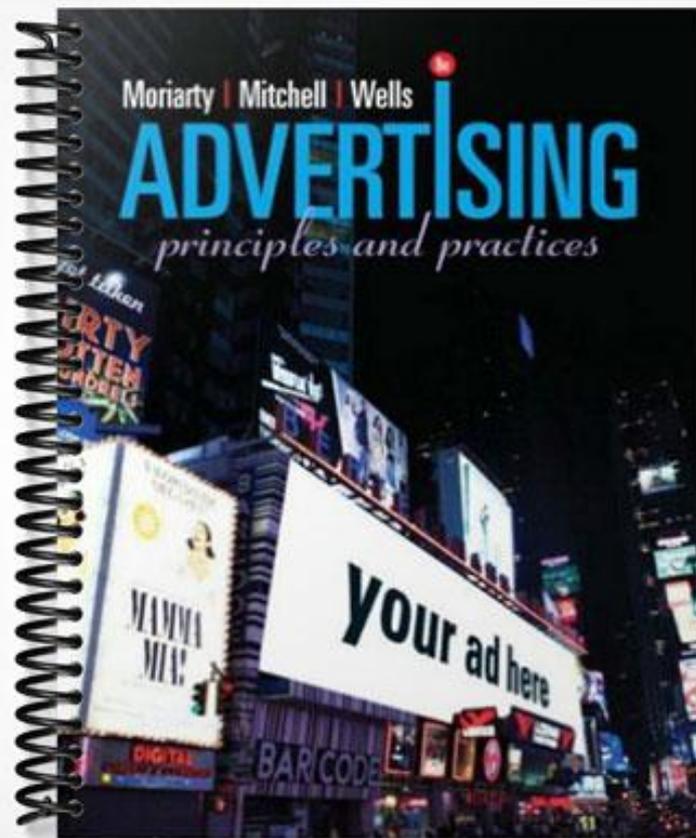
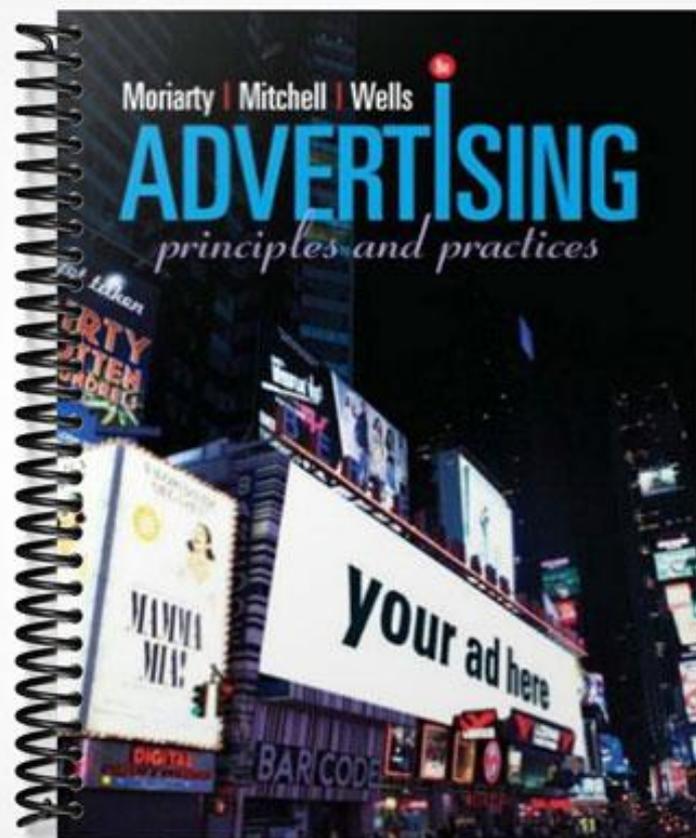


SOLUTIONS MANUAL



SOLUTIONS MANUAL



Chapter 2

Advertising's Role in Marketing

◆ CHAPTER CONTENT

CHAPTER KEY POINTS

1. Define marketing and its key concepts.
2. Discuss the different types of markets, and how they relate to the marketing process.
3. Identify the key players in marketing.
4. Explain how advertising agencies are organized, and how they work with their clients.

CHAPTER OVERVIEW

This chapter explains the basic principles and key concepts of marketing, but it does so from the perspective of advertising's role in marketing. It details the steps involved in assembling a marketing plan and identifies key players in the marketing industry. The advertising agency, and its variations and structures, are also explored. The chapter concludes with a discussion of current developments in marketing.

CHAPTER OUTLINE

1.0 WHAT IS MARKETING?

Marketing is the way a product is designed, tested, produced, branded, packaged, priced, distributed, and promoted. The American Marketing Association (AMA) defines it as “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 stake holders.”

1.1 Key Concepts in Marketing

Historically, marketers developed a product and then tried to find a market for it. This is referred to as a **product-driven philosophy**. The practice of marketing is still evolving today. Several concepts are critical to our understanding, including the marketing concept and the concepts of exchange, branding, and added value. All of these have important implications for advertising and for advertising's role in marketing. A discussion of each follows.

1.1.1 The Marketing Concept: Focus on Customers

The **marketing concept** is the philosophy that suggests marketing should focus first on identifying the needs and wants of the customer, rather than on finding ways to sell products that may or may not meet customers' needs.

We often use the words *consumer* and *customer* interchangeably, but there are some differences in meaning. **Consumer** is a general term for people who buy and use products and services. The word **customer**, however, refers to someone who has purchased a specific brand or visited a specific retailer. By virtue of those actions, these people can be said to have a brand relationship, and over time, may even become loyal to the brand.

The marketing concept involves two marketing steps: (1) determine through research what the customer needs and wants and (2) develop, manufacture, market, and service goods that fill those particular needs and wants—that is, create solutions for customers' problems. Advertising planning addresses both of these steps through consumer research and methods that develop insight into consumer decision making.

