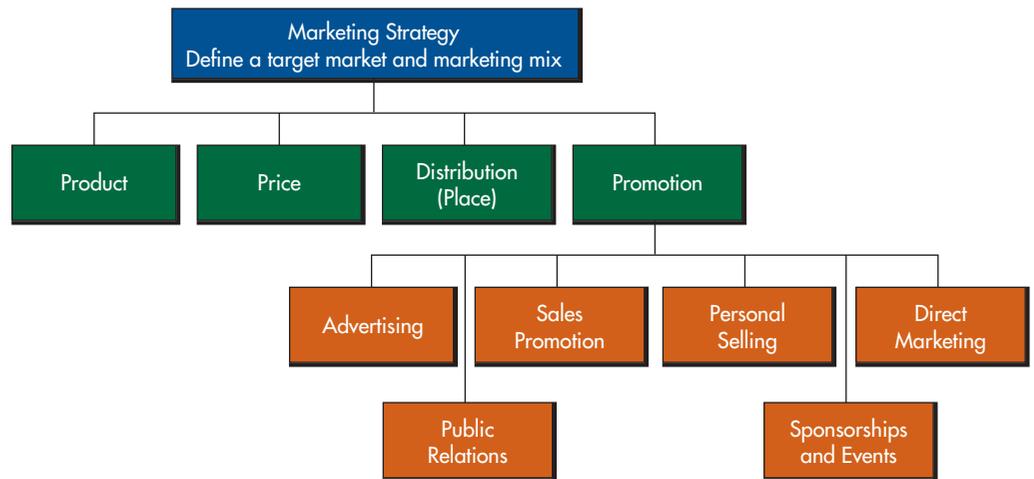


Exhibit 1–1

Advertising is just one of several activities that fall under promotion component of the marketing mix.

Advertising and the Marketing Process

Advertising helps the organization achieve its marketing goals. So do market research, sales, and distribution. And these other marketing specialties all have an impact on the kind of advertising a company employs. An effective advertising specialist must have a broad understanding of the whole marketing process in order to know what type of advertising to use in a given situation.

Companies and organizations use many different types of advertising, depending on their particular marketing strategy. The **marketing strategy** will help determine who the targets of advertising should be, in what markets the advertising should 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 seeking—what that audience should notice, think, and feel. We will discuss the development of marketing, advertising, and media strategies later in the text.

But first, we need to understand the economic dimension of advertising and how advertising has evolved as both an economic and a societal tool.

CONCEPT CHECK

What is the goal of marketing and what role does advertising play in achieving that goal?

Economics: The Growing Need for Advertising

Economics has driven the growth of advertising since its earliest beginnings and has made it 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’re taking place, we need to look at how advertising has evolved. We’ll explain how the changing economic environment has influenced the evolution of advertising through the centuries.

Then, in Chapter 2, we'll look at how advertising influences the economy and society and, as a result, is often an object of controversy and criticism.

Principles of Free Market Economics

Our economy is based on the notion of competition. While there is no such thing as *perfect competition*, there are four fundamental assumptions of free market economics that a market-driven society strives to achieve:

1. *Self-interest.* People and organizations tend to act in their own self-interest. People are acquisitive and always want more—for less. Therefore, open competition between self-interested sellers advertising to self-interested buyers naturally leads to greater product availability at more competitive prices.
2. *Complete information.* Access by buyers and sellers to all information at all times about what products are available, at what quality, and at what prices leads to greater competition and lower prices for all. (This is why attorneys are now allowed to advertise.)
3. *Many buyers and sellers.* Having a wide range of sellers ensures that if one company does not meet customer needs, another will capitalize on the situation by producing a more market-responsive product. Similarly, having a wide range of buyers ensures that sellers can find customers who are interested in the unique products they are able to produce at a fair price. (This is why we have antitrust laws.)
4. *Absence of externalities (social costs).* Sometimes the sale or consumption of products may benefit or harm other people who are not involved in the transaction and didn't pay for the product. In these cases, the government may use taxation and/or regulation to compensate for or eliminate the **externalities**. (This is why there are restrictions and requirements placed on tobacco advertisers.)

Now, given these basic assumptions, let's see how advertising fits into the scheme of a free market economy.

Functions and Effects of Advertising in a Free Economy

For any business, advertising may perform a variety of functions, and, when executed correctly, its effects may be dramatic. To see how this works, let's go back to the beginnings of Coca-Cola, when druggist John Pemberton was still mixing the syrup in his lab.

Pemberton's business partner and bookkeeper, Frank Robinson, suggested the name "Coca-Cola" to identify the two main flavors and because he thought that "the two Cs would look well in advertising."¹⁰ Robinson wrote down the name in his flowing script, creating a logo that is now instantly recognizable around the world and is one of Coca-Cola's more valued assets. Later, a distinctive bottle shape—purportedly the brainchild of a bored glassblower who based the design on a cacao pod instead of a caca nut, as intended—became the standard throughout the company. The proprietary curvy bottle helped customers differentiate Coca-Cola from other drinks. The creation of the Coca-Cola logo and contour bottle demonstrates one of the most basic functions of **branding** as well as advertising: *to identify products and their source and to differentiate them from*

others. (The functions and effects discussed here are listed in Exhibit 1–2.)

When Pemberton first began selling Coca-Cola at Jacobs' Pharmacy, he needed to let people know what it was—although we associate the word *cola* with a cold, bubbly beverage, the people of Atlanta didn't automatically make the same connection. Therefore, Pemberton and Robinson added the suggestion *drink* before *Coca-Cola* on the signs that they had painted and placed in front of the drugstore.¹¹ Ads in the *Atlanta Journal* let readers know why they should drink it (because it is “delicious, exhilarating, refreshing and invigorating,” it was the perfect “temperance drink” during Prohibition), how much it cost, and where they could get it. Here is another basic function of advertising: *to communicate information about the product, its features, and its location of sale.*

After Asa Candler gained control of the Coca-Cola Company, he began to develop the market for the drink on a grander scale. With the help of Frank Robinson and a city directory, he mailed thousands of coupons for free drinks to Atlanta residents. Coupons were also handed out on the street and inserted in magazines. To cover the costs of the samples, the company gave free syrup to the soda fountains that offered the beverage. Later, the free sample campaign went along whenever Coca-Cola was introduced in a new market. Candler also distributed promotional items to vendors so that the Coca-Cola logo was visible everywhere both outside and inside the shop. To us, this campaign demonstrates another function of advertising: *to induce consumers to try new products and to suggest reuse.*

