

CHAPTER 1

ADVERTISING IN A MARKETING COMMUNICATIONS ENVIRONMENT

LEARNING OBJECTIVES

Students will be able to:

1. Assess the role of advertising and its relationship to marketing and other elements of marketing communications
2. Identify distinctions among the various forms of advertising
3. Identify and define the various components of integrated marketing communications
4. Explain basic conditions for using advertising effectively
5. Identify critical trends and issues that have an impact on advertising and marketing communications planning
6. Describe the role that laws and regulations play in guiding marketing communications programs in Canada

CHAPTER HIGHLIGHTS

A. Advertising Today

Advertising today is a \$14 billion industry in Canada with dollar growth averaging +5% annually over the past five years. Much of the growth is being fuelled by the significant gains in digital media. Canadians generally, are spending more time with digital media than with traditional media, particularly the print media. Consequently, advertisers are allocating more one to digital media and less to traditional media. Tech-savvy consumers in the 18- to 24-year-old age range will carry their strong digital media habits forward as they age and will have much more impact on media consumption trends.

B. The Role of Advertising

Advertising is defined as:

"A paid form of marketing communication through the media designed to influence the thought patterns and purchase behaviour of a target audience."

Based on that definition, the basic **role of advertising** is to:

"Influence the behaviour of a target market in such a way that they view the product, service, or idea favourably." Once consumers hold a favourable attitude about a product or service advertising attempts to motivate them to purchase it.

Advertising plays a key role in achieving an organization's business objectives (e.g., it helps increase revenues, market share, brand loyalty, and so on). The challenge for advertisers is to deliver the right message and select the right media combinations to effectively reach and have an impact on their target audience.

C. Advertising and Integrated Marketing Communications

Companies today approach marketing communications from a "total solutions" perspective. Advertising is but one aspect of marketing communications. **IMC** involves the coordination of all forms of marketing communications into a unified program that maximizes the impact on consumers and other types of customers.

Different situations require different marketing communications mixes to get the job done. Further, companies are always looking for the most cost-effective options to deliver their message. Now, word-of-mouth via social media plays a key role. Communications is evolving from an "interrupt me" (one-way affair) model to an "engage me" model (two-way communications). It seems that people will actively engage with brands, if properly tempted. Over the long-term, such tendencies results in a stronger relationship between brand and customer. Communications play a key role in inducing engagement.

D. The Integrated Marketing Communications Mix

Advertising – Advertising is divided into two categories: consumer advertising and business advertising. **Consumer advertising** solicits a response from consumers while **business advertising** is directed at business and industry customers. **Trade advertising** encourages distributors to carry a manufacturer's product. **Corporate advertising** falls into either category depending on the nature of the communication. Corporate ads typically encourage good will, build reputation, or re-establish an organization's

credibility in a time of need (e.g., when it faces a crisis situation). **Advocacy advertising**, also referred to as **cause marketing**, is a sponsored message expressing a point of view on a publicly recognized issue.

Online (Interactive) Communications – Internet delivery of commercial messages (search advertising, banner advertising, e-mail, and video ads, and advertising in video games). Mobile communications through cell phones, another form of interactive communications, is the biggest growth area for advertising. Smart phones are growing in numbers and will become a primary medium moving forward. Advertising in social media continues to rise as advertisers learn the benefits of engagement and word-of-mouth that this medium offers. Furthermore, with its expansion, social media is now reaching all segments.

Direct Response Communications – delivering messages directly to potential customers on an individual basis (mail, e-mail, direct-response television, and 1-800 phone numbers)

Public Relations – activities influencing the attitudes and opinions of various interest groups to an organization.

Sales Promotion – activities that encourage immediate response from customers (incentives included with advertising)

Personal Selling – personalized forms of communications whereby the seller presents the benefits of a product to a buyer.

Experiential Marketing – A type of communications that engage people with a brand in a more personal manner; often the communications is face-to-face or through a communications that reaches them directly. For example, participating in an event where a branded item can play a role with the audience. Event marketing and sponsorships are core components of experiential marketing campaigns.

