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MindTap at
brain.com.

169 million monthly visitors. Users vote "up" or "down" on topics suggested by contributors. "Hotter" topics get discussed and draw comments; "cooler" topics usually are dropped. Site users call themselves "redditors."

Skype *skype.com*

Skype users can do voice calls or video chats from their computers, tablets and mobile devices via the Internet to other devices or telephones or smartphones. Users also can send instant text and video messages, exchange files and images and create conference calls. Most of the service is free, but users are required to use "Skype Credit" or a subscription to call landline or mobile numbers.

The Verge *theverge.com*

The Verge delivers information about the latest technology trends and products as well as content and information from a variety of locations around the world, including North and South America, Europe and Asia.

Vine *vine.com*

Users can watch, create and share short, looping videos—anytime, anywhere—through videos or "Vines" worldwide via their computer or smartphone.

MindTap® Log on to
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Media/Impact to
access a variety of additional material—including
learning objectives, chapter readings with high-
lighting and note-taking, **Impact/Action Videos**,
activities, and comprehension quizzes—that will
guide you through this chapter.

ADVERTISING CATCHING CONSUMERS

10



What's Ahead?

- Advertising Supports Mass Media
- Advertising Feeds Consumerism
- Media Compete Fiercely for Clients
- Ads Share Three Characteristics
- Advertising at Work
- Federal Government Regulates Advertisers
- Ads Compete for Your Attention
- Mass Media Industries Depend on Advertising
- Global Marketing Delivers New Audiences
- Marketers Use Demographics
- Internet Delivers Display, Search and Social Networks

“Interactive advertising revenue is on a strong upward trajectory. Marketers across all advertising categories are increasing their investment in digital media.”

—SHERRILL MANE, INTERNET ADVERTISING BUREAU

American consumers pay for most of their media (newspapers, magazines, radio and television) by watching, listening to and reading advertisements. The American Marketing Association defines advertising as “any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.”

You pay directly for books, movies and recordings, although these media use advertising to sell their products. But the broadcast programs you want to hear and see, the articles you want to read and the Internet sites you use every day are filled with advertisements placed by companies that want to sell you products. In 2014, U.S. businesses spent \$181 billion—\$567 per person—to advertise their products to American consumers, more than any other country in the world. (See **Illustration 10.1**, “In Which Countries Do Marketers Spend the Most *per Person* for Advertising?” p. 201.)

Advertising Supports Mass Media

Advertising is not a mass medium. Advertising carries the messages that come to you from the people who pay for the American mass media. Advertising is at least 3,000 years old. In 1200 B.C., the Phoenicians painted messages on stones near paths where people often walked. In the 6th century B.C., ships that came into port with products on board sent criers around town with signboards to announce their arrival.

In the 13th century A.D., the British began requiring trademarks to protect buyers and to identify the makers

of quality products. The first printed advertisement was prepared by printer William Caxton in England in 1478 to sell one of his books.

Advertising became part of the American experience even before the settlers arrived. “Never was there a more outrageous or more unscrupulous or more ill-informed advertising campaign than that by which the promoters for the American colonies brought settlers here,” writes historian Daniel J. Boorstin. “Brochures published in England in the 17th century, some even earlier, were full of hopeful overstatements, half-truths, and downright lies, along with some facts which nowadays surely would



“To tell you the truth, I don't think the average consumer will notice. Run with it.”

Buehler/Carlinistock.com

IMPACT

Global



ILLUSTRATION 10.1

In Which Countries Do Marketers Spend the Most *per Person* for Advertising?

In 2014, marketers spent more money *per person* on advertising in the U.S. than in any other

country. Smaller countries, such as Norway and the UK, rank high on the list of advertising dollars spent per person because their populations are small.

Advertisers in China and India spend aggressively on advertising,

but because the total population in these countries is so much larger than that of the U.S., ad spending *per person* in China and India is much less.

“The United States Tops Ad Spending per Capita in 2014 at US \$567 per Person.” Strategy Analytics 2015 Global Advertising Forecast.

be the basis for a restraining order from the Federal Trade Commission (FTC). Gold and silver, fountains of youth, plenty of fish, venison without limit, all these were promised, and of course some of them were found.”

Advertising in Newspapers

The nation's first newspaper ad appeared in *The Boston News-Letter's* first issue in 1704 when the newspaper's editor included an ad for his own newspaper. The penny press of the 1800s counted on advertising to underwrite its costs.

In 1833, the *New York Sun* candidly said in its first issue: “The object of this paper is to lay before the public, at a price within the means of everyone, all the news of the day and at the same time afford an advantageous medium for advertising.” Three years later, the *Philadelphia Public Ledger* reported that “advertising is our revenue, and in a paper involving so many expenses as a penny paper, and especially our own, the only source of revenue.”

Because they were so dependent on advertisers, newspapers in the 1800s accepted any ads they could get. Eventually, customers complained, especially about the patent medicines that advertised cures for every imaginable disease and often delivered unwelcome hangovers. (Many of these medicines contained mostly alcohol.)

Products like Anti-Corpulence pills claimed they would help someone lose 15 pounds a month: “They cause no sickness, contain no poison and never fail.” Dr. T. Felix Couraud's Oriental Cream guaranteed it would “remove tan, pimples, freckles, moth patches, rash and skin diseases and every blemish on beauty.”

The newspaper publishers' response to complaints was to develop an open advertising policy, which meant newspapers would accept advertising from anyone who paid for it. This allowed the publishers to continue accepting the ads and then criticize the ads on their editorial pages. The *Public Ledger* described its policy this way: “Our advertising columns are open to the ‘public, the

whole public, and nothing but the public.' We admit any advertisement of any thing or any opinion, from any persons who will pay the price, excepting what is forbidden by the laws of the land, or what, in the opinion of all, is offensive to decency and morals."

But some editors did move their ads, which had been mingled with the copy, to a separate section. Advertising historian Stephen Fox says:

Advertising was considered an embarrassment . . . the wastrel relative, the unruly servant kept backstairs and never allowed into the front parlor. . . . A firm risked its credit rating by advertising; banks might take it as a confession of financial weakness.

Everyone deplored advertising. Nobody—advertiser, agent or medium—took responsibility for it. The advertiser only served as an errand boy, passing the advertiser's message along to the publisher: the medium printed it, but surely would not question



The U.S. advertising industry collected \$181 billion in 2014. Procter & Gamble, maker of many familiar products (including Duracell batteries, Pampers diapers, Gillette blades and Crest toothpaste), spends more money on advertising in the U.S. than any other company.

the right of free speech by making a judgment on the veracity of the advertiser.

Advertising in Magazines

Until the 1880s, magazines remained wary of advertising, but Cyrus H. K. Curtis, who founded *The Ladies' Home Journal* in 1887, promoted advertising as the way for magazines to succeed.

Once when he was asked what made him successful, he answered, "Advertising. That's what made me whatever I am. . . . I use up my days trying to find men who can write an effective advertisement." When Curtis hired Edward Bok as editor, Bok began a campaign against patent medicine ads and joined *Collier's* and the American Medical Association to seek government restraints. Congress created the Federal Trade Commission (FTC) in 1914, and part of its job was to monitor deceptive advertising. The FTC continues to be the major government watchdog over advertising (see "Federal Government Regulates Advertisers," p. 212).