Through the early part of the twentieth century, Coca-Cola wasn't the dominant force we know today. Competitors such as Pepsi and the now-defunct Moxie cut into Coca-Cola's market share. Outside forces also threatened the entire industry; sugar rationing during wartimes was especially damaging. Before the United States became involved in World War II, Coca-Cola executives preempted a repeat of the setbacks the company suffered during World War I rationing. They persuaded the government to give troops Coca-Cola instead of alcoholic beverages to boost their morale. The D'Arcy advertising agency gathered endorsements from U.S. officers in training camps to support the company's bid to become an official military supplier—and therefore be exempt from rationing. The War Department agreed to the plan, and Coca-Cola borrowed \$5.5 million to establish 64 bottling plants near the front lines. The risky investment had great returns. When the soldiers returned home, a survey showed they preferred Coke by eight to one over Pepsi.¹² Coca-Cola blended patriotism with another of the important functions of advertising: *to increase product use.*

As soft drinks became a staple throughout the U.S., Coca-Cola began campaigns outside the country to affect beverage consumption globally. The first international Coca-Cola bottling plants were established in Canada, Cuba, and Panama in 1906; today the company bottles Coke in more than 200 countries. Coca-Cola franchise bottlers around the world can tweak the recipe to match local tastes. Bottlers and distributors also supplement Coke advertising with their own promotions and sponsorships. Through various activities, Coca-Cola has succeeded in accomplishing yet another function of advertising: *to stimulate the distribution of a product*, in this case, on a global level.

In a free-market economy, when one company starts to make significant profits, other companies immediately jump in to compete. Over the years, to battle the constant competitive threat, Coca-Cola has funded ongoing marketing communications campaigns to accomplish yet another function of advertising: *to build value, brand preference, and loyalty*: Although the taste test wars of the 1980s

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- To identify products and differentiate them from others.
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 - To stimulate the distribution of a product.
 - To increase product use.
 - To build value, brand preference, and loyalty.
 - To lower the overall cost of sales.
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Exhibit 1–2

Functions and effects of advertising as a marketing tool.

CONCEPT CHECK

Describe the seven basic functions of advertising.

An early form of advertising. Until the advent of public schooling, most people couldn't read—so signs featured symbols of the goods or services for sale, such as the jerkin on this tailor's sign in Williamsburg, Virginia.



showed that many people liked the taste of Pepsi better than that of Coke, such blind preference has never knocked Coca-Cola out of the top spot. A century of consistently upbeat marketing communications has made its mark. Coca-Cola advertising, such as its current campaign, “The Coke Side of Life,” has always promoted a common voice and a common theme: Coca-Cola makes life’s relaxing moments even better.

For more than 120 years, the Coca-Cola Company has used a variety of media to communicate this message to diverse audiences. Why? To achieve the most significant function of advertising: *to lower the overall cost of sales*. For the cost of reaching just one prospect through personal selling, companies can reach thousands of people through media advertising. The average cost to make a face-to-face field sales call is about \$170. Multiply that \$170 by the more than 15 million people who watch a top-rated prime-time TV show, and the cost comes to a mind-boggling \$2.55 billion. However, for only \$500,000 Coca-Cola can buy a 30-second TV commercial during a regular season show of *American Idol* and reach the same 15 million people. Through television, advertisers can talk to a thousand prospects for only \$30—less than 20 percent of what it costs to talk to a single prospect through personal selling.¹⁰

Now, considering this brief synopsis of Coca-Cola history, how does Coke’s advertising fit with the basic assumptions of a free-market economy? Has Coke’s advertising helped make the soft drink available to more people at lower cost? Has it informed them about where they can buy Coke? Has the freedom to advertise contributed to the competitive environment? What externalities might have had a positive or negative impact on the Coca-Cola Company’s efforts to market its beverages?

Perhaps you can see from this one example how advertising contributes to a free economy. But if it’s so good, then why didn’t advertising take off until the twentieth century? (For a time line of advertising history, see Exhibit 1–3.). Why wasn’t it developed and used for the last several thousand years of recorded history?

The Evolution of Advertising as an Economic Tool

Thousands of years ago, people devoted most of their efforts to meeting basic survival needs: food, clothing, shelter. They lived in small, isolated communities where artisans and farmers bartered products and services among themselves. Distribution was limited to how far vendors could walk and “advertising” to how loud they could shout. Because goods weren’t produced in great quantity, there was no need for advertising to stimulate mass purchases. There were also no mass media available for possible advertisers to use. (See Exhibit 1–3).

The Preindustrial Age

As markets grew larger and became more complex, the demand for products increased, and the need for advertising slowly developed. At first, merchants hung carved signs in front of their shops so passersby could see what products were being offered. Most people couldn’t read, so the signs often used symbols, such as a boot for a cobbler. This period was called the **preindustrial age**, and, for Western civilization, it extended from the beginning of recorded history to roughly the start of the nineteenth century.¹⁴

During the preindustrial age, several important developments enabled the eventual birth of modern advertising. The Chinese invented paper and Europe had its first paper mill by 1275. In the 1440s, Johannes Gutenberg invented the printing press in Germany. The press was not only the most