In advertising, the difference lies in the focus of the ad. Is the focus on the consumer or on the company? Although a consumer focus is thought to be the strongest approach, there are still times when a product-or company-focused approach is appropriate.

1.1.2 Exchange

Marketing helps to create **exchange**—the act of trading a desired product or service to receive something of value in return.

When **marketers** use the word *product*, they are referring to goods, services and ideas. When **we** use the word *product*, we are referring to this larger world of things that are sold in exchange for something from the customer.

Marketing facilitates economic exchange as well as communication exchange. Advertising provides both information and the opportunity for customer-company interaction.

1.1.3 Differentiation and Competitive Advantage

Where a brand is different from its competitors and superior in some way, there is competitive advantage. This concept is referred to in marketing as **product differentiation**. A product can be differentiated in a variety of ways – in price, design, performance, distribution and brand image.

1.1.4 Added Value

Marketing and advertising activities are useful to consumers and marketers because they add value to a product. **Added value** means a marketing or advertising activity that makes the product more valuable, useful, or appealing to the consumer. Beyond advertising, other marketing mix factors add value, including convenience, price, useful features and high quality.

1.1.5 Branding

An important contributor to differentiation and added value is **branding**, which is the way marketers create a special meaning for a product. That special meaning, or **brand**

image is the result of communication and the customer's personal experiences with the product.

A brand makes the product distinctive in the marketplace and in its product category. Branding also transforms products by creating an emotional connection between consumers and their favorite brands. In addition, a brand -- the distinctive brand name and logo, along with the advertising behind it -- creates predictability for consumers.

When a **brand name** or **brand mark** such as a distinctive logo, is legally protected through registration with the Patent and Trademark Office of the Department of Commerce, it becomes a **trademark**. These trademarks carry financial significance as well as an identification role, because they contribute to the value of a brand. We use the phrase **brand equity** to refer to the value based on the brand's reputation and meaning that the brand name has acquired over time.

1.2 Types of Markets

The word **market** originally meant the place where the exchange between seller and buyer took place. Today, we speak of a market not only as a place but also as a particular type of buyer — for example, the youth market or the motorcycle market. The phrase **share of market** refers to the percentage of the total market in a product category that buys a particular brand.

When marketing strategists speak of markets, they generally refer to groups of people or organizations. Following is a discussion of the four types of markets.

- **Consumer Markets.** **Consumer markets** consist of people who buy products and services for personal or household use. As a student, you are considered a member of the consumer market for companies that sell jeans, athletic shoes, sweatshirts, pizza, music, textbooks, backpacks, computers, education, checking accounts, bicycles, travel, and vacations, along with a multitude of other products that you buy at drug and grocery stores, which the marketing industry refers to as *package goods*.
- **Business-to-business (industrial, trade) markets.** **Business-to-business (B2B) markets** consist of companies that buy products or services to use in their own businesses or in making other products. Ads in this category usually are heavier on factual content than on emotional appeals.
- **Institutional Markets.** **Institutional markets** include a wide variety of profit and nonprofit organizations — such as hospitals, government agencies, and schools — that provide goods and services for the benefit of society. Ads for this category are very similar to business-to-business ads in that they are heavy on copy and light on visuals and emotional appeals.

- **Channel Markets.** The **channel market** is made up of members of the distribution chain, which is made up of businesses what we call resellers, or intermediaries. Resellers are wholesalers, retailers, and distributors who buy finished or semifinished products and resell them for a profit. Microsoft and its retailers are part of the reseller market. Companies that sell such products and services as trucks, cartons, and transportation services (airlines, cruise ships, and rental car agencies) consider resellers their market. **Channel marketing**, the process of targeting a specific campaign to members of the distribution channel, is more important now that manufacturers consider their distributors to be partners in their marketing programs. As giant retailers, particularly Wal-Mart, become more powerful, they can even dictate to manufacturers what products their customers want to buy and how much they are willing to pay for them.

Businesses spend most of their advertising dollars on consumer markets, although business-to-business advertising is becoming almost as important.

1.3 The Marketing Plan

A **Marketing plan** is a document that proposes strategies for using marketing elements to achieve marketing objectives.

Here are the steps in the marketing process:

- **Step 1:** *Research* the consumer market and the competitive marketplace and develop a situation analysis or a SWOT analysis (strengths, weaknesses, opportunities, threats).
- **Step 2:** Set *objectives* for the marketing effort.
- **Step 3:** Assess consumer needs and wants relative to the product; *segment* the market into groups that are likely to respond; *target* specific markets.
- **Step 4:** *Differentiate and position* the product relative to the competition.
- **Step 5:** Develop the *marketing mix strategy*: select product design and performance criteria, pricing, distribution, and marketing communication.
- **Step 6:** *Evaluate* the effectiveness of the strategy.

1.3.1 Marketing Research

The marketing process begins with **marketing research** into markets, product categories, consumers, and the competitive situation. Monitoring the external environment is particularly important.

The objective for planners is to know as much as they can about the marketplace so they can make informed and insightful strategic decisions. Marketing research is focused on gathering information from already existing and published **secondary research** as well as from **primary research**, which is original research undertaken to answer specific questions.

The second part of research is **situation analysis**, which identifies the brand's strengths and weaknesses, as well as corporate and market opportunities and threats. Interpreting

marketing information in terms of *strengths, weaknesses, opportunities, and threats* (**SWOTs**) helps managers turn data into insights. Thus, the goal of marketing research is both information and insight.

1.3.2 Key Strategic Decisions

Three strategic marketing decisions are key to the planning of effective advertising:

- *Objectives*: Marketers set objectives for their marketing efforts. Examples include increasing sales levels, share of the market, or broader distribution.
- *Segmenting and Targeting*: Marketers must identify groups within the market whose needs and wants intersect with the product and its features — this is called **segmentation**. A **target audience** is the audience for a marketing communication message.
- *Differentiation and Positioning*: Planners assess the competition and decide where their product's point of **differentiation** lies and then make decisions about how to present or position the product within this competitive environment relative to consumer needs. **Positioning** refers to how consumers view and compare competitive brands or types of products.