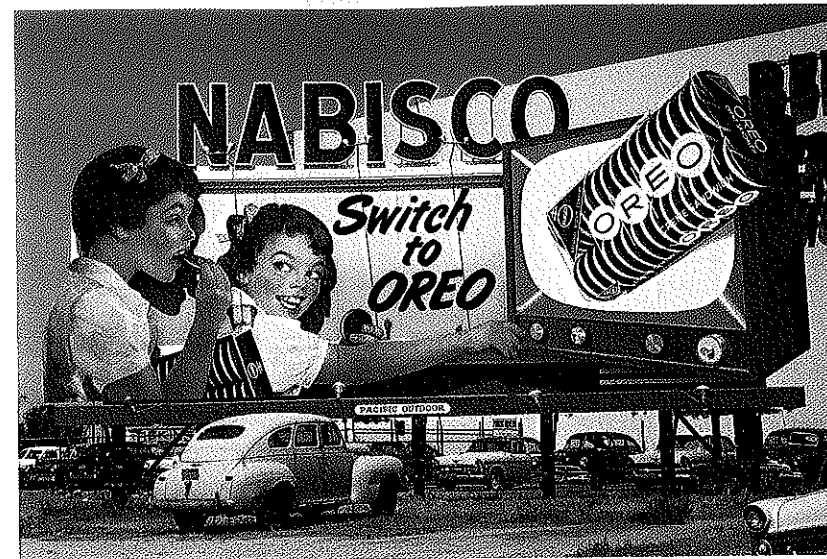
Advertising on Radio

WEAF in New York broadcast its first advertisement in 1922, selling apartments in New Jersey. B. F. Goodrich, Palmolive and Eveready commercials followed. In September 1928, the Lucky Strike Dance Orchestra premiered on NBC, and Lucky Strike sales went up 47 percent. More cigarette companies moved to radio, and Camel cigarettes sponsored weekly, then daily, programs.

Sir Walter Raleigh cigarettes sponsored the Sir Walter Raleigh Revue. In one hour, the sponsor squeezed in 70 references to the product, according to Stephen Fox in *The Mirror Makers: A History of American Advertising and Its Creators*. "The theme song ('rally round Sir Walter Raleigh') introduced the Raleigh Revue in the Raleigh Theater with the Raleigh Orchestra and the Raleigh Rovers; then would follow the adventures of Sir Walter in Virginia and at Queen Elizabeth's court, with ample mention of his cigarettes and smoking tobacco," according to Fox. In 1938, for the first time, radio collected more money from advertising than magazines did.

Advertising on Television

Television began as an advertising medium. Never questioning how television would be financed, the TV networks assumed they would attract commercial support. They were right. In 1949, television advertising totaled \$12.3 million. One year later, the total was \$40.8 million. In 1951, advertisers spent \$128 million on television. In 2014, TV advertising revenue in the U.S. totaled **\$78 billion**.



In the 1950s, many advertisers shifted their marketing dollars from radio to television. This 1950s Nabisco billboard in Los Angeles promotes the fact that Oreos are now advertised on TV.

In a practice adopted from radio, television programs usually carried **direct sponsorship**. Many shows, such as *Camel News Caravan*, carried the sponsor's name in the title and advertised just one product (Camel cigarettes). Advertising agencies became television's programmers. "Given one advertiser and a show title often bearing its name, viewers associated a favorite show with its sponsor and—because of a 'gratitude factor'—would buy the products," writes Fox.

Alfred Hitchcock became legendary for leading into his show's commercials with wry remarks about the sponsor: "Oh dear, I see the actors won't be ready for another 60 seconds. However, thanks to our sponsor's remarkable foresight, we have a message that will fill in here nicely." But Hitchcock's sarcasm was the exception, and the television industry today relies heavily on advertising support.

Advertising on the Internet

Advertisers flocked to major Internet sites when they were first launched. They expected quick returns, as consumer use of the Internet skyrocketed. At first, advertisers primarily used banner advertising, which meant their advertising messages scrolled across a Web site or appeared in a box on the site.

Internet sites also tried **pop-up** advertisements, which meant an ad popped up either behind a Web site screen when someone left the site or on top of the Web site home page when someone first visited. Advertisers quickly learned, however, that no matter how they packaged the message, advertising on an Internet site didn't necessarily bring increased sales for their products.

What advertisers call the **click-through rate** (the percentage of people who see an advertising message on an Internet site and actually click through to learn more) is less than 1 percent. This is a very disappointing return, especially because Web site advertising can be expensive. By 2015, Internet ad spending reached \$51 billion. Advertisers today are still trying to figure out the magic formula to reach consumers on the Internet, and they're willing to spend a lot of money to try to find out what works.

Ford, BMW, Coca-Cola and Absolut Vodka created "advertainment" on their Web sites—short movies (2 to 11 minutes) featuring lots of action and familiar movie stars. Many marketers are using **viral marketing** to try to reach younger audiences. Viral mar-

keting means creating an online message that is so entertaining or interesting that consumers pass it along through social media, such as Facebook and Twitter, and by e-mail links. The message becomes an online "virus" that promotes a product without the expense of a paid commercial.

These new approaches are meant to make Internet advertisements seem less like advertisements—further blurring the line between information, entertainment and advertising. (See **Impact/Profile**, "The Advertising Networker: Sir Martin Sorrell of WPP," p. 204.)

Ads Share Three Characteristics

The word *advertise* originally meant to take note or to consider. By the 1700s, the word's meaning had changed. *To advertise* meant "to persuade." "If we consider democracy not just a political system," says Daniel J. Boorstin, "but as

Direct Sponsorship A program that carries an advertiser's name in the program title.

Pop-Up An advertisement on a Web site that appears on the screen either behind a Web page when someone leaves the site or on top of the Web site home page when someone first visits.

Click-Through Rate The percentage of people who see an advertising message on an Internet site and actually click through to learn more.

Viral Marketing Creating an online message that is entertaining enough to get consumers to pass it on over the Internet like a virus.