3000 BC–AD 499	AD 500–1599	1600–1799	1800–1899
<p>3000 BC. Written advertisement offering “Whole gold coin” for runaway slave “Shem.”</p> <p>500 BC. Political and trade graffiti on Pompeii walls.</p> <p>AD 1. First uppercase lettering appears on Greek buildings.</p>	<p>1455. First printed Bible.</p> <p>1472. First printed ad in English tacked on London church doors.</p> <p>1544. Claude Garamond, first “typefounder,” perfects a roman typeface that bears his name and is still used today.</p>	<p>1650. First newspaper ad offers reward for stolen horses.</p> <p>1662. <i>London Gazette</i> offers first advertising supplement.</p> <p>1704. First ads in America published in the <i>Boston Newsletter</i>.</p> <p>1729. Ben Franklin is first to use “white space” and illustration in ads.</p> <p>1785. Widespread use of advertising and long print runs become possible.</p>	<p>1841. Volney B. Palmer becomes first “newspaper agent” (advertising agent) in America.</p> <p>1844. First magazine ad runs.</p> <p>1869. Francis W. Ayer founds ad agency bearing his father’s name, N. W. Ayer & Sons, in Philadelphia. He initiates first “for commission” ad contract (1876), first market survey for an ad (1879), and first on-staff creative services (art in 1890, copywriting in 1892).</p> <p>1888. <i>Printers’ Ink</i> is first U.S. publication for ad profession.</p>
1900–1919	1920–1939	1940–1959	1960–1969
<p>1900. Psychologists study the attention-getting and persuasive qualities of advertising.</p> <p>1900. Northwestern University is first to offer advertising as a discipline.</p> <p>1903. Scripps-McRae League of Newspapers appoints ad censor, rejects \$500,000 in ads in first year.</p> <p>1905. First national ad plan is for the “Gillette Safety Razor.”</p> <p>1911. First “truth in advertising” codes are established by what is now called the American Advertising Federation (AAF).</p>	<p>1920s. Albert Lasker, father of modern advertising, calls advertising “salesmanship in print.” First ad testimonials by movie stars appear. Full-color printing is available in magazines.</p> <p>1922. First radio ad solves radio’s need for financing.</p> <p>1924. N. W. Ayer produces first sponsored radio broadcast, the “Eveready Hour.”</p> <p>1930. <i>Advertising Age</i> magazine is founded.</p> <p>1938. Wheeler-Lea amendments to FTC Act of 1938 grant FTC further power to curb false ad practices.</p>	<p>1946. America has 12 TV stations broadcasting to the public.</p> <p>1947. Lanham Trademark Act protects brand names and slogans.</p> <p>1948. 46 TV stations are operating and 300 others are awaiting FCC approval.</p> <p>1950. First political ads are used on TV by Gov. Dewey of New York.</p> <p>1950s. David Ogilvy’s “Hathaway man” and “Commander Whitehead” become popular ad personae.</p>	<p>1960s. Doyle Dane Bernbach’s “Think small” ad for American Volkswagen becomes one of the most famous ads of the decade, establishing a strong market position for the smallest European import. The agency’s slogan for Avis, “We’re only No. 2, so we try harder” is also very successful. New York’s Madison Avenue becomes known worldwide as the center of the advertising world and features the best in advertising creativity.</p>
1970–1979	1980–1989	1990–1999	2000–2007
<p>1971. Armed services begin first advertising for the new “all-volunteer” military (“Be all that you can be in the Army”).</p> <p>1972. The <i>Ad Age</i> article “Positioning: The Battle for Your Mind” by Al Ries and Jack Trout details the strategy of positioning that dominates the 1970s.</p> <p>1973. Oil shortages begin period of “demarketing,” ads aimed at slowing demand.</p> <p>1970s (late). Growth in self-indulgence, signified by popularity of self-fulfillment activities, spurs some agencies into making infomercials.</p>	<p>1980s. The “me” decade begins (baby boomers are indulgent but want social accountability). Ad agency megamergers take place worldwide.</p> <p>1982. First edition of <i>Contemporary Advertising</i> is published.</p> <p>1984. The Internet (government controlled since 1973) is turned over to the private sector.</p> <p>1986. <i>Marketing Warfare</i> by Al Ries and Jack Trout portrays marketing in terms of classic warfare manual written by General Clausewitz in 1831.</p>	<p>1990s. Early part of decade experiences recession. Marketers shift funds from advertising to sales promotion, leaving major agencies to fail or merge.</p> <p>1994. Media glut leads to market fragmentation; network TV is no longer sole medium for reaching total marketplace. Ad professions adopt integrated marketing communications (IMC) as the new strategy to build market relationships.</p>	<p>2000. The Internet is the fastest-growing new ad medium since TV, with 400 million users. Advertising is evolving into a two-way medium.</p> <p>2005. Online advertisers spend \$8.32 billion to reach the 170 million wired U.S. residents.</p> <p>2006. YouTube has 100 million videos viewed daily.</p> <p>2007. Google earns over \$3.5 billion in ad revenue for the first quarter alone. It consolidates online ad leadership by purchasing Double Click.</p>

Exhibit 1–3

Timetable of advertising history.

important development in the history of advertising, and indeed communication, but it also revolutionized the way people lived and worked.

The introduction of printing allowed facts to be established, substantiated, recorded, and transported. People no longer had to rely on their memories. Some entrepreneurs bought printing presses, mounted them in wagons, and traveled from town to town, selling printing. This new technology made possible the first formats of advertising—posters, handbills, and signs—and, eventually, the first mass medium—the newspaper. In effect, the cry of the vendor could now be multiplied many times and heard beyond the immediate neighborhood.

In 1472, the first ad in English appeared: a handbill tacked on church doors in London announcing a prayer book for sale. Two hundred years later the first newspaper ad was published, offering a reward for the return of 12 stolen horses. Soon newspapers carried ads for coffee, chocolate, tea, real estate, medicines, and even personal ads. These early ads were still directed to a very limited number of people: the customers of the coffeehouses where most newspapers were read.

By the early 1700s, the world's population had grown to about 600 million people, and some major cities were big enough to support larger volumes of advertising. In fact, the greater volume caused a shift in advertising strategy. Samuel Johnson, the famous English literary figure, observed in 1758 that advertisements were now so numerous that they were “negligently perused” and that it had become necessary to gain attention “by magnificence of promise.” This was the beginning of *puffery* in advertising.

In the American colonies, the *Boston Newsletter* began carrying ads in 1704. About 25 years later, Benjamin Franklin, the father of advertising art, made ads more readable by using large headlines and considerable white space. In fact, Franklin was the first American known to use illustrations in ads.

It wasn't until 1729 that Ben Franklin, innovator of advertising art, made ads more readable by using larger headlines, changing fonts, and adding art. This 1767 ad announces the availability of Stage Waggon to carry passengers from Powles Hook Ferry to Philadelphia.



THAT the Stage-Waggon, kept by John Barnhill, in Elm-Street, in Philadelphia, and John Mercereau, at the New-Blazing Star, near New-York, continues their Stages in two Days, from Powles-Hook Ferry, opposite New-York, to Philadelphia; returns from Philadelphia to Powles-Hook in two Days also; they will endeavour to oblige the Publick by keeping the best of Waggon and sober Drivers, and sets out from Powles Hook and Philadelphia, on Mondays and Thursdays, punctually at Sunrise, and meet at Prince Town the same Nights, to exchange Passengers, and each return the Day after: Those who are kind enough to encourage the Undertaking, are desired to cross Powles Hook Ferry the Evenings before, as they must set off early: The Price for each Passenger is Ten Shillings to Prince Town, and from thence to Philadelphia, Ten Shillings more, Ferriage free: There will be but two Waggon, but four sets of fresh Horses, so it will be very late for any Person to send Goods, as there are but two Drivers, they may exchange their Goods without any Mistake. Persons may now go from New-York to Philadelphia, and back again in five Days, and remain in Philadelphia two Nights and one Day to do their Business in: The Publick may be assured that this Road is much the shortest, than any other to Philadelphia, and regular Stages will be kept by the Publick's obliged humble Servants,
JOHN MERCEREAU, and
JOHN BARNHILL.

The Industrializing Age

In the mid-1700s, the Industrial Revolution began in England and by the early 1800s it had reached North America. By using machines to mass-produce goods with uniform quality, large companies increased their productivity. For the first time, it cost people less to buy a product than to make it themselves. As people left the farm to work in the city, mass urban markets began to emerge. This further fueled market development and the growth of advertising.