1.4 The Marketing Mix

Marketers use the four main elements of the marketing mix to achieve their objectives. All four elements are equal in importance. They include: product, price, distribution, and communication.

1.4.1 The Product

The product is both the object of the advertising and the reason for marketing. It includes product design and development, product operation and performance, branding, and the physical dimensions of packaging. It includes benefits and attributes. Customers view products as “bundles of satisfaction.” Product, design, performance, and quality are key factors in determining the success of the product's marketing.

1.4.2 Distribution

Includes the channels used in moving the product from the manufacturer to the buyer. **Direct marketing** companies distribute their products directly to a consumer without the use of a reseller. The Internet has raised a new distribution question. “Clicks or bricks” is a phrase used to describe whether a product is sold online or in a traditional store.

Manufacturers often expect retailers in indirect channels to participate in advertising programs. Through **cooperative (or co-op) advertising** allowances, the producers share with the reseller the cost of placing the advertisement.

A number of strategic distribution decisions develop from the overall marketing strategy and in turn affect advertising strategy.

Marketing coverage strategy. *Market coverage* refers to the geographic distribution of the product, which is particularly important for the media strategy.

Push/pull strategies. A **pull strategy** directs marketing efforts at the consumer and attempts to pull the product through the channel by intensifying consumer demand. Consumer advertising as well as coupons, rebates, free samples, and sweepstakes are used here. In a **push strategy**, marketing efforts are directed at resellers. Advertising may be targeted first at resellers. Most marketers use a combination of push and pull.

1.4.3 Pricing

This component of the marketing mix includes the **price** at which the product or service is offered for sale and the level of profitability the price establishes. Price is based not only on the cost of making and marketing the product but also on the seller's expected profit level. Certain psychological factors also can affect the price, as well as the amount the market will bear, the competition, the economic well-being of the consumer, the relative value of the product, and the consumer's ability to gauge the value.

The term **price copy** means advertising copy devoted primarily to telling the consumer about the price.

Customary pricing, or expected pricing uses a single, well-known price for a long period of time. **Psychological pricing** strategies use advertising to manipulate the customer's judgment of value.

1.4.4 Marketing Communication

This includes personal selling, advertising, public relations, sales promotion, direct marketing, events and sponsorships, point of sale, and the communication aspects of packaging. **Guerilla marketing** programs promote the brand "on the street," beyond conventional channels.

Personal sales uses face-to-face contact between the marketer and a prospective customer, rather than contact through the media. This technique often creates immediate sales and is used in consumer as well as business-to-business marketing. Personal sales is also used in business-to-business marketing to reach key decision makers within a company who can authorize a purchase. Advertising is often used in conjunction with sales programs, Here, its role is that of **lead generation**.

Marketing communication is all about Big Ideas – clever creative concepts that catch people's attention and stick in their memory.

2.0 THE KEY PLAYERS

The marketing industry is a complex network of professionals, all of whom are involved in creating, producing, delivering, and selling something to customers. Following is a discussion of four important categories of key players.

2.1 The Marketer

The **marketer**, also referred to as the advertiser or the client, is any company or organization behind the product—i.e., the organization, company, or manufacturer producing the product and offering it for sale.

In most companies of any size, the marketing function is handled by a marketing department and represented in the corporate hierarchy by a vice-president or director of marketing.

Some companies may have a **product** or **brand management** organization structure with managers who handle the marketing responsibility. A product or brand manager is the person responsible for all the strategic decisions relating to the brand's product design and manufacture as well as the brand's pricing, distribution, and marketing communication.

2.2 Suppliers and Vendors

The materials and ingredients used in producing the product are obtained from other companies who are referred to as suppliers and vendors. Their work determines the quality of the final product and the ingredients they provide, as well as the cost of their materials. The phrase **supply chain** is used to refer to this complex network of suppliers whose product components and ingredients are then sold to the manufacturer.

In marketing theory, every contribution from the supply chain adds value to the product. Suppliers and vendors are partners in the creation of a product as well as the communication process. Marketing communication that relates to the brand is called **ingredient branding**, which means acknowledging a supplier's brand as an important product feature.

2.3 Distributors and Retailers

The **distribution chain** or **distribution channel** refers to the various companies that are involved in moving a product from its manufacturer into the hands of its buyers. These **resellers**, or intermediaries, may actually take ownership of the product and participate in the marketing, including the advertising. Wholesalers and retailers can influence, support, and deliver advertising messages.

2.4 Marketing Partners

Contemporary marketers look upon their suppliers and distributors, as well as their marketing communication agencies, as partners rather than just hired hands because their support is necessary to build and maintain good customer relationships. **Affiliate marketing** is a particular type of partnership in which one company drives business to another company.

3.0 HOW AGENCIES WORK WITH THEIR CLIENTS

It is important to note that there are *agencies* and there are *agency networks*, which are large holding companies that include all types of marketing communication agencies, as well as research firms, Internet and branding consultants, and media-buying companies.

If you work on the company side, you will probably work in an *advertising department* whose primary responsibility is to act as a liaison between the marketing department and the advertising agency (or agencies). Sometimes, this unit is called **marketing services**.

A marketer may have a contractual relationship with one agency, called the *agency-of-record (AOR)*, or many. This relationship and associated contract takes a lot of nurturing in order to work effectively. The primary benefit of hiring an ad agency is that it can implement the creative vision of the client and help it to reach its advertising goals.

3.1 Types of Agencies

The biggest agencies are called *full-service agencies*, and they include four major staff functions — account management, creative services, media planning, and account planning, which may include research. A full-service advertising agency will also have its own accounting department, a **traffic department** to handle internal tracking on completion of projects, a department for broadcast and print production, and a human resources department.