IMPACT

Profile

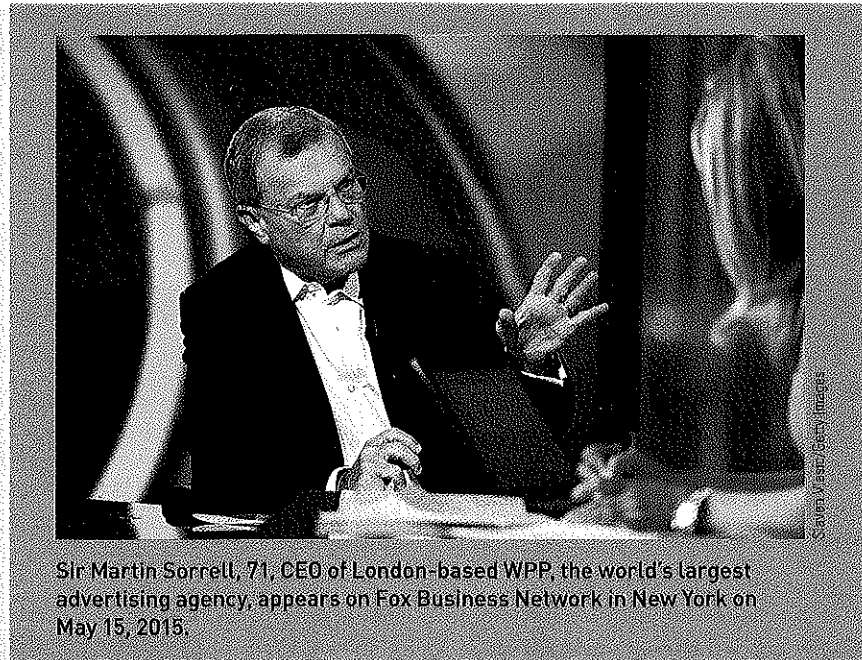
The Advertising Networker: Sir Martin Sorrell of WPP

By Andrew Hill, Financial Times

When chief executives meet in Sir Martin Sorrell's absence, they sometimes deliberately email him simultaneously to test how quickly he replies and to whom. The chief executive of WPP, the world's largest advertising agency by revenue, is rarely offline, whether at a private dinner, a conference or a board meeting, his thumbs flashing terse replies back to contacts, colleagues, customers and the media. His rapid reaction time is legendary, triggering the occasional rumour (which Sorrell denies) that he has a team of assistants responding under his name.

Philip Lader, WPP's chairman and former US ambassador to Britain, recalls sitting behind Sorrell at the Wimbledon finals. When the match was over, Lader's wife whispered: "Did he ever look up from the BlackBerry?" These days, the response is as likely to come from his iPhone 6. But while Sorrell says he still loves his two BlackBerrys (one on a US network, one on a British network), he also carries something much more precious: a "letter of wishes" from his father, Jack, dated a year before his death in 1989. "It's a very deep letter," says Sorrell, one which contains the message that "no matter how dark the clouds are, [you must] have no fear."

That advice has stood Sorrell in good stead. Through a combination of prolific deal-



Sir Martin Sorrell, 71, CEO of London-based WPP, the world's largest advertising agency, appears on Fox Business Network in New York on May 15, 2015.

making, relentless communication, near-constant travel and tireless promotion of himself and his company, Sorrell has turned a small maker of wire baskets—Wire & Plastic Products—into a vast marketing, media and communications conglomerate, with a stock market valuation of more than £20bn [\$31 billion US]. After 30 years, WPP now embraces some of the best-known names in marketing, advertising and public relations, including Ogilvy & Mather, J Walter Thompson and Burson-Marsteller.

In the process, Sorrell has become one of the best-connected executives in the world. Sorrell has won the sometimes-reluctant respect of rivals and the admiration of peers for turning advertising and marketing from a creative cottage industry into an efficient and global money machine.

The WPP chief executive turned 70 on Valentine's Day [2014] and everyone agrees he is likely to cling to his position, even if it means dying in harness. How long

does Sorrell himself think he can continue?

"I will carry on as long as I can or as long as people will have me. At some point in time people will cart you off to the glue factory," Sorrell says, in an interview just before his birthday. "I enjoy it... When you start something—you start an idea, you start a company—it's something that you live and breathe."

The advertising magnate is a voluble, engaging but elusive subject. Sitting at the boardroom table in WPP's London mews headquarters, he deftly diverts more personal lines of questioning into a dead end of well-polished stories. The time he tried to call Eddie George, former governor of the Bank of England (the switchboard, having heard his explanation of what WPP was, put him through to the marketing department). The meeting he will have the next day—in California—with Sheryl Sandberg of Facebook. His energy and deep interest are evident; his age—seemingly irrelevant.

a set of institutions which do aim to make everything available to everybody, it would not be an overstatement to describe advertising as the characteristic rhetoric of democracy."

Boorstin says that advertising in America shares three characteristics: repetition, style and ubiquity.

Repetition

In 1851, when Robert Bonner bought the *New York Ledger*, he wanted to advertise his newspaper in the competing *New York Herald*, owned by James Gordon Bennett. Bennett limited all his advertisers to the same type size, so Bonner paid for an entire page of the *Herald*, across which he repeated the message "Bring home the *New York Ledger* tonight." This is an early example of advertising's widespread practice of repeating a simple message for effect.

An Advertising Style

At first, advertising adopted a plain, direct style. Advertising pioneer Claude Hopkins, says Boorstin, claimed: "Brilliant writing has no place in advertising. A unique style takes attention from the subject. . . . One should be natural and simple. . . . [I]n fishing for buyers, as in fishing for bass, one should not reveal the hook." The plain-talk tradition is a foundation of what advertisers call modern advertising. But advertising today often adopts a style of hyperbole, making large claims for products. Boorstin calls this "tall-talk."

The tall-talk ad is in the P. T. Barnum tradition of advertising. Barnum was a carnival barker and later impresario who lured customers to his circus acts with fantastic claims. You may recognize this approach in some of the furniture and car ads on television, as an announcer screams at you that you have only a few days left until all the chairs or all the cars will be gone.

Both plain talk and tall-talk combine, Boorstin says, to create advertising's new myth. "This is the world of the neither true nor false—of the statement that 60 percent of the physicians who expressed a choice said that our brand of aspirin would be more effective in curing a simple headache than any other brand. . . . It is not untrue, and yet, in its connotation it is not exactly true."

Ubiquity

In America, advertising is everywhere. Advertisers are always looking for new places to catch consumers' attention.



In the U.S., advertising is everywhere—it is ubiquitous. Surrounded by palm trees, a Coca-Cola ad sprouts above the right field bleachers at Dodger Stadium in Los Angeles.

Ads appear on shopping carts, on video screens at sports stadiums, atop parking meters. Says Daniel Boorstin, "The ubiquity of advertising is, of course, just another effect of our uninhibited efforts to use all the media to get all sorts of information to everybody everywhere. Since the places to be filled are everywhere, the amount of advertising is not determined by the needs of advertising, but by the opportunities for advertising, which become unlimited."

In some cases, this ubiquity works to advertising's disadvantage. Many advertisers shy away from radio and TV because the ads are grouped so closely together. In 1986, in an attempt to attract more advertisers, TV began selling the "split-30" ad, which fits two 15-second ads into a 30-second spot. Even 10-second ads are available. Whenever these shorter commercials are sold, the station runs twice or three times as many ads for different products, crowding the commercial time even more. Too many ads that run together make it hard for one ad to grab consumers' attention.

Ads Compete for Your Attention

To sell the products, advertisers must catch your eye or your ear or your heart (preferably all three). A study by the Harvard Graduate School of Business Administration reported that the average American is exposed to at least 500 ads a day.