E. Conditions Necessary for Using Advertising Effectively

It is important for students to understand what advertising can accomplish. For advertising to be effective, certain conditions should be positive. Prior to embarking on an advertising campaign, the manager/planner should review these conditions. If they are favourable, the decision to proceed with advertising is an easy one. If less than favourable, the decision is more difficult. A discussion of these conditions is considered essential:

1. **Market (Product Category) and Product Demand** – How positive is the demand for an entire product category (e.g., demand for soft drinks (one category) versus demand for bottled water (another category in the cold beverage industry). If demand is not positive it makes little sense to invest in advertising. That said, in some categories investment in advertising is essential to protect market share.
2. **Product Life Cycle** – What stage is the product in and how does the stage influence advertising strategy? The **introduction** and **growth stages** are critical stages to invest in advertising (e.g., to create awareness, trial purchases and brand preference). Products that are mature or in decline will be better served by less expensive marketing and marketing communications alternatives. Rejuvenation programs in the mature stage are usually supported with an increase in spending on a short-term basis. **Maturity** is a stage where brands attempt to reposition themselves; repositioning strategies require an investment in advertising to make consumers aware of the change. No advertising is needed in the **decline** stage; it's simply too late for such an investment.
3. **Competitive Advantage** – Is the product distinguishable from the competition (USP/benefits)? Every brand needs something unique to say to consumers. Uniqueness can be expressed in terms of superiority, product innovation, and lifestyle associations. Brands must clearly differentiate themselves from the competition in the mind of consumers.
4. **Competitive Advertising Environment** – Who is spending and how are they spending? Are any other promotion alternatives attractive? If a company does not have the financial resources to compete on the basis of advertising (investment required to compete) it should concentrate on other aspects of the marketing communications mix and marketing mix that are less costly to implement.
5. **Product Quality** – Does the product live up to the promise (as communicated by advertising)? Securing trial purchase is costly whereas subsequent purchases are much less costly if the customer is sold on the product benefits (based on experience). The product must live up to the promises made through advertising otherwise considerable sums of money are wasted.
6. **Management Commitment** – Is advertising viewed by management as a short-term expense or a long-term investment? How committed is management to the advertising plan? Lack of commitment means budget cuts in mid-stream of a plan. Cuts can magnify problems situations further.

7. **Marketing and Marketing Communications Mix** – What role will advertising play in the marketing mix? Are all mix elements congruent with each other? A coordinated effort is essential. All pieces of the marketing and marketing communications puzzle should be on the same page—one sight, one sound, one sell!

F. Issues and Trends Influencing Contemporary Advertising Planning

The advertising agencies are always grappling with change in order to find ways of reaching consumers effectively and to meet the expectations of clients. Some of the key issues and trends that advertisers face today include:

- The transition to integrated marketing communications
- Lifestyle change and its impact on media consumption
- Technology: the Internet as content distributor for all media
- Advertising becoming more analytic in nature with rise in programmatic media buying
- Privacy concerns expressed by consumers on how their data is being used
- Social media and its influence on consumers
- The delivery of inappropriate or controversial messages

Advertisers and advertising agencies must stay abreast of changing conditions and adapt their advertising appropriately if they are to succeed. As illustrated by the list above advertisers must be careful how they use information they collect on consumers, they must deliver messages that do not mislead or alienate consumers and they must select media that effectively reach a constantly moving target.

G. Advertising Laws and Regulations

A certain amount of in-class discussion time should be allocated to discussing laws and regulations that affect the Canadian advertising industry. Two organizations are largely responsible for administering advertising laws and regulations: the Canadian Radio-television and Telecommunications Commission (CRTC) is responsible for all broadcasting laws including advertising, and are governed by the *Broadcasting Act* and the *Telecommunications Act*.