By the mid-1800s, the world's population had doubled to 1.2 billion. Suddenly, producers needed mass consumption to match the high levels of manufactured goods. Breakthroughs in bulk transportation—the railroad and steamship—facilitated the distribution of products beyond a manufacturer's local market. But with the need for mass consumption came the increasing need for mass marketing techniques such as advertising to inform new markets of the availability of products.

During this **industrializing age**, which lasted roughly until the end of World War I (1918), manufacturers were principally concerned with production. The burden of marketing fell on wholesalers. They used advertising primarily as an information vehicle, placing announcements in publications called *price currents* to let retailers know about the sources of supply and shipping schedules for unbranded commodities. Advertising to consumers was the job of the local retailer and the large mail-order catalog companies like Montgomery Ward and Sears Roebuck. Only a

few innovative manufacturers foresaw the usefulness of mass media advertising to stimulate consumer demand for their products.

For Americans, the *profession* of advertising began when Volney B. Palmer set up business in Philadelphia in 1841. He contracted with newspapers for large volumes of advertising space at discount rates and then resold the space to advertisers at a higher rate. The advertisers usually prepared the ads themselves.

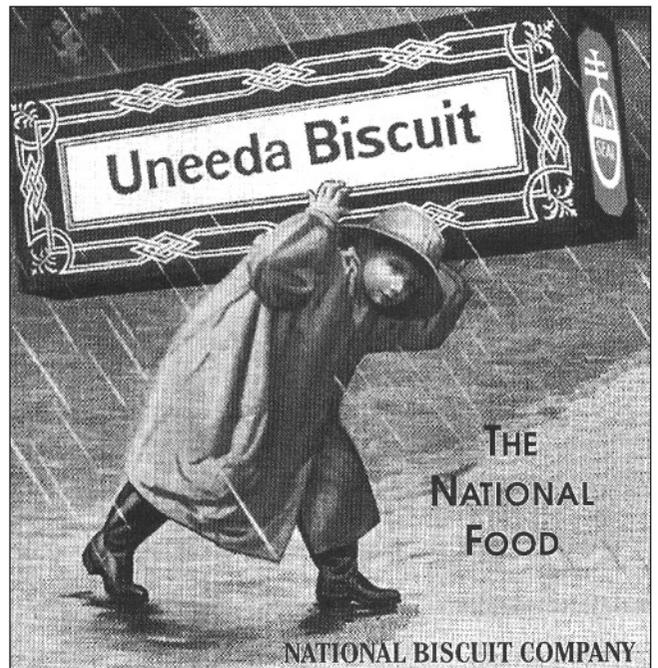
In 1869, at the ripe old age of 21, Francis Ayer formed an ad agency in Philadelphia and, to make it sound more credible, named it after his father. N. W. Ayer & Sons was the first agency to charge a commission based on the “net cost of space” and the first to conduct a formal market survey. In 1890, Ayer became the first ad agency to operate as agencies do today—planning, creating, and executing complete ad campaigns in exchange for media-paid commissions or fees from advertisers. In 1892, Ayer set up a copy department and hired the first full-time agency copywriter.

The technological advances of the Industrial Revolution enabled great changes in advertising. Photography, introduced in 1839, added credibility and a new world of creativity. Now ads could show products, people, and places as they really were, rather than how an illustrator visualized them.

In the 1840s, some manufacturers began using magazine ads to reach the mass market and stimulate mass consumption. Magazines provided for national advertising and offered the best quality reproduction.

The telegraph, telephone, typewriter, phonograph, and later, motion pictures, all let people communicate as never before. In 1896, when the federal government inaugurated rural free mail delivery, direct-mail advertising and mail order selling flourished. Manufacturers now had an ever-increasing variety of products to sell and a new way to deliver their advertisements and products to the public.

Public schooling helped the nation reach an unparalleled 90 percent literacy rate. Manufacturers gained a large reading public that could understand print ads.



In 1890, N. W. Ayer & Sons became the first agency to operate as agencies do today—planning, creating, and executing complete ad campaigns for advertisers. This 1899 Ayer ad for Uneeded biscuits (catch the play on words) was one of a series of popular ads of the times.

MARCH 31, 1894. Scientific American. 207

Fulton Foundry and Machine Works
21 FURMAN STREET near Fulton Ferry, BROOKLYN, N. Y.
FINE MACHINERY IRON CASTINGS
Pump and Marine Making, General Machining, Die, Press and Special Machine Work, Plate and Ornamental Stamping, Sewing Machine Frames (J. W. H. Brand), and all kinds of machinery. Plans and Estimates furnished. Telephone 100. C. W. WOOD, General Agent.

ROCK DRILLS
AIR COMPRESSORS & PUMPS
MACHINE TOOLING
CUTTING TOOLS
HAND CHISELS

DEAFNESS
There is a Market for Your Specialties in England.

NEPERA PAPER.
A New Printing Ink. Superior Paper.

PATENTS
CREATING TRADE MARKS
COPYRIGHTS

AGENTS COIN
DO YOU WANT A SUCCESSFUL BUSINESS?

STEFOPTICONS.
MAGIC LANTERNS AND PHOTOGRAPHS FOR SALE

WATCH CHICKENS BY STEAM
ELECTRIC METHOD

IF YOU HAVE ANY SMALL ARTICLES
In Patent Form that you have considered for sale, we will buy them for you.

ROCK BREAKERS
ORE CRUSHERS

MURRAY
VEHICLES AND HARNESS

URBANA JOBS
5000 CASH

Towers, Tanks and Tub
ELEVATED TANKS
W. E. CALDWELL CO.

The Scientific American
PUBLICATIONS FOR 1894.

This full-page of advertising from an 1894 *Scientific American* (www.scientificamerican.com) is historically telling in that nearly all the ads have yet to develop any brand identity but merely sell unbranded commodities such as soap, paper, paint, or services.

The United States thus entered the twentieth century as a great industrial state with a national marketing system propelled by advertising. With the end of World War I, the modern period in advertising emerged.

The Industrial Age

The **industrial age** started around the turn of the twentieth century and lasted well into the 1970s. It was a period marked by tremendous growth and maturation of the country's industrial base. As U.S. industry met the basic needs of most of the population, commodity markets became saturated. Fresh mass markets then developed for new brands of consumer luxury and convenience goods we refer to as **consumer packaged goods**.

During the industrializing age of the nineteenth century, manufacturers changed their focus from a *production* orientation to a *sales* orientation. They dedicated themselves to new product development, strengthened their sales forces, packaged and branded their products, and engaged in heavy national brand advertising. Early brands of this era included Wrigley's spearmint gum, Coca-Cola, Jell-O gelatin, Kellogg's Corn Flakes, and Campbell's soup.