With so many ads competing for your attention, the advertiser must first get you to read, listen to or watch one ad instead of another. "The immediate goal of advertising [is to] tug at our psychological shirt sleeves and slow us down long enough for a word or two about whatever

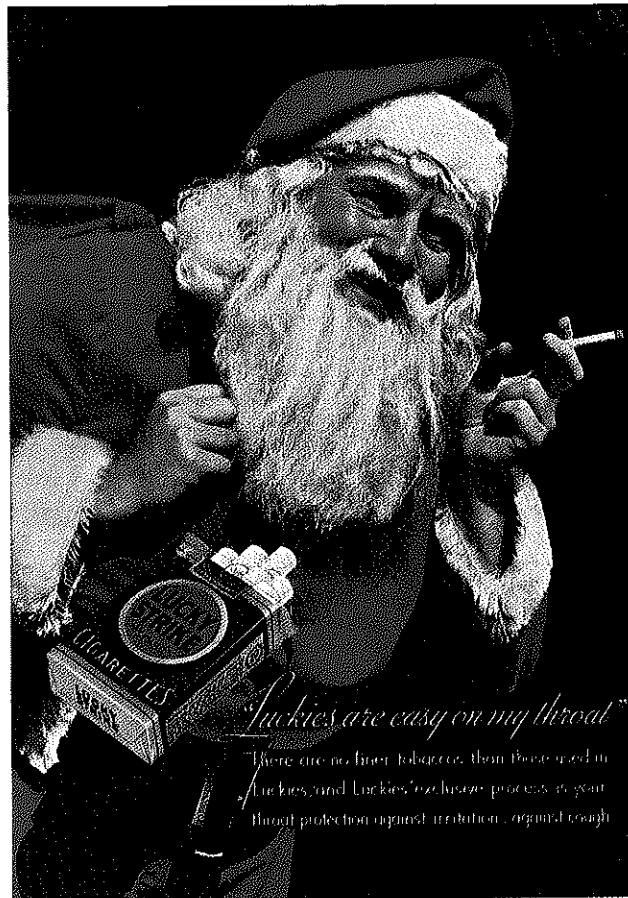
is being sold," says humanities and human sciences professor Jib Fowles in *Mass Advertising as Social Forecast*. Research shows there are at least 15 common ways ads appeal to consumers.

15 Ways Ads Appeal to Consumers

You make your buying decisions based on several sources of information besides advertising: friends, family and your own experience, for example. To influence your choices, the advertising message must appeal to you for some reason as you sift through the ads to make judgments and choose products.

Fowles enumerated 15 appeals, which he calls an "inventory of human motives," that advertisers commonly use in their commercials:

1. Need for sex. Surprisingly, Fowles found that only 2 percent of the television ads he surveyed used this appeal. It may be too blatant, he concluded, and often detracts from the product.



Advertisers use at least 15 different types of appeals to attract consumers. This 1935 ad shows Santa Claus promoting Lucky Strike cigarettes. Which of the 15 appeals listed by Jib Fowles does this ad use?

2. Need for affiliation. The largest number of ads uses this approach: You are looking for friendship. Advertisers can also use this negatively, to make you worry that you'll lose friends if you don't use a certain product.
3. Need to nurture. Every time you see a puppy or a kitten or a child, the appeal is to your maternal or paternal instincts.
4. Need for guidance. A father or mother figure can appeal to your desire for someone to care for you, so you won't have to worry. Betty Crocker is a good example.
5. Need to aggress. We all have had a desire to get even, and some ads give you this satisfaction.
6. Need to achieve. The ability to accomplish something difficult and succeed identifies the product with winning. Sports figures as spokespersons project this image.
7. Need to dominate. The power we lack is what we can look for in a commercial: "Master the possibilities."
8. Need for prominence. We want to be admired and respected, to have high social status. Luxury car ads and ads for diamond rings offer this potential.
9. Need for attention. We want people to notice us; we want to be looked at. Cosmetics are a natural for this approach.
10. Need for autonomy. Within a crowded environment, we want to be singled out, to be "a breed apart." This can also be used negatively: You may be too ordinary without a particular product.
11. Need to escape. Flight is very appealing; you can imagine adventures you cannot have. The idea of escape is pleasurable.
12. Need to feel safe. To be free from threats, to be secure is the appeal of many insurance and bank ads.
13. Need for aesthetic sensations. Beauty attracts us, and classic art or dance makes us feel creative, enhanced.
14. Need to satisfy curiosity. Facts support our belief that information is quantifiable, and numbers and diagrams make our choices seem scientific.
15. Physiological needs. Fowles defines sex (item 1) as a biological need, and so he classifies our need to sleep, eat and drink as physiological. Advertisements for juicy pizza are especially appealing late at night.

Marketers Use Demographics

Advertisers target their messages to an audience according to the audience's needs. But an advertiser also seeks to determine the audience's characteristics. This analysis of observable audience characteristics is called **demographics**.

Demographics are composed of data about a target audience's gender, age, income level, marital status, geographic location and occupation. These data are observable because they are available to advertising agencies through census data and other sources. Advertising agencies use demographic audience analysis to help advertisers target their messages.

A motorcycle dealer certainly wouldn't want to advertise on a baby products Web site, for example; a candy manufacturer probably wouldn't profit from advertising in a diet and exercise magazine. Advertising agencies try to match a client's product to a thoroughly defined audience so each advertising dollar is well spent, such as matching an upscale bank with well-educated high earners.

Defining the audience is very important because the goal of advertising is to market a product to people who have the desire for the product and the ability to buy it. Audience analysis tells an advertiser whether there are enough people who can be targeted for a product to make the advertising worthwhile.

Advertising Feeds Consumerism

According to Louis C. Kaufman, author of *Essentials of Advertising*, critics of advertising make three main arguments:

1. Advertising adds to the cost of products. Critics of advertising maintain that advertising, like everything that is part of manufacturing a product, is a cost. Ultimately, the consumer pays for the cost of advertising. But the industry argues that advertising helps make more goods and services available to the consumer and that the resulting competition keeps prices lower.
2. Advertising causes people to buy products they do not need. Says media scholar Michael Schudson,



Critics of advertising claim that it causes consumers to buy products they don't need. The advertising industry contends the ultimate test of any product is the marketplace. A woman walks in front of several ads for the luxury brand Gucci in Tokyo, Japan.

Most blame advertising for the sale of specific consumer goods, notably luxury goods (designer jeans), frivolous goods (pet rocks), dangerous goods (cigarettes), shoddy goods (some toys for children), expensive goods that do not differ at all from cheap goods (non-generic over-the-counter drugs), marginally differentiated products that do not differ significantly from one another (laundry soaps), and wasteful goods (various un-ecological throw-away convenience goods).

3. The advertising industry contends the ultimate test of any product is the marketplace and that advertising may stimulate consumers to try a new product or a new brand, but consumers will not continue to buy an unsatisfying product.
4. Advertising reduces competition and thereby fosters monopolies. Critics point to the rising cost of advertising, especially on television, which limits which companies can afford to launch a new product or a new campaign. The industry argues that advertising is still a very inexpensive way to let people know about new products.

"The cost of launching a nationwide advertising campaign may be formidable," writes Louis C. Kaufman, "but the cost of supporting larger, nationwide sales forces for mass-marketed goods would be greater still."

Demographics Data about consumers' characteristics, such as age, gender, income level, marital status, geographic location and occupation.