The second organization is Advertising Standards Canada, a self-regulating body that develops voluntary codes of practice which member advertisers adhere to. Their primary code is the *Canadian Code of Advertising Practice*. The ASC monitors issues such as the accuracy and clarity of messages, price claims, bait and switch practices, the use of testimonials, scientific claims, and advertising directed at children, among many other

issues. Advertising Standards Canada conducts ongoing research with consumers to gain insights into their perspectives on advertising and advertising standards.

ADDITIONAL ILLUSTRATIONS OF KEY CONCEPTS

1. Television Is Not Dead. At Least Not Yet.

Doomsayers lament the death of television and the demise of the 30-second spot. It is a debatable issue especially when you consider the viewing habits of young people. As much as 30% of Generation Y doesn't watch regular television. If they do watch they are streaming content online or watching on-demand version of their favourite programs. Other age groups are starting to follow suit.

It is important to keep things in perspective however. Advertising campaigns have different objectives and require different media solutions. For example, live sports programming on television is a staple advertising requirement for many a beer brand or automobile company. Their objective is "top-of-mind" awareness in large numbers. Therefore, placing ads on NHL, NFL and MLB television broadcasts makes perfect sense.

The Super Bowl, North America's biggest sports broadcast counters all the arguments against television advertising. At a cost of \$3.8 million (CBS 2013 game) a commercial will reach over 100 million viewers. That's a mouth-watering figure for any advertiser.

The problem with regular television is the fragmented audiences due to so many channel choices and technology, more specifically, the way people are consuming television today. Yes, the Internet is catching up but measuring the true value of online advertising investment has proven to be tricky. With uncertain value, it leaves advertising decision-makers more perplexed than ever.

Adapted from Susan Krashinsky, "100 million viewers \$3.8 million for 30-second spot," *The Globe and Mail*, February 1, 2013, p. A8."

2. Strategy Perspectives Essential in Marketing Communications Mix

There is little doubt that social media are becoming an important component of the marketing communications mix. There is plenty of proof that social media campaigns can draw audiences but the debate regarding return on investment is far from settled. Clients want to know what they are getting. They don't understand the medium but are investing in it simply because their competitors are. That's not sound strategy.

Many analysts argue that social media is great at spreading word-of-mouth. That can be positive or negative for a brand and admittedly word-of-mouth can spread fast in social media. But, “only 7% of word-of-mouth happens online,” says marketing professor Jonah Berger, of the Wharton School of Business at the University of Pennsylvania. The professor cautions marketers: “Marketers are always chasing the shiniest new toys and jumping on the bandwagon, but it’s important to take a step back and think about strategy.”

Research done by the professor indicates that the nature of communications should be different online than offline. Online marketers should emphasize different aspects of the product when presenting their brands. The message must offer some social currency. Offline is about making a brand top of mind and a time to talk about attributes and price.

Regarding word-of-mouth other researchers have discovered that empowered consumers either pay no attention to other people’s opinions or dismiss them entirely when evaluating a product. That behaviour undercuts the value of social influence. Therefore, marketers may conclude that social media offers great promise but they must remember it is just another weapon in the marketing communications arsenal.

Adapted from Susan Krashinsky, “Social Issues,” *The Globe and Mail*, August 16, 2013, p. B5.

3. IMC on the Rise

Key trends are influencing the nature of media and integrated marketing communications activities. Here are a few key trends to consider when planning campaign strategies:

Search Advertising – In the online environment vertical search advertising is the future as more publishers offer a means of reaching segmented audiences through vertical search engines.

Online Video Ads – As the quality of online video improves consumers will be more accepting of advertising messages. Video ads have great potential considering the trend away from television advertising.

Media Fragmentation – As more channels become available, marketers must make tough choices about how to reach an increasingly fragmented audience with their messages and their marketing dollars.

Direct Marketing – Direct marketing will continue to grow because it is measurable. Getting approval for media campaigns now involves showing a return on investment. While difficult in other media, this has always been an advantage of direct marketing.