In the 1920s, the United States was rich and powerful. As the war machine returned to peacetime production, society became consumption driven. The era of salesmanship had arrived and its bible was *Scientific Advertising*, written by the legendary copywriter Claude Hopkins at Albert Lasker's agency, Lord & Thomas. Published in 1923, it became a classic and was republished in 1950 and 1980. "Advertising has reached the status of a science," Hopkins proclaimed. "It is based on fixed principles." His principles outlawed humor, style, literary flair, and anything that might detract from his basic copy strategy of a preemptive product claim repeated loudly and often.¹⁵

Radio was born at about this same time and rapidly became the nation's primary means of mass communication and a powerful new advertising medium. World and national news now arrived direct from the scene, and a whole new array of family entertainment—music, drama, and sports—became possible. Suddenly, national advertisers could quickly reach huge audiences. In fact, the first radio shows were produced by their sponsors' ad agencies.

On October 29, 1929, the stock market crashed, the Great Depression began, and advertising expenditures plummeted. In the face of consumer sales resistance and corporate budget cutting, the advertising industry needed to improve its effectiveness. It turned to research. Daniel Starch, A. C. Nielsen, and George Gallup had founded research groups to study consumer attitudes and preferences. By providing information on public opinion, the performance of ad messages, and sales of advertised products, these companies started a whole new business: the marketing research industry.

During this period, each brand sought to sell the public on its own special qualities. Wheaties became the "Breakfast of Champions" not because of its ingredients but because of its advertising. Manufacturers followed this strategy of **product differentiation** vigorously, seeking to portray their brands as different from and better than the competition by offering consumers quality, variety, and convenience.

The greatest expansion of any medium up to that time occurred with the introduction of television in 1941. After World War II, TV advertising grew rapidly, and in time achieved its current status as the largest advertising medium in terms of revenues.

During the postwar prosperity of the late 1940s and early 1950s, consumers tried to climb the social ladder by buying more and more modern

To differentiate their products from competitors, several manufacturers branded their products and advertised those brands aggressively. Wrigley's has been selling the same product, with the same brand name, for more than a century.



products. Advertising entered its golden era. A creative revolution ensued in which ads focused on product features that implied social acceptance, style, luxury, and success. Giants in the field emerged—people such as Leo Burnett, David Ogilvy, and Bill Bernbach, who built their agencies from scratch and forever changed the way advertising was planned and created.¹⁶

Rosser Reeves of the Ted Bates Agency introduced the idea that every ad must point out the product's USP (**unique selling proposition**)—features that would differentiate it from competitive products. The USP was a logical extension of the Lasker and Hopkins “reason why” credo. But as the USP was used over and over, consumers started finding it difficult to see what was unique anymore.

Finally, as more and more imitative products showed up in the marketplace, all offering quality, variety, and convenience, the effectiveness of this strategy wore out. Companies turned to a new mantra: **market segmentation**, in which marketers searched for unique groups of people whose needs could be addressed through specialized products. The image era of the 1960s was a natural culmination of the creative revolution. Advertising's emphasis shifted from product features to brand image or personality as advertisers sought to align their brands with profitable market segments. Cadillac, for example, became the worldwide image of luxury, the consummate symbol of success.

But just as me-too product features killed the product differentiation era, me-too images eventually killed the market segmentation era. With increased competition, a new kind of advertising strategy evolved in the 1970s, where competitors' strengths became just as important as the advertiser's. Jack Trout and Al Ries trumpeted the arrival of the *positioning era* by insisting that what really mattered was how the brand ranked against the competition in the consumer's mind—how it was positioned.

Positioning proved effective in separating a particular brand from its competitors by associating that brand with a particular set of needs that ranked high on the consumer's priority list. Thus, it became a more effective way to use product differentiation and market segmentation. The most famous American ads of the positioning era were Volkswagen (“Think small”), Avis (“We're #2”), and 7Up (“The uncola”). Product differentiation, market segmentation, and positioning are all very important concepts to understand, so we will discuss them further in Chapter 4.

While this was all going on in the United States, across the Atlantic a new generation of advertising professionals had graduated from the training grounds of Procter & Gamble (P&G) and Colgate-Palmolive and were now teaching their international clients the secrets of mass marketing.

The Postindustrial Age

Beginning around 1980, the **postindustrial age** has been a period of cataclysmic change. People became truly aware of the sensitive environment in which we live and alarmed by our dependence on vital natural resources. During the energy shortages of the 1970s and 1980s, a new term, **demarketing**, appeared. Producers of energy started using advertising to *slow* the demand for their products. Ads asked people to refrain from operating washers and dryers during the day when the demand for electricity peaked. In time, demarketing became a more aggressive strategic tool for advertisers to use against competitors, political opponents, and social problems. For example, many organizations today actively seek to demarket the use of tobacco.

The collapse of the Soviet Union ended the Cold War and with it the need for a defense-driven economy. Companies were anxious to develop the untapped



Think small.

Our little car isn't so much of a novelty any more.
A couple of dozen college kids don't try to squeeze inside it.
The guy at the gas station doesn't ask where the gas goes.
Nobody even stares at our shops.
In fact, some people who drive our little

flyover don't even think that about 27 miles to the gallon is going any great guns.
Or using five pints of oil instead of five quarts.
Or never needing anti-freeze.
Or making up about 40,000 miles on a set of tires.
That's because once you get used to

some of our economies, you don't even think about them any more.
Except when you squeeze into a small parking spot.
Or renew your small insurance. Or pay a small repair bill. Or trade in your old VW for a new one.
Think it over.

Hailed by Jack Trout and Al Ries as “the most famous ad of the 60s,” this Volkswagen ad co-opted the “small” position in consumers’ minds, giving VW (www.volkswagen.com) a leadership rank for many years.



Déjà vw.

Some experiences are just too good to only have once.
So we brought it back. The new Beetle from Volkswagen.
Take one for a test drive and we think you'll agree...

Some experiences are just too good to only have once.
So we brought it back. The new Beetle from Volkswagen.
Take one for a test drive and we think you'll agree...

Some experiences are just too good to only have once.
Visit Southern States Volkswagen. 2421 Wake Forest Road.
[919]828-0901.



In recent years, VW has attempted to recapture the style of its 60s advertising.

markets in the former Warsaw Pact states. To expand their power globally, big multinational companies and their advertising agencies went on a binge, buying other big companies and creating a new word in the financial lexicon: *megamerger*.