Many agencies do not follow the traditional full-service agency approach. They specialize in certain functions, audiences, industries, or markets. In addition, some agencies specialize in other marketing communication areas such as branding, direct marketing, sales promotion, public relations, events and sports marketing, packaging and point of sale. These include:

- ***Creative boutiques.*** These are ad agencies, usually small, that concentrate entirely on preparing the creative execution of client marketing communications.
- ***Media-buying services.*** These agencies specialize in the purchase of media for clients. They are in high demand because media has become more complex as the number of choices grows, the cost of maintaining a competent media department has escalated. Media-buying services often buy media at a low cost because they can group several clients' purchases together to develop substantial buying power.

3.2 How Agency Jobs Are Organized

Agency jobs are broken down into five functional areas:

3.2.1 Account Management

The **account management** department acts as a liaison between the client and the agency. It ensures the agency will focus its resources on the client's needs and develops a point of view regarding the research and strategy. The account manager is responsible for interpreting the client's marketing strategy for the rest of the agency and supervises the day-to-day development of the campaign or ad.

Account management typically has three levels: *management supervisor*, who provides leadership on strategic issues and looks for new business opportunities; *account supervisor*, who is the key executive working on a client's business and the primary liaison between the client and the agency; and the *account executive*, who is responsible

for day-to-day activities and operates like a project manager. Sometimes a fourth level may exist—the *account director*, who is above the account supervisor.

3.2.2 Account Planning and Research

An **account planner** gathers all available intelligence on the market and consumers and acts as the voice of the consumer, making recommendations based on the consumer's wants, needs, and relationship to the client's brand.

3.2.3 Creative Development and Production

The creative members of the agency are the creative directors, creative department managers, copywriters, art directors, and producers. The creative groups include people who write (*copywriters*), people who design ideas for print ads or television commercials (*art directors*), and people who convert these ideas into television or radio commercials (*producers*).

3.2.4 Media Planning and Buying

Media planners plan media, buy media, and conduct research. This is such a complex task that it is not unusual for some individuals to become experts in certain markets or types of media.

3.2.4 Internal Agency Services

The departments that serve the operations within the agency include the traffic department, print production, as well as financial services and human resources. The traffic department is the lifeblood of the agency, and its personnel keep track of everything that happens

3.3 How Agencies Are Paid by Clients

Agencies derive their revenues and profits from three main sources: commissions, fees, and retainers. A **commission** is the amount an ad agency charges the client as a percentage of the media cost. Most advertisers now use a **fee system** either as the primary compensation tool or in combination with a commission system.

An agency may also be put on a monthly or yearly **retainer**. The amount billed per month is based on the projected amount of work and the hourly rate charged. This system is most commonly used by public relations agencies.

The most recent trends in agency compensation are for advertisers to pay agencies on the basis of performance. Another innovation in agency compensation is called **value billing**, which means that the agency is paid for its creative and strategic ideas, rather than for executions and media placements.

4.0 CURRENT DEVELOPMENTS IN MARKETING

Most companies live or die by innovation, and experimentation underlies innovation. Following are some important issues and trends influencing the practice of marketing:

4.1 Accountability

Marketing managers are being challenged by senior management to prove that their decisions lead to the most effective marketing strategies. Marketing managers are under pressure to deliver business results measured in terms of sales increases, the percentage share of the market the brand holds, and corporate return on investment (ROI).

4.2 Integrated (or Holistic) Marketing

This approach is focused on better coordinating all marketing efforts to maximize customer satisfaction. It means that all area of the marketing mix work closely together. The basic premise is that all four components communicate something about the brand.

4.3 Emerging Marketing Strategies

Similar to advertising, marketing is struggling to define itself, and several new areas are emerging as marketing activities:

- **Relationship marketing** means marketing that considers all the firm's stakeholders, whether employees, distributors, channel members, customers, agencies, investors, government agencies, the media, or community members. **Customer relationship management (CRM)** is a variation that uses databases to drive communication with customers and keep track of their interactions with a company.
- **Permission marketing** is the practice of inviting prospective customers to sign up or self-select themselves into a brand's target market in order to receive marketing communication. This practice has become more feasible with the development of interactive communication technologies such as the Internet.
- **Experience marketing** uses events and store design, among other means, to engage consumers in a personal and involving way. It also means that every encounter with a brand is an experience that determines whether the brand relationship is positive or negative.
- **Guerilla marketing** attempts to create unexpected personal encounters with a brand, such as painted messages on streets or costumed brand characters at a busy intersection. The idea is to create buzz, or word of mouth, about a brand.
- **Viral marketing** is designed to create a groundswell of demand for a product based on messages circulated on the Internet.
- **Mobile marketing** utilizes wireless communications to reach people on the move with location-based messages.
- **Social network marketing** is commercial information delivered through online social networks, such as MySpace.com or Facebook.com.

4.4 Global Marketing

In most countries, markets are composed of local, regional, and international brands. A *local brand* is one marketed in a single country. A *regional brand* is one marketed throughout a region. An *international brand* is available virtually everywhere in the world. Advertising that promotes the same product in several countries is known as *international advertising*.

Large and small companies are marketing internationally. Many reasons for this trend exist, including saturation of home markets, large market potential, mergers and acquisitions, and attempts to preempt competitors.

4.4.1 Organizing for International Marketing

Once the exporter becomes nationalized in several countries in a regional bloc, the company often establishes a regional management center and transfers day-to-day management responsibilities from the home country to that office.

4.4.2 International Marketing Management

The shift from national to international management requires new tools for advertisers, including one language (usually English), one control mechanism (the budget), and one strategic plan (the marketing strategy). A decision must be made whether or not to standardize a message across all markets or to localize it to accommodate local differences. A standardized approach may favor an international advertising agency while a localized approach favors use of advertising agencies in many countries.

◆ **END-OF-CHAPTER SUPPORT**

REVIEW QUESTIONS

1. What is the definition of marketing, and where does advertising fit within that definition?

Marketing is the way a product is designed, tested, produced, branded, packaged, priced, distributed, and promoted. The American Marketing Association (AMA) defines it as “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 stake holders.”

Advertising is considered a piece of the larger Marketing Mix. Within the four components of the Marketing Mix, advertising falls into the Communication component. Marketing is addressed in advertising planning through consumer research and the methods used by planners to develop insight into consumer decision making.