Sports Marketing – Sponsoring events in sports that reach diverse audiences is now seen as a more effective means of spending marketing dollars. If sponsorship programs are implemented properly (by implementing good sales promotion and public relations programs to engage consumers with the sponsorship), the benefits are maximized.

Adapted from Kate Maddox, “New media, ROI, deliverability key to success in ’06,” *BtoB*, December 12, 2006, www.btobonline.com.

4. **Insensitive Mountain Dew Ad Draws Public Ire**

PepsiCo was forced to pull an outrageous Mountain Dew commercial that offended online viewers. A combination of blatant racism and violence toward women got the brand in lots of hot water! Shown on YouTube channels the ad depicts a badly battered women held up with crutches, being pressed by a cop to pick out a suspect from a lineup of five African-American males and a goat. A male voiceover says “Snitches get stitches, fool” and “keep your mouth shut.”

Yes, you can do things differently online but is this how you sell soda pop? Social commentator Dr. Boyce Watkins called the ad “the most racist commercial in history. PepsiCo did apologize for the ad and said the content could be perceived by some people as being offensive. Really! To their credit PepsiCo removed the ad from all Mountain Dew channels.

Adapted from Christopher Heine, “Mountain Dew Pulls ‘Arguably Most Racist Commercial’ in History,” *Adweek*, May 1, 2013, www.adweek.com.

5. **ING Direct TV Spot Hits Wrong Buttons**

Due to social media backlash and perhaps not really thinking things through in the first place, IBG Direct pulled a controversial spot that promoted RRSP accounts in 2013. The spot included images of a man sitting forlornly on a chair outside and lying motionless on a couch. The man is cured when his wife notices his condition and directs him to ING Direct website.

Peter Coleridge, CEO of the Canadian Mental Health Association called the ads “insensitive and disrespectful” to people suffering from mental illness. Given the negative feedback, Mark Nicholson of ING Direct acknowledged that their message was misinterpreted, and felt it was their responsibility to stop airing it.

This example dramatizes the difference between advertiser intent and how the public may react to how the message is delivered. ING listened to the public and made the right decision.

Adapted from Chris Powell, "ING Direct pulls RSP 'Suffering' ad over complaints," *Marketing*, January 22, 2013, www.marketingmag.ca.

6. Do Not Call: A Sham

Critics say the national do not call list should be scrapped. There is little enforcement despite the fact that more than 300,000 complaints have been raised against unwanted telemarketers. The government has only imposed \$73,000 in fines and over a two-year period has only collected \$250.

According to Liberal MP Dan McTeague, the legislation "is a colossal disappointment. The expectations of the legislation have never been met. He calls the list "A hollow and very empty promise to provide consumers with a modicum of assurance the list would be respected. It's clearly not worth the paper it's written on."

The law needs significant retooling if it is to be a genuine, effective system against unwanted calls.

Adapted from "Critics trash national Do Not Call list, *Marketing*, July 7, 2010, www.marketingmag.ca.

ANSWERS TO END-OF-CHAPTER QUESTIONS

Review Questions

1. The basic role of advertising is to influence target-market behaviour favourably towards a product, service or idea. Favourable attitudes that develop over a period of time should create purchase motivation. Specific tasks of advertising include the creation of product awareness, preference, and trial purchase. It should be clear in the student's mind that a direct link with sales is practically impossible to measure due to the influence of other marketing variables. The marketing concept involves satisfying consumer needs better than the competition. Advertising is a primary vehicle for making potential customers recognize a need and demonstrate how a specified product or service can satisfy it.
2. Integrated marketing communications involves the development and coordination of various communications elements in order to achieve business objectives. A collective

effort from a variety of different communications sources creates synergy and impact on customers. Companies have the ability to communicate with customers through a variety of media. IMC plays an important role since companies are looking for maximum value from their communications—in short, one sight, one sound, one sell!