Does advertising work? According to Schudson, “Apologists are wrong that advertising is simply information that makes the market work more efficiently—but so too are the critics of advertising who believe in its overwhelming power to deceive and to deflect human minds to its ends.”

“Evaluating its impact,” Kaufman says, “is more difficult than these simplicities of apology and critique will acknowledge.”

Advertising at Work

Several worldwide advertising agencies are based in the United States, but many advertising agencies are small local and regional operations. (See **Illustration 10.2**, “Top 10 Global Advertising Agencies,” below.) Advertising agencies buy time and space for the companies they represent. For this, they usually earn a commission (commonly 15 percent). Many agencies also produce television

and radio commercials, plus build and maintain Internet sites for their clients.

Depending on the size of the agency, the company may be divided into as many as six departments:

1. Marketing research
2. Media selection
3. Creative activity
4. Account management
5. Administration
6. Public relations

Marketing research examines the product’s potential, where it will be sold and who will buy the product. Agency researchers may survey the market themselves or contract with an outside market research company to evaluate potential buyers.

IMPACT

Money



ILLUSTRATION 10.2

Top 10 Global Advertising Agencies

Half the world’s top ten advertising agencies are based in the U.S., four of them in New York. The world’s biggest advertising agency is WPP, based in London (see **Impact/Profile**,

The Advertising Networker: Sir Martin Sorrell of WPP, p. 204).

*in millions
“Agency Report 2015,” *Advertising Age*, May 4, 2015, p. 46.

Media selection suggests the best combination of buys for a client—television, newspapers, magazines, billboards and/or Internet.

Creative activity thinks up the ads. The “creatives” write the copy for TV, radio, print and Internet. They design the graphic art, and often they produce the commercials. They also verify that the ad has run as often as it was scheduled to run.

Account management is the liaison between the agency and the client. Account executives handle client complaints and suggestions and manage the company team assigned to the account.

Administration pays the bills, including all the tabs for the account executives’ lunches with clients. *Public relations* planning is an extra service that some agencies offer for companies that don’t have a separate public relations office.

All these departments work together on an ad campaign. An **advertising campaign** is a planned advertising effort, coordinated for a specific time period. A campaign can last anywhere from a month to a year, and the objective is a coordinated strategy to sell a product or a service.

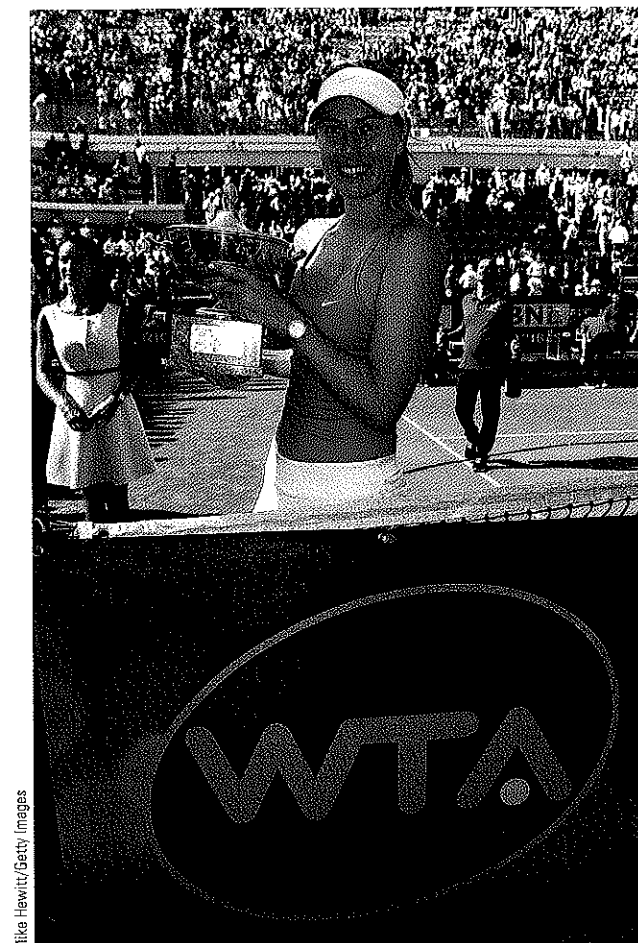
Typically, the company assigns the account executive a team of people from the different departments to handle the account. The account executive answers to the people who control the agency, usually a board of directors. The members of the campaign team coordinate all types of advertising—print and broadcast, for example—to make sure they share consistent content. After establishing a budget based on the client’s needs, the campaign team creates a slogan, recommends a strategy for the best exposure for the client, approves the design of print and broadcast commercials and then places the ads with the media outlets.

Half of the world’s biggest advertising agencies are based in New York. In part, this is by tradition because New York has always been a base for advertising companies. They also have access to a larger pool of talent and facilities such as video production studios, but today Internet technology enables greater flexibility for agencies to work from many different, even remote, cities.

Mass Media Industries Depend on Advertising

The advertising business and the media industries are interdependent—that is, what happens in the advertising business directly affects the media industries. The advertising business also is very dependent on the nation’s economic health.

If the national economy expands, the advertising business and the media industries prosper. If the nation’s economy falls into a recession, advertisers typically reduce their ad budgets, which eventually may lead to a



Mike Hewitt/Getty Images

TV sports programs are a big draw for advertisers. In 2015, the Women’s Tennis Association (WTA) signed a 10-year agreement for \$535 million for broadcast rights to all games on the WTA tour. In Rome, Italy, Maria Sharapova displays the trophy for her WTA women’s singles win at the Internazionali BNL d’Italia on May 17, 2015.

decline in advertising revenue for the agencies and for the media industries where the agencies place their ads. During a downturn, advertisers also may change their advertising strategies—choosing the Internet over television, for example, because the Internet is much less expensive.

The advertising industry today, therefore, must be very sensitive to economic and media trends. The success of an ad agency is best measured by the results an ad campaign brings. The agency must analyze the benefits of different types of advertising—broadcast, print, Internet—and recommend the most efficient combinations for its clients. (See **Illustration 10.3**, “Top 10 Advertisers in the United States,” p. 210.)

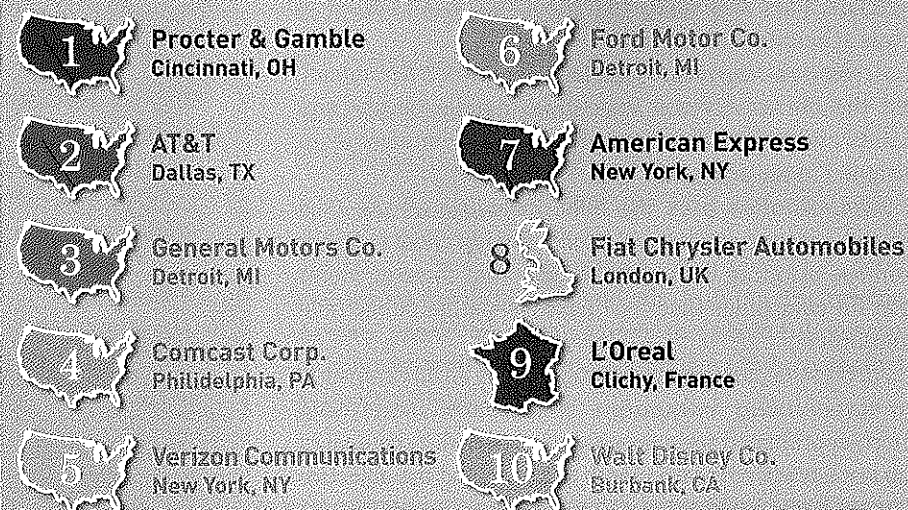
Advertising Campaign A planned advertising effort, coordinated for a specific time period.