2. Explain how advertising relates to the five key concepts that define marketing.

- The marketing concept: Advertising planning supports this concept through consumer research and methods that develop insight into consumer decision making. Advertisers will need to decide whether to focus on the consumer or the company.
- The concept of exchange: The communication aspect of this concept is particularly important to advertising. People must know about a product or service before they can purchase it or sign up for it. Advertising performs this function.
- The concept of differentiation and competitive advantage: In order for a product or service to enjoy differentiation or competitive advantage, its benefits, advantages and overall brand image must be communicated through advertising.
- The concept of added value: As with marketing, advertising activities add value to a product by making it more valuable, useful or appealing to the consumer. Advertising can also make the product appear to be more desirable or more of a status symbol.
- The concept of branding: While a brand distinguishes a product in the marketplace, advertising communicates the key features of that brand to consumers. Advertising helps create and cement emotional connections between consumers and their favorite brands, and helps establish predictability for the consumer.

3. In general, outline the structure of the marketing industry and explain where advertising fits and how it relates to the various key players.

The marketing industry is a complex network of professionals all of whom are involved in creating, producing, delivering, and selling something to customers. Those are four important categories of key players, including the marketer, suppliers or vendors, distributors and retailers, and agencies.

The marketer, also referred to as the advertiser or the client (from the agency's point of view), is any company or organization behind the product—i.e., the organization, company, or manufacturer producing the product and offering it for sale.

In marketing practice the suppliers and vendors are partners in the creation of a successful product. They are also partners in the communication process and their marketing communication may relate to the brand, particularly in the practice called ingredient branding, which means acknowledging a supplier's brand as an important product feature.

Wholesalers and retailers are important parts of the channel and each is capable of influencing, supporting, and delivering advertising messages.

A marketer may have a contractual relationship with one agency, called the **agency-of-record** (AOR), or many. This relationship and associated contract takes a lot of nurturing in order to work effectively. The primary benefit of hiring an ad agency is that it can implement the creative vision of the client and help it to reach its advertising goals.

4. Outline and explain the key steps in the process of creating a marketing plan.

- **Step 1:** Research the consumer market and the competitive marketplace and develop a situation analysis or a SWOT analysis (strengths, weaknesses, opportunities, threats).
- **Step 2:** Set objectives for the marketing effort.
- **Step 3:** Assess consumer needs and wants relative to the product; segment the market into groups that are likely to respond; target specific markets.
- **Step 4:** Differentiate and position the product relative to the competition.
- **Step 5:** Develop the marketing mix strategy: select product design and performance criteria, pricing, distribution, and marketing communication.
- **Step 6:** Evaluate the effectiveness of the strategy.

5. Explain how agency work is organized. In other words, what are the primary functions or professional areas found in an agency?

If the agency is large enough, it usually has a chief executive officer, perhaps one or two vice-presidents, and several different functional areas.

The account management department acts as a liaison between the client and the agency. It ensures the agency will focus its resources on the client's needs and develops a point of view regarding the research and strategy. The account manager is responsible for interpreting the client's marketing strategy for the rest of the agency and supervises the day-to-day development of the campaign or ad.

Account management typically has three levels: management supervisor, who provides leadership on strategic issues and looks for new business opportunities; account supervisor, who is the key executive working on a client's business and the primary liaison between the client and the agency; and the account executive, who is responsible for day-to-day activities and operates like a project manager. Sometimes a fourth level may exist, the account director, who is above the account supervisor.

The creative members of the agency are the creative directors, creative department managers, copywriters, art directors, and producers. The creative group includes people who write (copywriters), people who design ideas for print ads or television commercials (art directors), and people who convert these ideas into television or radio commercials (producers).

Media planners plan media, buy media, and conduct research. This is such a complex task that it has become its own sub-specialty.

An account planner gathers all available intelligence on the market and consumers and acts as the voice of the consumer, making recommendations based on the consumer's wants, needs, and relationship to the client's brand.

A full-service advertising agency will also have its own accounting department, a traffic department to handle internal tracking on completion of projects, a department for broadcast and print production, and a human resources department.

6. In what ways is marketing changing? What are the main challenges and trends, and how do they affect the definition of marketing?

Most companies live or die by innovation, and in the 21st century, marketers are being challenged to innovate as never before. One of the biggest challenges lies in understanding and properly utilizing interactive media, along with reaching an increasingly sophisticated consumer. Other major challenges and trends include:

- **Accountability.** Marketing managers are being challenged by senior management to prove that their decisions lead to the most effective marketing strategies. Marketing managers are under pressure to deliver business results measured in terms of sales increases, the percentage share of the market the brand holds, and corporate return on investment (ROI).
- **Integrated (or Holistic) Marketing.** This approach is focused on better coordinating all marketing efforts to maximize customer satisfaction. It means that all area of the marketing mix work closely together. The basic premise is that all four of its components communicate something about the brand.
- **Relationship marketing** means marketing that considers all the firm's stakeholders, whether employees, distributors, channel members, customers, agencies, investors, government agencies, the media, or community members. Customer relationship management (CRM) is a variation that uses databases to drive communication with customers and keep track of their interactions with a company.
- **Permission marketing** is the practice of inviting prospective customers to sign up or self-select themselves into a brand's target market in order to receive marketing communication. This practice has become more feasible with the development of interactive communication technologies such as the Internet.
- **Experience marketing** uses events and store design, among other means, to engage consumers in a personal and involving way. It also means that every encounter with a brand is an experience that determines whether the brand relationship is positive or negative.

- ***Guerilla marketing*** attempts to create unexpected personal encounters with a brand, such as painted messages on streets or costumed brand characters at a busy intersection. The idea is to create buzz, or word of mouth, about a brand.
- ***Viral marketing*** is designed to create a groundswell of demand for a product based on messages circulated on the Internet.
- ***Mobile marketing*** utilizes wireless communications to reach people on the move with location-based messages.
- ***Social network marketing*** is commercial information delivered through online social networks, such as MySpace.com or Facebook.com.