By now European and Asian advertising had caught up with the United States. TV was the hot medium, and agencies focused on growth, acquisitions, and superior creative executions. For several years, Young & Rubicam in New York and Dentsu in Japan alternated as the largest advertising agency in the world. Then two brothers in London, Charles and Maurice Saatchi, started acquiring agencies globally. In rapid succession, a number of high-profile U.S. agencies disappeared under the Saatchi & Saatchi umbrella. Saatchi & Saatchi was suddenly the largest agency in the world. Then followed more buyouts as the big agencies from Europe, the United States, and Japan emulated the merger mania of their huge multinational clients. Names of agency founders disappeared from the doors, replaced by initials and acronyms: WPP Group, RSCG, TBWA, FCA, DDB Needham, and FCB, to mention just a few.¹⁷

Then, sparked by unprecedented layoffs in the defense industries, the global economy fell into an economic recession. The mergers temporarily stopped, the business world sucked in its collective belt, and management turned to new theories of Total Quality Management (TQM), reengineering, and downsizing—theories aimed at cutting costs and increasing efficiency. Two related economic factors characterized marketing in this period: (1) the aging of

traditional products, with a corresponding growth in competition, and (2) the growing affluence and sophistication of the consuming public, led by the huge baby-boomer generation.¹⁸

The most important factor was competition, intensified by growing international trade. As high profits lured imitators into the marketplace, each offering the most attractive product features at lower cost, consumers discovered more choices, higher quality, and lower prices.

These newly affluent consumers concerned themselves more with the quality of their lives. With their basic needs met, the baby boomers were interested in saving time and money to spend on products, services, and social causes that represented who they aspired to be.

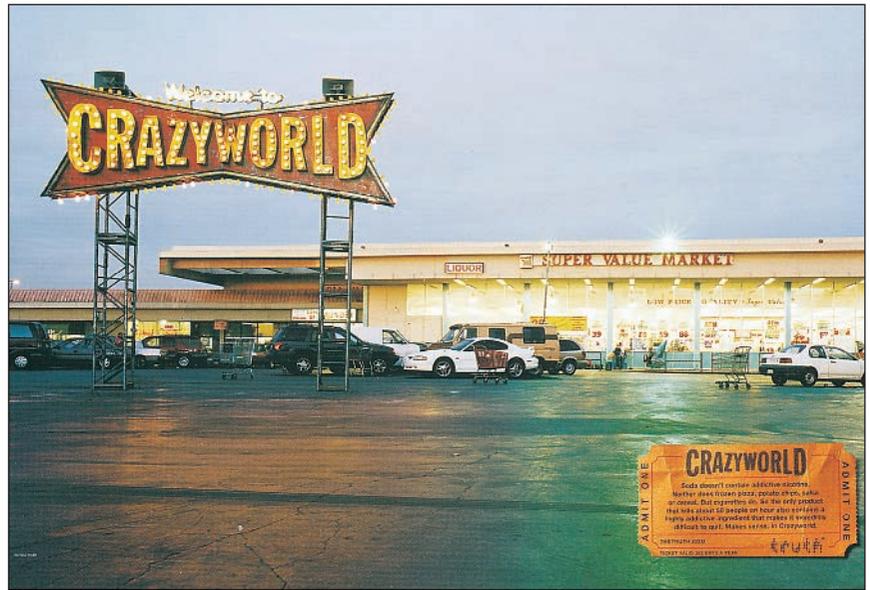
By the mid-1980s, an avalanche of ads—especially in the toiletry and cosmetics industries—was aimed at the “me” generation (“L’Oreal. Because I’m worth it.”) At the same time, the nation’s largest industrial concerns spent millions of dollars on corporate advertising to extol their social consciousness and good citizenship.

As the U.S. economy slowed, many companies were chasing too few consumer dollars. Clients trimmed their ad budgets, and many turned to more cost-effective **sales promotion** alternatives, such as coupons, direct mail, and direct marketing to build sales volume. By 1990, advertising had lost 25 percent of its share of the marketing budget to other forms of marketing communications.¹⁹

As the 1990s unfolded, the traditional advertising industry found itself threatened on all sides and suffering from overpopulation.²⁰ Clients demanded better results from their promotional dollars; small, imaginative, upstart agencies competed for (and won) some big accounts; TV viewers appeared immune to conventional commercials; and an abundance of new media technologies promised to reinvent advertising. In three short years, the advertising agency business lost over 13,500 jobs. Major clients such as Coca-Cola defected from the big agencies, giving various portions of their business to specialists in small, regional creative shops and media-buying services. But the setback went far beyond the agency business. Throughout the media world, newspapers, magazines, and TV networks all lost advertising dollars. About 40 magazines went out of business during the two-year slump.²¹

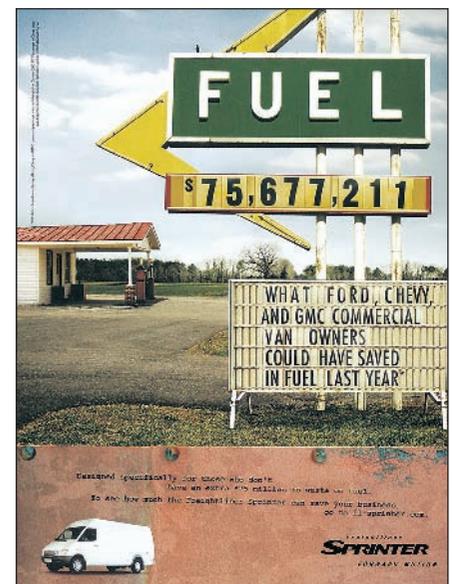
By the mid-1990s, U.S. marketers had begun shifting dollars back from sales promotion to advertising to rebuild value in their brands. In 1994, ad budgets surged ahead by 8.1 percent to \$150 billion nationally. And throughout the rest of the 1990s, ad spending increased about 7 percent every year until the year 2000, when U.S. advertisers spent \$247.5 billion, a whopping 11.3 percent increase over the previous year.²²

But then the bubble burst. In 2001, the combination of a mild recession, the collapse of the stock market, and the bust of the dot-coms all contributed to a record decline in advertising activity. On September 11 of



Demarketing is used not only to dampen the demand for products but also to encourage the safe (or non-) use of already popular ones. This American Legacy Foundation (www.americanlegacy.org) ad depicts a place where “big tobacco” is allowed to cause too many deaths and injuries as “Crazyworld.”

In highly competitive industries, a company may benefit from going head to head against the competition through marketing warfare. This ad for DaimlerChrysler’s Freightliner Sprinter (www.fl-sprinter.com) touts the fuel savings of its model as compared to the competition.