ILLUSTRATION 10.3

Top 10 Advertisers in the United States

Auto manufacturers, such as General Motors, Ford, Toyota and Fiat Chrysler, always have spent a lot of money to advertise their products to American consumers. Telecommunications companies, such as AT&T (2), Comcast (4) and Verizon (6), spend nearly as much as or more than General Motors (which ranks 3) on U.S. advertising. Only three of the top ten U.S. advertisers are companies based outside the U.S.

2015 Advertising Age Marketing Fact Pack, December 29, 2014.



Commercials on Television

Even though the cost seems exorbitant, sponsors continue to line up to appear on network television. "Advertisers must use television on whatever terms they can get it, for television is the most potent merchandising vehicle ever devised," writes TV producer Bob Shanks in his book *The Cool Fire: How to Make It in Television*. Shanks is talking about national advertisers who buy network time—companies whose products can be advertised to the entire country at once.

Advertising minutes within every network prime-time hour are divided into 10-, 15- and 30-second ads. If an advertiser wants to reach the broad national market, television is an expensive choice because the cost for a 30-second commercial on the highest-rated network sitcom, such as *The Big Bang Theory*, is \$345,000. The price tag for a 30-second commercial reaches \$4.5 million for a widely watched program such as the Super Bowl, but many other sports attract large audiences for advertisers. In 2015, for instance, the Women's Tennis Association (WTA) signed the biggest single commercial contract in the history of women's sports—\$535 million over ten years for broadcast rights to every game in the WTA tour. (See *Impact/Money*, "What It Costs," p. 214.)

National advertising on TV network programs is bought by national advertising agencies, which handle

the country's biggest advertisers—Procter & Gamble and McDonald's, for example. These companies usually have in-house advertising and public relations departments, but most of the advertising strategy and production of commercials for these companies is handled by the agencies. National agencies buy advertising space based on a careful formula, calculated on a cost-per-thousand (CPM) basis—the cost of an ad per 1,000 people reached (M is the Roman numeral for 1,000).

Making a TV commercial for national broadcast is more expensive per minute than making a television program because each company wants its ads to be different from the rest. The price to create a TV commercial can run more than \$1 million a minute. That may be why, as one producer said, "the commercials are the best things on TV." Network television commercials certainly are the most visible type of advertising, but not everyone needs the reach of network television. The goal of well-placed advertising is to deliver the best results to the

CPM Cost per thousand, the cost of an ad per 1,000 people reached. (M is the Roman numeral for 1,000.)

client for the lowest cost, and this may mean looking to other media.

Using Print and Radio

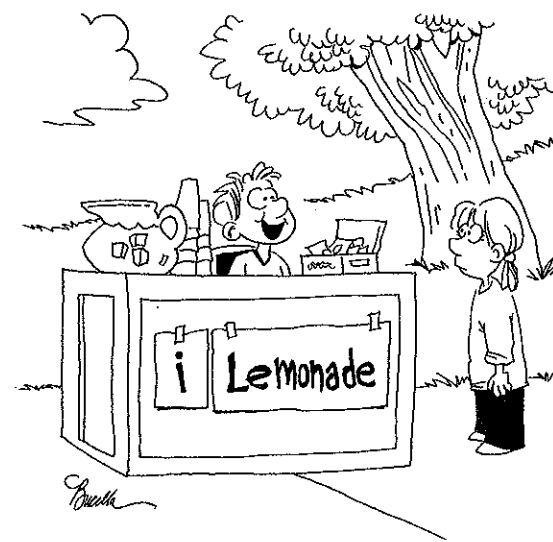
Different types of media deliver different types of audiences. Advertising agencies may buy time and space on local radio and in newspapers and magazines to target a specific audience by demographics: age, education, gender and income. A radio station with a rock format delivers a different audience than an easy-listening station does. *The New York Times* delivers a different reader than the *Honolulu Advertiser*. *Sports Illustrated* targets a different group than *Vogue*.

Language also can be a targeting factor. Some agencies use Spanish-language media to target Latino consumers, for example, on a Spanish-language radio station or in a Spanish-language newspaper.

With newspaper and magazine circulation declining, and over-the-air radio audiences migrating to satellite radio or listening to their iPods, Internet advertising is quickly becoming the fastest growing avenue for advertisers to reach consumers.

Internet Delivers Display, Search and Social Networks

The Internet offers the largest potential audience, but consumers also can quickly click past ads on the Web so advertisers have become clever at placing Internet ads within and around the sites themselves. Internet ads run as banners that appear at the top of the page or alongside the copy.



Merry Bucella, CartoonStock.com

"I don't know what it means, but sales have skyrocketed since I put the 'i' in front of it."

Another successful method of access to consumers through the Internet is **search advertising**, often called simply **search**. Advertisers pay Internet companies fees to list and/or link their company's site domain name to a specific search word or phrase. If a consumer searches for "Car Insurance," for example, the next screen will show information about car insurance, and the sides and top of the screen also might show ads for cars at the local dealership. Search advertising accounts for nearly half of all Internet advertising revenue today, according to the Internet Advertising Bureau, which divides search advertising into four types:

1. **Paid listings:** Places links at the top or side of the screen next to search results.
2. **Contextual search:** Places text links in the article based on the context of the content.
3. **Paid inclusion:** Guarantees that a search engine indexes a marketer's URL, so that when someone searches for something, the marketer's URL shows up.
4. **Site optimization:** Fixes a site so search engines can more easily index the site.

Social networks such as Facebook and YouTube offer even more marketing outlets. An ad campaign today can include a presence on Facebook, a YouTube video promoting the product or a carefully orchestrated Twitter campaign to take advantage of timely marketing moments.

Branded content has become another way that advertisers can promote products—by using either the Internet or traditional media. Also called **content marketing** and **branded entertainment**, branded content is a program or story that mimics regular commercial programming or standard journalism but is custom-produced by an advertiser to promote a specific product. The content may or may not be labeled as advertising, and, in most cases, the consumer may be unaware a product is being advertised. In one campaign for Jaguar Land Rover, for example, in a

Search Advertising Advertising in the form of a list and/or link to a company's site domain name through a specific online search word or phrase.

Branded Content, Content Marketing, Branded Entertainment A program or story that mimics regular commercial programming or standard journalism but is custom-produced by an advertiser to promote a specific product and may or may not be labeled as an advertisement.

RTM Real-time marketing.

series called *Travel Channel's Road to the Unexpected*, a Travel Channel host drives a Land Rover on adventures in Bolivia, Britain, Jamaica and Quebec.