DISCUSSION QUESTIONS

1. Look through the ads in this textbook and find an example of an advertisement that you think demonstrates the marketing concept and another ad that you think does not represent an effective application of the marketing concept. Compare the two and explain why you evaluated them as you did.

Students will have a variety of examples and opinions. Some of the questions that can be asked and answered from the consumer's perspective include: What product attributes and benefits are important? Does the product meet consumer needs and wants? Is the ad geared to the appropriate target market? How is the product perceived relative to competitive offerings? Does the product provide a "bundle of satisfaction?" Does the price match the product and promotion? Is the exchange equitable and appropriate?

2. Coca-Cola is the most recognizable brand in the world. How did the company achieve this distinction? What has the company done in its marketing mix in terms of product, price, distribution, and marketing communications that has created such tremendous brand equity and loyalty? How has advertising aided in building the brand? (Students might want to visit Coca-Cola's Website for help at www.coca-cola.com)

Coca-Cola used to sustain itself with an undifferentiated strategy, viewing all of the United States as a homogenous market. But few products have been able to survive with that strategy, and Coca-Cola grasped the need for adaptation. Their product lines expanded to include diet drinks, flavored formulas, and they diversified into music, collectibles, and other product lines. They read consumer needs and offer products to satisfy them. Many of their products are available only in specific segments of the world. Advertising surgically reaches precisely defined audiences. Their marketing strategies have made Coca-Cola one of the most recognized brands in the world with more than 300 brands and 230 beverages in 200 countries.

3. Imagine you are starting a company to manufacture fudge based on your family's old recipe. Consider the following decisions:

Individual answers will vary in terms of specifics of each student's decision making, but each section should include specific references as follows:

a. Describe the marketing mix you think would be most effective for this company.

The marketing mix must include plans for product development, establishing a price, how and where the product will be made available, and suggestions for what message will be constructed and how it will be presented to the target.

b. Describe the marketing communication mix you would recommend for this company.

Students may recommend a traditional retail organization, a direct marketing effort, or online selling. They will have different marketing communication mixes, depending on the type of company they are proposing, but they should consider how they will use advertising, sales promotion, direct response advertising, personal selling, public relations, event sponsorships, and merchandising.

c. How would you determine the advertising budget for your new fudge company?

Many factors go into establishing a budget. The new fudge manufacturer needs to have a firm handle on their operating costs, to create a profitable pricing strategy, to project sales, and to calculate the advertising needed to meet those goals. It is typical to determine an advertising budget based on a percent of sales, generally one to five percent, but there are several additional ways the advertising budget could be set.

d. What brand image would you recommend for your fudge?

Students may have a variety of answers for this question. The image selected should match the synchronization of the 4 Ps. In particular, the marketing communication should stress the image desired.

4. **Three-Minute Debate:** This chapter stressed integration of advertising with other components of the marketing mix. A classmate argues that advertising is a small part of the marketing process and relatively unimportant. If you were in marketing management for Kellogg's cereals, how would you see advertising supporting the marketing mix? Does advertising add value to each of these functions for Kellogg? Do you think it is a major responsibility for the marketing manager? What would you say either in support of or in opposition to your classmate's view?

Organize into small teams with pairs of teams taking one side or the others. In class, set up a series of three-minute debates in which each team has 1 ½ minutes to argue its position. Every team of debaters must present new points not covered in the previous teams' presentations until there are no more arguments left to present. Then the class votes as a group on the winning point of view.

Team answers will vary. However, here is one possible viewpoint:

Through advertising, consumers first learn about new products or improvements to old ones, the qualities products offer, and the consumer needs that can be met. Advertising often states prices clearly and alerts consumers to price reductions or promotional deals. Ads that tell where products are available assist with the place functions of marketing. Advertising, when well done, adds value to all marketing functions. However, if poorly executed, it can damage the rest of a plan. Well-done advertising, on the other hand, can't salvage an inherently poor product —nor move one that is overpriced. Kellogg's must see the interconnectedness of marketing and advertising in order for advertising to improve its marketing functions.

TAKE-HOME TEAM PROJECTS

1. Interview the manager of a large retail outlet store in your area, such as Target, Kmart, or Wal-Mart. Assess how the retailer uses various elements of the marketing communication mix. Study a few diverse products, such as food items, blue jeans, and small appliances. You might even talk to the automotive service department. Write a report, making conclusions about how advertising comes into play in this retailer's marketing plan.

You will want to spend some time thinking about this project before making the assignment. How broad or narrow do you want the assignment to be? What about format and length? Do you want to be able to make comparisons within specific product lines or do you want the students to have an overall feel for the company's marketing communication mix? Making these decisions ahead of time will facilitate class discussion after the assignment is completed.

2. Assess the Web sites of three ad agencies. What differences in offerings do you observe? How sensitive are they to marketing concepts, issues, and trends? Find one that you think is particularly tuned into the marketing needs of its clients. Explain and justify your analysis. (Start with the list of agency networks in Table 2.2. Search for their home pages on a search engine such as Yahoo! or Google.)

Make sure to divide the class into groups and assign each group specific Web sites (to avoid overlap and repetition). Ask the students to present their information in spreadsheet format. Compile the information and present the overall summary to the class. From the information given, what can the students infer? What predictions can be made?

YAHOO! HANDS-ON CASE

Review the Yahoo! case in the Appendix.

1. In what ways are the key marketing concepts, as well as the marketing mix elements important in this campaign? Outline the five key concepts and the four marketing mix elements and explain how this campaign reflects or addresses those elements.

Key Concepts in Marketing:

The marketing concept: Here, the Yahoo! team conducted consumer research on teens and tweens, attempting to develop insight their decision making process.

The concept of exchange: In this case, teens and tweens had know about the Yahoo! service before they could sign up for it. Advertising performed this function.