The recession of the early 90s slammed the advertising industry with over 13,500 layoffs. However, specialists in small, regional creative shops were able to snatch away some large accounts during this period and produce ads for established corporations. This Coca-Cola ad came from the clever minds at Creative Artists Agency in Hollywood (a talent agency).

that year, terrorists attacked the United States and suddenly all marketing and advertising seemed to stop—not just in the United States, but also around the world.²³ Spending in the United States declined 6.5 percent to \$231 billion, and overseas spending dropped 8.6 percent to \$210 billion.²⁴

A year later, though, the economy seemed to be turning around and marketers were again starting to spend money on advertising. By 2005, U.S. advertising expenditures had reached \$264 billion, more than completely recovering from the 2001 decline.²⁵ But hardly anybody thought the problems were over. Technology, evolving lifestyles, new fears over security, and the rising cost of reaching consumers had already changed the advertising business forever. With the explosion of the Internet, we had entered a new electronic frontier—what Tom Cuniff, VP/creative director at Lord, Dentsu & Partners, called “the second creative revolution.”²⁶

The Global Interactive Age: Looking at the Twenty-first Century

The explosion of new technologies in the last decade has affected advertising considerably. With cable TV and satellite receivers, viewers can watch channels devoted to single types of programming, such as straight news, home shopping, sports, or comedy. This shift transformed television from the most widespread of mass media to a more specialized, **narrowcasting** medium.²⁷ Now small companies and product marketers that appeal to a limited clientele can use TV to reach audiences with select interests.

New technology has created new media. TiVo initially allowed viewers to pause, fast-forward, and rewind television shows. But it was not long until viewers could also save some shows to their PCs or burn them on DVDs. TiVo's Web site (www.tivo.com) demonstrates how TiVo works.

Have you seen these personal trainers you can get for your TV? They're awesome. I got one and *Now My TV Is a Lean, Mean Entertainment Machine*. Seriously, this little high-tech trainer has really whipped my television into shape. Now it only shows me programs about stuff I like, plus it plays music through my entertainment system and lets me look at digital photos huge onscreen. I mean, my TV was thin and all before, but now it's buff, too.

Can't say which is cooler, the fact it TiVo® box gets ME all the shows I love, or that I got it for a lean, mean \$99.

SAVE \$100 ON THE TiVo® BOX.

Offer requires purchase of TiVo box and TiVo service. Offer good while supplies last. See www.tivo.com for details. ©2005 TiVo Systems, Inc. All rights reserved. TiVo, the TiVo logo, and TiVo Systems, Inc. are trademarks of TiVo Systems, Inc. in the U.S. and other countries. Other names and logos are trademarks of their respective owners.

A concurrent change that didn't please advertisers was the growing presence of VCR and remote controls, which allow viewers to avoid commercials altogether by channel surfing during breaks or zipping through them when watching a previously recorded show. Advertisers and TV executives became even more upset with the introduction of DVRs (**digital video recorders**) like TiVo, which allow viewers to pause, fast-forward, and rewind live TV, store programming, and skip commercials altogether. To its credit, TiVo never promoted the ad-skipping feature to consumers, but it was no secret. Everybody knew.

Ironically, though, within a very short time, TiVo executives were courting marketers and agencies to join its charter advertiser program, which would let viewers opt in to a marketer's "advertainment" show. Best Buy bought in early and so did Sony Pictures, Lexus, Procter & Gamble, and Miller Brewing. One of the major features of TiVo is its ability to target potential customers and measure effectiveness against that target. As *Advertising Age* pointed out, the Holy Grail to advertisers is a one-to-one relationship with consumers, and that becomes increasingly possible with permission-based, opt-in, and two-way interactions with viewers.²⁸

Computer technology has also had a huge impact. Personal computers, the Web and e-mail give advertisers new media for reaching potential customers. Now even the smallest companies can maintain computer databases of customers' names to integrate their marketing campaigns.

What we are witnessing is an interactive revolution. Advertising is evolving into a two-way medium where consumers with PCs, Internet connections, DVDs, and cable TV can choose which information they access and then spend time researching the product information they desire.²⁹ With interactivity, rather than zipping or zapping commercials, people actually seek them out. As we discuss in Chapter 13, this is a revolutionary way for advertisers to reach consumers. Agencies now have the opportunity to prove once again that advertising creativity is not about winning awards but about helping marketers *sell* things.³⁰

Advertising has come a long way from the simple sign on the bootmaker's shop. Today it is a powerful device that announces the availability and location of products, describes their quality and value, imbues brands with personality, and simultaneously defines the personalities of the people who buy them while entertaining us. More than a reflection of society and its desires, advertising can start and end fads, trends, and credos—sometimes all by itself.³¹

The endless search for competitive advantage and efficiency has made advertising's journey in the last 10+ years fascinating. Now companies are realizing that their most important asset is not capital equipment or their line of products. In the heated competition of the global marketplace, their most important asset is their customer and the relationship they have with that person or organization. Protecting that asset has become the new marketing imperative for the twenty-first century. In an effort to do a better job of *relationship marketing*, companies are now learning that they must be consistent in both what they say and what they do. It's not enough to produce outstanding advertising anymore. They must integrate all their marketing communications with everything else they do, too.



New technology has meant new media, manifested largely in the Internet. This has opened new avenues of exposure for advertisers. This Web site for PBS/Nova (www.pbs.org/nova) promotes the cable TV network's programs as well as multimedia components like podcasts and interactive programming.

CONCEPT CHECK

Identify the key developments that have taken place throughout history that have had an impact on the advertising industry.

That's what *integrated marketing communications* really means. And that will present exciting new challenges to marketing and advertising professionals in the immediate future.

Society and Ethics: The Effects of Advertising

Advertising has been a major factor in improving the standard of living in the United States and around the world. By publicizing the material, social, and cultural opportunities of a free enterprise society, advertising has encouraged increased productivity by both management and labor.

With just a small amount of money, for instance, you can buy a car today. It may be secondhand, but from advertising you know it's available. If you earn more money, you can buy a new car or one with more luxury features. You can also make a statement about yourself as an individual with the vehicle you purchase. As with many products, advertising has created a personality for each automobile make and model on the market. As a free individual, you can select the product that best matches your needs and aspirations.

Advertising serves other social needs besides simply stimulating sales. Newspapers, magazines, radio, television, and many Web sites all receive their primary income from advertising. This facilitates freedom of the press and promotes more complete information. Public service announcements also foster growth and understanding of important social issues and causes. The Red Cross, Community Chest, United Way, and other noncommercial organizations receive continuous financial support and volunteer assistance due in large part to the power of advertising.

However, advertising is certainly not without its shortcomings. Since its beginnings, the profession has had to struggle with issues of truthfulness and ethics. In fact, in the early 1900s, the advertising profession was forced to mend its ethical ways. Consumers suffered for years from unsubstantiated product claims, especially for patent medicines and health devices. The simmering resentment finally boiled over into a full-blown consumer movement, which led to government regulation and ultimately to industry efforts at self-regulation.

In 1906 Congress responded to public outrage by passing the Pure Food and Drug Act to protect the public's health and control drug advertising. In 1914, it passed the Federal Trade Commission Act to protect the public from unfair business practices, including misleading and deceptive advertising.