"Interactive advertising revenue is on a strong upward trajectory," according to Sherrill Mane of the Internet Advertising Bureau. "Nearly all types of ad formats are showing positive movement and marketers across all advertising categories, most notably consumer packaged goods and pharmaceuticals, are increasing their investment in digital media."

Media Compete Fiercely for Clients

The competition among the media industries for advertisers is fierce:

- ▶ A study commissioned by the American Newspaper Publishers Association reveals that only one in five prime-time adult viewers could remember the last ad they had seen on television.
- ▶ Print advertisers claim that because viewers can so easily change channels and skip the ads, TV commercials are an unreliable way to deliver an audience.
- ▶ "Radio is the medium working women don't have to make time for," boasts the Radio Advertising Bureau (RAB). Whereas working women spend 15 percent of their daily media time reading a newspaper, they spend half of their media time with radio, says the RAB.
- ▶ The Internet Advertising Bureau says that mobile advertising is growing faster than any other type of marketing.

Advertising agencies gather demographic information provided by Nielsen for broadcast and the Internet and by the Alliance for Audited Media for print; the audience is converted into numbers. Based on these numbers, agencies advise advertisers about how to best reach buyers for their products, for example, by advertising regionally or online.

For example, Danielle's Health and Fitness Salon, a small local business, does not need to advertise on the *Tonight Show* or in *The New York Times*. Danielle and other local business owners may need to reach only their local communities. Businesses larger than the fitness salon, such as a car dealer or a furniture store, could buy local TV or radio time but also establish an Internet site to attract buyers from outside the geographic area.

A local advertising agency can design a campaign, produce the ad and place the ad just as the national agencies do, but on a much smaller scale. Many small companies design and place their own ads directly with local media. To attract customers, local media also help companies design their ads. Newspapers, for example, will help a small advertiser prepare an ad using ready-made art.

A radio or television station may include the services of an announcer or access to a studio in the price for a series of spot ads. Broadcast stations sometimes trade ads for services offered by the advertiser—dinner for two at the local restaurant in return for two spot ads, for example. Then the station gives the dinners away as a promotion for a local program.

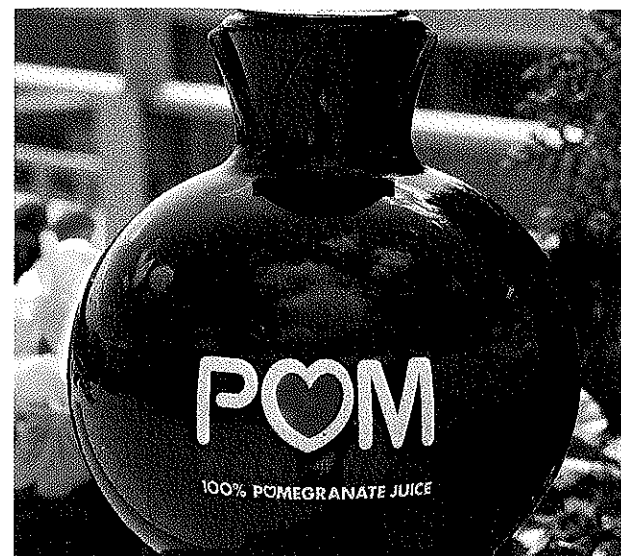
The Internet has added another dimension for small, local companies. With Internet access, you can sell your local product from Boise, Idaho, anywhere in the world. Many small companies design their own Web sites, or hire a Web site designer, bypassing an ad agency altogether. They also can list their products on a consumer Web site such as eBay or Etsy or place a product demonstration on a social networking site such as YouTube.

Federal Government Regulates Advertisers

Government protection for consumers dates back to the beginning of the 20th century when Congress passed the Pure Food and Drug Act in 1906, mainly as a protection against patent medicine ads that magazines were running (see **Chapter 4**). The advertising industry itself has adopted advertising standards, and in some cases the media have established their own codes.

Government oversight is the main deterrent against deceptive advertising. This responsibility is shared by

In 1906, the U.S. Congress passed the Pure Food and Drug Act, primarily to protect consumers against patent medicine ads like this one for Carter's Little Liver Pills, which promises to cure a variety of ailments, including dizziness, nausea, pain in the side and bad taste in the mouth.



Advertisers in the United States are subject to FTC and FDA regulation. Based on an FTC complaint against POM Wonderful beverage, the U.S. Supreme Court ruled in 2014 that beverage companies can be sued if their product labels would "mislead and trick consumers."

several government agencies: the Federal Trade Commission, the Food and Drug Administration and the Federal Communications Commission.

Federal Trade Commission

The mission of the Federal Trade Commission, established in 1914, is "to prevent business practices that are anticompetitive or deceptive or unfair to consumers; to enhance informed consumer choice and public understanding of the competitive process; and to accomplish this without unduly burdening legitimate business activity." If the FTC determines an ad is deceptive, the commission can order the advertiser to stop or revise the campaign.

The commission also can require corrective advertising to counteract the deception. In 2012, an administrative law judge issued a cease-and-desist order against the company that produced POM Wonderful juice, which the company advertised as offering health benefits that could treat, prevent or reduce the risks of heart disease and prostate cancer.

The order was based on a complaint filed by the FTC in 2010. The judge's order said the company "shall not make any representation, in any manner, expressly or by implication, including through the use of a product name, endorsement, depiction, illustration, trademark or trade name, about the health benefits, performance or efficacy of any covered product."

In a subsequent hearing on the case, the U.S. Supreme Court ruled unanimously in 2014 that beverage

companies can be sued if their product label would "mislead and trick consumers."

The Federal Trade Commission and the Bureau of Alcohol, Tobacco and Firearms (BATF) regulate the spirits industry, but neither agency has the authority to ban hard liquor ads on television. Although beer and wine advertisements have appeared on TV for decades, the TV networks traditionally did not advertise hard liquor, operating under a voluntary Code of Good Practice. In 1996, some liquor companies challenged the voluntary ban by placing ads on local television.

Seagram's, the first company to question the ban, advertised Crown Royal whiskey on a local TV station in Texas. "We believe distilled spirits should have the same access to electronic media, just the same way beer and wine do," said Arthur Shapiro, executive vice president in charge of marketing and strategy for Seagram's in the United States.

Because hard liquor advertising means a great deal of revenue, the TV networks did not resist, and hard liquor ads on TV are now quite common.

Food and Drug Administration

The Food and Drug Administration (FDA) oversees claims that appear on food labels or packaging. If the FDA finds a label is deceptive, the agency can require the advertiser to stop distributing products with that label. In the case against POM Wonderful, for example, the FTC said the company had made health benefit claims on its labels that had not been reviewed by the Food and Drug Administration, and on that basis the government filed a claim against the company.

Federal Communications Commission and Other Agencies

The Federal Communications Commission (FCC) enforces rules that govern the broadcast media. The FCC's jurisdiction over the broadcast industry gives the commission indirect control over broadcast advertising. In the past, the FCC has ruled against demonstrations of products that were misleading and against commercials the FCC decided were tasteless, but the FTC and the FDA are the primary enforcement agencies for advertising regulation. Other government agencies, such as the Environmental Protection Agency and the Consumer Product Safety Commission, also can question the content of advertisements.