3. The components of the IMC mix are advertising, sales promotion, public relations, experiential marketing, direct response communications, interactive communications, and personal selling.
4. **Consumer advertising** is directed at consumers to provide them with information about products and services. Advertising for nationally branded products and retail organizations comprise the bulk of consumer advertising.
5. **Business advertising** is advertising by business for business. It typically involves one company promoting its goods and services to another company. Corporate advertising which involves advertising the broader services of a company to create or improve image is often classified as business advertising. Trade advertising encourages distributors to carry and resell a manufacturer's products.
6. The primary role of corporate advertising is to build a company's image. It can do so by communicating to the public the good things it is doing. For example, social responsibility programs that help society, sponsorships of cause related issues important to the public, helping with community activities and events are good reasons to implement corporate advertising programs.
7. Market demand and the product life cycle play a significant role in determining the extent and nature of advertising. Markets where demand is positive are more conducive to spending funds on advertising. In mature markets emphasis should be placed on protecting and conserving funds as the business goals usually shift to making a profit. The degree of competition and other business objectives (gaining market share) could influence the amount spent on advertising in mature markets. In terms of the product life cycle it is important to advertise in the introduction and growth stages in order to create awareness, achieve trial purchase and brand preference. Expenditures in the growth stage could exceed that of introduction depending on the amount invested in advertising by competitors.
8. In terms of brand advertising it is important that each brand have something unique to advertise—to have competitive advantage. The objective is to make a brand stand out—to differentiate itself from competing brands. Typically, brand uniqueness is communicated through superiority claims, hidden qualities and lifestyle associations.

9. Product quality is essential. It makes no sense at all to spend heavily on advertising to get someone to try a product once. If they are not satisfied with the product (e.g., it did not meet the expectations that the ads created) they won't buy it again. A good product with good advertising is the best possible combination.
10. The Canadian Radio-television Telecommunications Commission (CRTC) administers all broadcasting laws in Canada. The CRTC pre-clears commercials in certain product categories, specifically, food, drugs, cosmetics, and alcohol categories. In addition, all advertisements directed at children must be approved by the CRTC. Advertising Standards Canada represents the advertising industry (advertisers, agencies, and the media). Its primary role is to develop a better understanding of advertising and how it works among other groups, and to maintain industry standards (ensure that the industry practices what it preaches). ASC enforces industry standards of practice. In this capacity it advises advertisers and agencies on laws, regulations, and codes affecting advertising.

Discussion Questions

1. This question deals with student's opinions regarding changes in the media landscape. They will probably relate directly to interactive communications since they are an Internet-based generation. Encourage perspective however. Students must look beyond the media they use and see the bigger picture. Older generations still rely on traditional media and television retains its lead over the Internet in terms of advertising investment, at least for now. All media still play a role in achieving an advertiser's objectives.
2. The students will have varying opinions on lifestyle advertising. What they will discover through secondary research is that lifestyle ads say little about the product but often leave consumers with good feelings about a product. Lifestyle ads appeal to consumers' emotions and often that is good enough to make them buy the product.
3. The demise of television as an advertising medium is hotly debated. More and more people are watching television on their computers, tablets, and smart phones. Television advertising won't disappear but the format of television will change as will the advertising models associated with the medium.
4. Students will have varying opinions on the degree of social media's "dominating" role in advertising especially by platform (e.g., yes to Facebook, but no to Twitter); however, majority will agree with the importance of social media in the communications mix. With 19 million Canadians online, along with the increase in mobile device use, the role

of social media advertising is growing. Advertising revenues for the Internet have surpassed television advertising revenues to further support this trend.

5. For certain society today is much more tolerant of sex on television so why should it not be acceptable in advertising? It's all a matter of taste and good judgement on the part of the advertiser. If an ad offends the audience, the advertiser must deal with the consequences. Overly offensive sex or anything perceived to be in bad taste should be evaluated prior to reaching the public. Negative publicity that could happen is detrimental to brand and company image. The entire issue is a hotly debated one among students and critics of advertising.