The concept of differentiation and competitive advantage: The Yahoo! team attempted to create differentiation or competitive advantage for its service, communicating its benefits, advantages and overall brand image through advertising.

The concept of added value: Yahoo! advertising activities added value to its service product by making it more valuable, useful or appealing to teens and tweens. The team also attempted to use advertising to make its service appear to be more desirable or more of a status symbol among members of this target audience.

The concept of branding: While the Yahoo! brand is well distinguished in the marketplace, advertising was needed to communicate its key features to consumers. Yahoo! advertising helped create and cement emotional connections between teens and tweens and their favorite brands, and helped establish predictability for them.

The Four Marketing Mix Elements

The product: The Yahoo! product is both the object of the advertising and the reason for marketing in this campaign. It encompasses product design and development, product operation and performance, and branding. It also includes benefits and attributes. The Yahoo! product design, performance, and quality are key factors in determining the success of its marketing campaign.

Price: This component of the marketing mix includes the price at which the product or service is offered for sale and the level of profitability the price establishes. Interestingly, members of the Yahoo! target audience do not pay to subscribe to Yahoo! However, they may choose to subscribe to a range of enhanced services. They will also view additional web-based advertising from their Yahoo! home page.

Distribution: This addresses the channels used in moving the product from the manufacturer to the buyer. In every sense, the Yahoo! service is distributed through “clicks” rather than “bricks,” or online rather than in a traditional store. Here, Yahoo!

is utilizing a “pull” strategy, directing marketing efforts at the consumer and attempting to pull the product through the channel by intensifying consumer demand among teens and tweens.

Communication: In the Yahoo! case, communication entailed traditional and nontraditional advertising, public relations, sales promotion, direct marketing, events, and even guerilla marketing.

2. You have been asked to strengthen the argument in this plan that this campaign is truly consumer-focused. Explain how the marketing concept applies to Yahoo! and what you would say in order to strengthen the team’s analysis of this campaign’s need for a strong customer focus. In other words, why is a customer focus important for this company and this market? Prepare this as a 1-page statement supporting the campaign’s initial background analysis.

Students may submit a range of acceptable responses to this question. However, students should be able to show how all five of the key marketing concepts are consumer-focused rather than product-focused, and then relate all five concepts to the Yahoo! campaign.

In addition, students should be able to use information on teens and tweens provided in the case to demonstrate how Yahoo! tailored an advertising campaign to their special interests and needs. For details, see question 1 above.

HANDS-ON CASE: WPP’S OWNER — A BRITISH KNIGHT WITH STRATEGIC MOVES

WPP is one of the four largest agency holding companies in the world. The company, owned by Martin Sorrell, has gobbled up some of the world’s most famous advertising agencies, including Ogilvy & Mather, Young & Rubicam, and J. Walter Thompson, to name just a few.

Much of the success of the agencies is credited to Sorrell. Described as dynamic, charismatic, witty, confident, and a tad arrogant, *Fortune* noted that “In an industry populated by shameless schmoozers, the 59-year-old Sorrell is in a league of his own.”

Sorrell’s vision, developed years before most of his rivals caught on, that twenty-first-century clients would want a complete menu of marketing communications services, all of which work synergistically, is one important reason for his success. Tenacity, energy, focus, and willingness to do whatever is needed to win are also traits.

Recently, WPP landed Samsung, a company that spends almost \$400 million each year supporting its brand. Sorrell did his part in attracting Samsung’s attention. He assigned his best people to generate creative ideas, he visited and e-mailed executives numerous times, as well as pitched ideas himself.

1. Why do large clients like Samsung wish to work with giant holding companies like WPP instead of with smaller agencies?

WPP practices integrated marketing communications and has all the tools necessary to create a comprehensive, synergistic campaign.

2. What qualities help Sorrell to be successful? Why are these qualities so important for his company's success?

Sorrell is tenacious. He is smart, energetic, and visionary. He hires great people and lets them do their job. He is charismatic. Sorrell understood the concept of integrated marketing communication long before many of his peers, and he has shown that the concept actually works. Sorrell's talents are organizational and strategic. He is not an ad copywriter or designer.

3. Explain how Martin Sorrell wins clients and builds positive agency-client relationships. How does he see the agency's role in marketing?

Sorrell understands his clients' needs and finds unique solutions. He does not get in the way of his own employees but enhances their abilities. He works as hard as, if not harder than, his employees do. He met personally with Samsung numerous times and employed creative e-mails to help win the client. He is willing to do whatever it takes to win a client.

Sorrell sees the agency as a set of synergistic tools designed to find the right answers to client issues.

◆ ADDITIONAL MATERIAL

WEB REVIEW QUESTIONS

1. How does the American Marketing Association (AMA) define marketing?

The AMA defines marketing as “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 stake holders.”

2. Can it be said that marketing is an evolving field? How so?

Absolutely. The marketing concept, which turned marketers' attention to consumer needs and wants, along with the concepts of exchange, branding, differentiation, and added value, have all nudged marketing closer to a consumer-focused philosophy,

and away from the traditional product-driven philosophy. Marketing continues to evolve today, utilizing new forms of media spawned by Internet technology.

3. Differentiate between a *customer* and a *consumer*.

We often use the words *consumer* and *customer* interchangeably, but there are some differences in meaning. **Consumer** is a general term for people who buy and use products and services. The word **customer**, however, refers to someone who has purchased a specific brand or visited a specific retailer. By virtue of those actions, these people can be said to have a brand relationship, and over time, may even become loyal to the brand.

4. What is the significance of a brand, and what does advertising contribute to branding?

A brand makes the product distinctive in the marketplace and in its product category. Branding also transforms products by creating an emotional connection between consumers and their favorite brands. Branding is the process of creating a special meaning for a product, one that makes it distinctive in the marketplace and in its product category, just as your name makes you unique in your community. As a component of the marketing mix, advertising communicates important brand information to consumers, and helps to create predictability for them.