Advertising agencies have formed the National Advertising Review Board (NARB) to hear complaints against advertisers. This effort at self-regulation among advertising agencies parallels that of some media industries, such as the movie industry's ratings code and the recording industry's record labeling for lyrics.

IMPACT

Money

What It Costs: Ad Prices From TV's Biggest Buys to the Smallest Screens**\$400,000**

The average outlay for a commercial during the fifth season of AMC's *The Walking Dead*, making it the costliest scripted series on TV. The Oct. 12, 2014, season premiere drew 17.3 million viewers; the March 29 [2015] season finale, 15.8 million.

\$750,000

The amount Snapchat demands per "Brand Story" ad, a branded post (or "snap") that appears within the app's "Stories" feed. Snapchat doesn't disclose user numbers.

\$35

The cost for a thousand impressions on Hulu for standard, run-of-site, in-stream video ads, with a minimum requirement of two ads per campaign.

\$615,000

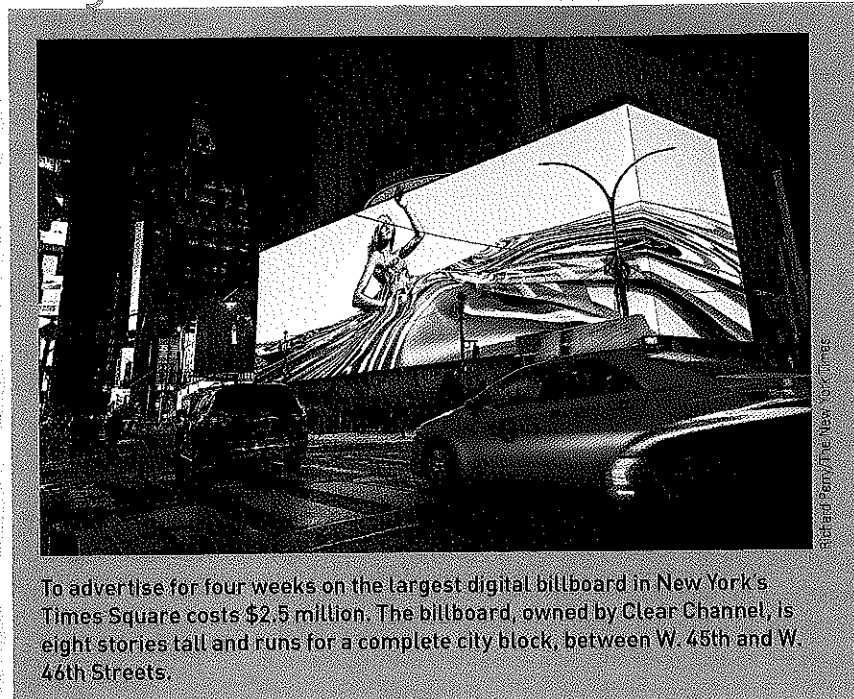
The cost of 30 seconds of ad time in the championship game of the 2015 NCAA Men's Division I Basketball Tournament on CBS. That's up from \$1.49 million in 2014. [In 2014] the championship game averaged 21.2 million viewers, down from 23.4 million in 2013.

\$112,000

The average cost for 30 seconds of commercial time in prime time broadcast TV [in 2014]. That's up from \$110,000 in 2013.

\$344,827

The average cost of a 30-second commercial during *The Big Bang Theory* on CBS, the most expensive comedy on TV. *Big*



To advertise for four weeks on the largest digital billboard in New York's Times Square costs \$2.5 million. The billboard, owned by Clear Channel, is eight stories tall and runs for a complete city block, between W. 45th and W. 46th Streets.

Bang averaged 16.7 million viewers [in 2015].

\$50,000

The cost of one full-color ad on the front page of *The New York Times*. To appear on the *Times*' front page, though, marketers must commit to a certain frequency, such as front-page ads every Tuesday for six months; the total cost of running frequent page-one ads would likely top \$1 million.

\$615,000

The price of a 30-second sliver of airtime during Fox's Sunday afternoon NFL package. [The 2014] season's eight-game slate averaged 26.6 million viewers and a 15.5 household rating, making it TV's most-watched and highest-rated program.

\$20

The cost of a thousand impressions for a sponsored photo on Instagram, down from \$40 in 2013 when Instagram first rolled out ads.

Instagram says more than 300 million people around the world check out the photo-sharing app each month. Instagram's minimum ad spend is \$200,000.

\$2.5 million

The cost of four weeks on Times Square's biggest billboard, Clear Channel's eight-story sign on Broadway from West 45th Street to West 46th Street.

\$237,406

The cost of a back-cover ad on *Vogue*, which claims a total readership of 12.7 million.

\$675,000

The daily rate for YouTube's universal video masthead ad, which runs across YouTube's Web site and apps. YouTube attracted 210.4 million people to its desktop and mobile Web sites in January [2015].

\$8 to \$10

The average cost of a thousand impressions for a sponsored product on BuzzFeed.

Global Marketing Delivers New Audiences

When U.S. products seek international markets, and international products want to reach American consumers, the marketers' job is to design appealing campaigns to reach those consumers. Global industries often also use American advertising agencies to help them sell products in the United States. American agencies today collect nearly half of the world's revenue from advertising.

International advertising campaigns are becoming more common for global brands, such as Ikea and Coca-Cola, and this has meant the creation of international advertising markets. Cable News Network (CNN), for example, sells advertising on CNN worldwide, so that any company in any nation with CNN's service can advertise its product to a worldwide audience. Overall, billings outside the United States are commanding an increasing share of U.S. advertising agencies' business.

The most important factor for the global advertising market is emerging technology. The widespread use of the Internet creates new outlets, and new pricing, as the advertising community adapts to meet ever-changing digital media marketplace. (See **Impact/Money**, "What It Costs," p. 214.)

Another factor in the future of advertising is shifting demographic patterns. As the ethnicity, education and



International marketing campaigns are becoming more common for global products. On May 28, 2015, Swedish retailer Ikea opened a Breakfast in Bed Café in London to introduce British consumers to the unfamiliar concept of eating breakfast in bed (and promoting Ikea products at the same time).

wealth of global consumers shift, marketing programs have to adapt quickly to reach target-specific audiences. Advertisers must find new ways to encourage product loyalty when the competition for customers extends beyond national borders. Amazon, for example, faces wide-ranging competition from Chinese online global retailer Alibaba.

The challenges for the advertising business are as great as the challenges for the media industries. The advertising industry will do what it has always done to adapt—follow the audience. The challenge for the advertising business is how to efficiently and effectively match today's audiences with the product messages the media industries deliver.

REVIEW, ANALYZE, INVESTIGATE**CHAPTER 10****Advertising Supports Mass Media**

- Advertising carries the messages that come to you from the sponsors who pay for the American media.
- In 2014, U.S. businesses spent a total of \$181 billion to advertise their products to consumers—\$567 per person, more than any other country in the world.

- As early as 1200 B.C., the Phoenicians painted messages on stones to advertise.
- In the 6th century B.C., ship captains sent criers around to announce that their ships were in port.
- In the 13th century A.D., the British began requiring trademarks to protect buyers.