Advertising practitioners themselves formed groups to improve advertising effectiveness and promote professionalism and started vigilance committees to safeguard the integrity of the industry. The Association of National Advertisers (ANA), the American Advertising Federation (AAF), and the Better Business Bureau (BBB) are today's outgrowths of those early groups.

But in times of economic crisis, false and misleading advertising has invariably reappeared, perhaps out of advertiser desperation. During the Depression years, several best-selling books exposed the advertising industry as an unscrupulous exploiter of consumers.

In a 1962 message to Congress, President Kennedy asserted, "if consumers are offered inferior products, if prices are exorbitant . . . if the consumer is unable to choose on an informed basis, then his dollar is wasted . . . and the national interest suffers." In his Bill for Consumer Rights, Kennedy gave the American consumer four basic rights, including the right "to be protected against fraudulent, deceitful, or grossly misleading information, advertising,

labeling, or other practices, and to be given the facts s/he needs to make an informed choice.”

In the 1970s, a new American consumer movement grew out of the widespread disillusionment following the Kennedy assassination, the Vietnam War, the Watergate scandals, and the sudden shortage of vital natural resources—all communicated instantly to the world via new satellite technology. These issues fostered cynicism and distrust of the establishment and tradition, and gave rise to a new twist in moral consciousness. On the one hand, people justified their personal irresponsibility and self-indulgence in the name of self-fulfillment. On the other, they attacked corporate America’s quest for self-fulfillment (profits) in the name of social accountability.

Today, corporate America has generally cleaned up many of the inequities in advertising. But now attention has shifted to more subtle problems of puffery, advertising to children, the advertising of legal but unhealthful products, and advertising ethics. We believe ethics in advertising is such an important issue that we have included features on this topic throughout the text.

In short, advertising has had a pronounced effect on society as well as the economy. It has also fostered a host of social attitudes and laws that have dramatically affected advertising itself. We’ll take a closer look at these issues in Chapter 2.

CONCEPT CHECK

What important benefits and issues has advertising contributed to our society?

Chapter Summary

As a tool of marketing communications, advertising is the structured and composed, nonpersonal communication of information. It is usually paid for, and usually persuasive about products, services, or ideas, by identified sponsors through various media.

Marketing is the process of planning and executing the conception, pricing, distribution, and promotion of ideas, goods, and services to create exchanges that satisfy the perceived needs, wants, and objectives of individuals and organizations. Advertising helps the organization achieve its marketing goals. An effective advertising specialist must have a broad understanding of the whole marketing process in order to know what type of advertising to use in a given situation.

Companies and organizations use many different types of advertising, depending on their particular marketing strategy. The marketing strategy will determine who the targets of advertising should be, in what regions the advertising should appear, what media should be used, and what purposes the advertising should accomplish.

In economic theory, there are four fundamental assumptions of free-market economics: self-interest, complete information, many buyers and sellers, and absence of externalities. Given these principles, there are a number of functions and effects of advertising in a free economy. It identifies and differentiates products; communicates information about them; induces nonusers to try products and users to repurchase them; stimulates products’ distribution; increases product use; builds value, brand preference, and loyalty; and lowers the overall cost of sales.

The greatest impact on the evolution of advertising has been economic. In ancient times when most people could

not read or write, there was little need for advertising. Marketers used symbols on signs to advertise their products. As the world expanded, urban populations soared, and manufacturing and communication technologies developed, as did advertising. Printing was the first major technology to affect advertising; cable TV and the Internet are the most recent.

With changing economies and increased competition, advertising has evolved from the preindustrial age through the industrializing and industrial ages to the postindustrial age. Since World War II, advertisers have used a variety of strategies, such as product differentiation, market segmentation, and positioning, to set their products apart. Recently the advertising industry experienced a period of retrenchment and reevaluation, but the future offers new opportunities for advertisers and agencies that can harness the interactive revolution and develop deep relationships with their customers.

As a social force, advertising has helped improve the standard of living, both in the United States and around the world. Advertising makes us aware of the availability of products, imbues products with personality, and enables us to communicate information about ourselves through the products we buy. Through its financial support, advertising also fosters the free press and the growth of many nonprofit organizations.

However, advertising has also been severely criticized over the years for its lack of honesty and ethics. This has given rise to numerous consumer movements and a plethora of laws that now regulate the practice of advertising.

Key Terms

advertising, ●●●	industrializing age, ●●●	positioning, ●●●
advertising strategy, ●●●	marketing, ●●●	postindustrial age, ●●●
branding, ●●●	marketing communications, ●●●	preindustrial age, ●●●
consumer packaged goods, ●●●	marketing mix, ●●●	product, ●●●
consumers, ●●●	marketing strategy, ●●●	product differentiation, ●●●
demarketing, ●●●	market segmentation, ●●●	public service announcement (PSA), ●●●
externalities, ●●●	mass media, ●●●	sales promotion, ●●●
goods, ●●●	medium, ●●●	services, ●●●
ideas, ●●●	narrowcasting, ●●●	unique selling proposition, ●●●
industrial age, ●●●	personal video recorders, ●●●	word-of-mouth (WOM) advertising, ●●●

Review Questions

1. How does advertising for the American Cancer Society compare with the standard definition of advertising?
2. What are the three major functional areas of business, and which function is most closely related to advertising?
3. What are the four elements that comprise a company's marketing strategy, and how do they affect the type of advertising a company uses?
4. What are the four fundamental assumptions of free market economics?
5. How does advertising lower the cost of sales?
6. What has been the most important influence on advertising in the postindustrial age?
7. What are three examples of companies or organizations that use a demarketing strategy?
8. What companies can you think of that are engaged in marketing warfare?
9. As a consumer, are you likely to save money buying at a store that doesn't advertise? Explain.
10. What is a company's most important asset and what must companies do to protect that asset?

Exploring Advertising

1. Collect or describe three examples of marketing communications. Explain why you would or would not consider each one to be an example of advertising.
2. Bring into class or describe an advertising example of demarketing. Explain why you think the advertiser would want to slow demand for a product.
3. Find a print ad that exemplifies several of the seven functions and effects of advertising. Describe how the ad addresses each one.
4. Visit the Web site for the Mini at <http://miniusa.com>. Look carefully at the first page to get a sense of the

information the advertiser wants you to see and experience when you first arrive. What links are you interested in exploring and why? Investigate your options for customizing your own Mini, for meeting other Mini owners, for playing games, and for finding a dealership. Consider how aspects of the Web site help to inform you about the brand personality of the Mini. For example, what must you agree to in order to create a custom Mini convertible? How much information about the marketing mix for the Mini can you learn from the Web site?