5. Select one of the four main types of markets and explain how it works.

Answers will vary. Here are several possibilities:

- ***Consumer Markets.*** **Consumer markets** consist of people who buy products and services for personal or household use. As a student, you are considered a member of the consumer market for companies that sell jeans, athletic shoes, sweatshirts, pizza, music, textbooks, backpacks, computers, education, checking accounts, bicycles, travel, and vacations, along with a multitude of other products that you buy at drug and grocery stores, which the marketing industry refers to as *package goods*.
- ***Business-to-business (industrial, trade) markets.*** **Business-to-business (B2B) markets** consist of companies that buy products or services to use in their own businesses or in making other products. Ads in this category usually are heavier on factual content than on emotional appeals.
- ***Institutional Markets.*** **Institutional markets** include a wide variety of profit and nonprofit organizations — such as hospitals, government agencies, and schools — that provide goods and services for the benefit of society. Ads for this category are very similar to business-to-business ads in that they are heavy on copy and light on visuals and emotional appeals.

- **Channel Markets.** The **channel market** is made up of members of the distribution chain, which is made up of businesses what we call resellers, or intermediaries. Resellers are wholesalers, retailers, and distributors who buy finished or semifinished products and resell them for a profit. Microsoft and its retailers are part of the reseller market. Companies that sell such products and services as trucks, cartons, and transportation services (airlines, cruise ships, and rental car agencies) consider resellers their market. **Channel marketing**, the process of targeting a specific campaign to members of the distribution channel, is more important now that manufacturers consider their distributors to be partners in their marketing programs. As giant retailers, particularly Wal-Mart, become more powerful, they can even dictate to manufacturers what products their customers want to buy and how much they are willing to pay for them.

6. What is the first step in developing a marketing plan, and why is it so important?

All marketing plans begin with **research** into markets, product categories, consumers, and the competitive situation. Monitoring the external environment is especially important. Utilizing research, planners strive to know as much as they can about the marketplace so they can make informed and insightful strategic decisions.

Marketing research is focused on gathering information from already existing and published **secondary research** as well as from **primary research**, which is original research undertaken to answer specific questions.

7. What is the distribution chain or channel? Explain its role in marketing.

The distribution chain or distribution channel refers to the various companies that are involved in moving a product from its manufacturer into the hands of its buyers. These resellers, or intermediaries, may actually take ownership of the product and participate in the marketing, including the advertising.

8. Discuss alternatives to the traditional, full-service agency approach. What are some examples of specialty agencies?

Some agencies specialize in certain functions, audiences, industries, or markets. Others specialize in other marketing communication areas such as branding, direct marketing, sales promotion, public relations, events and sports marketing, packaging and point of sale.

Examples include:

- a.) **Creative boutiques.** These are ad agencies, usually small, that concentrate entirely on preparing the creative execution of client marketing communications.
- b.) **Media-buying services.** These services specialize in the purchase of media for clients. They are in high demand because media has become more

complex as the number of choices grow, the cost of maintaining a competent media department has escalated.

9. Explain the concept of “value billing” in advertising agencies. Why is it significant?

Value billing means that the agency is paid for its creative and strategic ideas, rather than for executions and media placements. It has always been difficult for agencies to bill for strategic thinking and big ideas, but some are now experimenting with this practice. This concept shows that the creative side of agency work has intrinsic value, and that the discussion does not begin and end with execution.

10. What is the “accountability” trend in the marketing industry? Why has it become important?

More and more, marketing managers are being challenged by senior management to prove that their decisions lead to the most effective marketing strategies. Marketing managers are under pressure to deliver business results measured in terms of sales increases, the percentage share of the market the brand holds, and corporate return on investment (ROI). In other words, do marketing programs pay their own way and deliver an acceptable return on investment?

11. You are the marketing manager for a small record label. Choose an emerging marketing strategy that you would use to unveil a new rock band. Why do you believe this is the best choice?

Answers will vary. Here is one possibility:

Social network marketing would be an excellent choice for this client. Here, marketers can deliver commercial information through online social networks, such as MySpace.com or Facebook.com. Originally designed for teens and college students, these sites are a combination personal diary and social club. The networks are easy to join, free, and make it easy for members to send messages to one another. Use of social networks has become a strategy of choice for many “trendy” marketers.

ASSIGNMENTS

Individual Assignments

1. Have students select one of their favorite brands – either a product or a service. Then, have them consider what sort of image the brand carries in their minds. How did this image come about, and what was the role of advertising in creating it? Students should share their answers to the class in 2 to 3-minute presentations. To enhance their presentations, students can also pull up their organization’s website to show the class.

2. Ask each student to interview the owner or manager of a local small business to find out how he or she competitively markets against larger, nationally-based competitors. How must this business market its products or services differently than the “big boys?” A review of “The Marketing Plan” section of this chapter is useful here. Each student should write a 500-word report detailing their findings.

Think-Pair-Share

1. Have students pair off to interview each other regarding a negative experience they can recall with a specific brand of product or service. Drawing upon the principles of Integrated (or Holistic) Marketing in this chapter, what went wrong? How did it happen? What contradictory brand messages were conveyed? What was the result of this breakdown in communication? Did the student return to the company, or was the brand relationship severed? Once the interviews are complete, have each student draft a brief report outlining their findings.
2. Have students get together and recall highly effective marketing efforts that utilized “new” marketing strategies such as relationship marketing, digital marketing, mobile marketing or social network marketing. What was the product or service, and what was especially unique about the marketing strategy? How well did it seem to work?

OUTSIDE EXAMPLES

1. Go online. Using any search engine you like, enter the words “Integrated Marketing.” Locate an agency or organization that explains this concept particularly well. Draft a 750-word report explaining what you have learned, Be sure to contrast it with what you read on this subject in Chapter 2.
2. Choose a company or organization in your community, and visit them. Gather five marketing samples and analyze them carefully. Examples could include product brochures, print advertisements, DVDs, or web-based pieces. Then, present a 10-minute “samples analysis” to your class, commenting on the samples’ strengths, weaknesses, continuity and brand messages from a marketing standpoint.