



Part Four Promotion Decisions

18

Advertising and Public Relations

Chapter Learning Objectives

- To describe the nature and types of advertising
- To explore the major steps in developing an advertising campaign
- To identify who is responsible for developing advertising campaigns
- To examine the tools used in public relations
- To analyze how public relations is used and evaluated

Chapter Outline

- The Nature and Types of Advertising
- Developing an Advertising Campaign
- Who Develops the Advertising Campaign
- Public Relations

The Nature and Types of Advertising

- Advertising

- Paid nonpersonal communication about an organization and its products transmitted to a target audience through mass media
- Promotes goods, services, ideas, images, issues, people, and anything else that advertisers want to publicize or foster



The Nature and Types of Advertising

Type	Purpose
Institutional	Promotes organizational images, ideas, and political issues
Advocacy	Promotes a company's position on a public issue
Product	Promotes products' uses, features, and benefits
Pioneer	Tries to stimulate demand for a product category rather than a specific brand by informing potential buyers about the product
Competitive	Points out a brand's special features, uses, and advantages relative to competing brands
Comparative	Compares two or more brands on the basis of one or more product characteristics
Reminder	Reminds consumers about an established brand's uses, characteristics, and benefits
Reinforcement	Assures users they chose the right brand and tells them how to get the most satisfaction from it

Developing an Advertising Campaign

- Advertising Campaign

- The creation and execution of a series of advertisements to communicate with a particular target audience

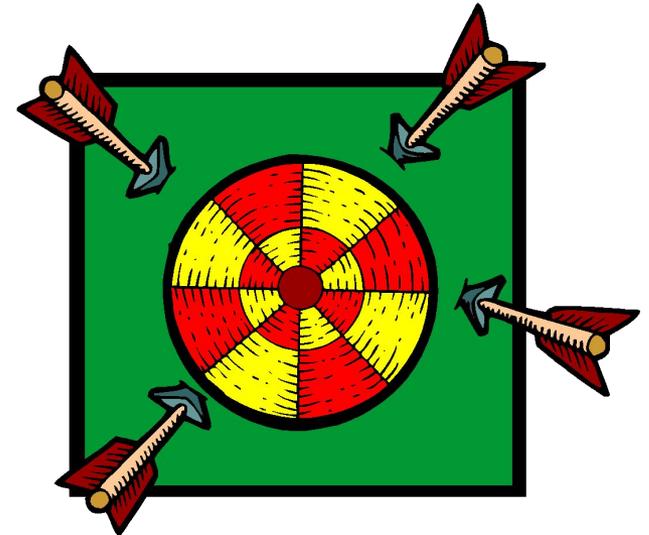


General Steps in Developing and Implementing an Advertising Campaign



Developing an Advertising Campaign (cont'd)

- **Identifying and Analyzing the Target Audience**
 - Target audience is the group of people at whom advertisements are aimed
 - **Location and geographic distribution**
 - **Distribution of demographic factors**
 - **Lifestyle information**
 - **Consumer attitudes**

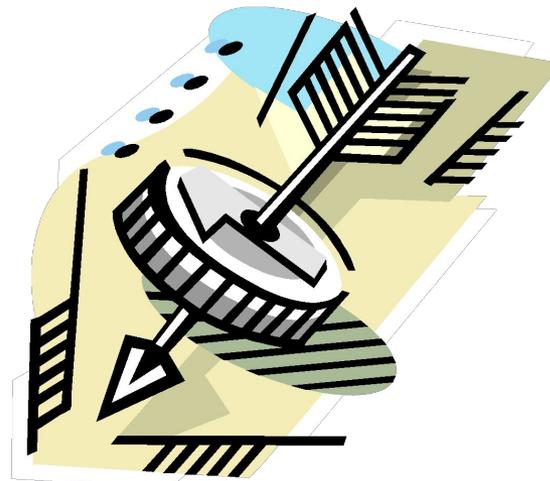


Developing an Advertising Campaign (cont'd)

- **Defining the Advertising Objectives**

- What does the firm hope to accomplish with the campaign?

- **Objectives should be clear, precise, and measurable.**
- **Increased sales (units or dollars) and/or increased product or brand awareness**



Developing an Advertising Campaign (cont'd)

- **Creating the Advertising Platform**

- Basic issues or selling points to be included in the advertising campaign

- **Issues in the selection and use of the product that are important to customers**

- **Determining the Advertising Appropriation**

- Advertising budget for a specified period

- **Geographic size of the market and distribution of buyers within the market are important factors in determining the size of the budget**

Developing an Advertising Campaign (cont'd)

- Determining the Advertising Appropriation (cont'd)

Budgeting Approach	Methodology
Objective-and-Task	Determining advertising objectives and then calculating the cost of all the tasks needed to attain them
Percent-of-Sales	Multiplying the firm's past and expected sales by a standard percentage based on what the firm has traditionally spent on advertising and the industry average for advertising spending
Competition-Matching	Setting the advertising budget to match competitors' spending on advertising
Arbitrary	Setting the advertising budget at a level specified by a high-level executive in the firm

Table 18.1**Twenty Leading National Advertisers**

Organization	Advertising Expenditures (\$ millions)	Sales (\$ millions)	Advertising Expenditures as Percentage of Sales
1. General Motors	3,934.8	136,399	2.9
2. Philip Morris Companies	2,602.9	43,951	5.9
3 Procter & Gamble	2,363.5	20,334	11.6
4. Ford	2,345.2	118,373	2.0
5. Pfizer	2,265.3	17,953	12.6
6. PepsiCo	2,100.7	13,179	15.9
7. DaimlerChrysler	1,984.0	78,622	2.5
8. AOL Time Warner*	1,770.1	36,213	4.9
9. Walt Disney	1,757.5	20,830	8.4
10. Verizon	1,612.9	62,066	2.6
11. Johnson & Johnson	1,601.2	17,000	9.4
12. Sears, Roebuck	1,455.4	36,655	4.0
13. Unilever	1,453.6	10,822	13.4
14. AT&T	1,415.7	65,981	2.1
15. General Electric	1,310.1	90,981	1.4
16. Toyota	1,273.9	43,508	2.9
17. McDonald's	1,273.9	5,259	24.2
18. U.S. government	1,246.3	N/A	N/A
19. Sprint	1,227.3	23,613	5.2
20. Viacom	1,220.9	16,428	7.4

*Based on worldwide sales

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Developing an Advertising Campaign (cont'd)

- **Developing the Media Plan**

- Specifies media vehicles (e.g., magazines, radio, and television stations, and newspapers) and the schedule for running the advertisements
- Plan objectives focus on achieving the reach and frequency that the budget will allow.
 - **Reach: the percentage of consumers in a target market exposed to an advertisement in a specified period**
 - **Frequency: the number of times targeted consumers are exposed to an advertisement in a specified period**

Developing an Advertising Campaign (cont'd)

- **Developing the Media Plan (cont'd)**
 - Cost comparison indicator
 - **A means of comparing the cost of vehicles in a specific medium in relation to the number of people reached**
 - **The indicator is stated as the cost for exposing one thousand people (CPM) to an advertisement in a medium.**
 - Media scheduling types
 - **Continuous**
 - **Flighting**
 - **Pulsing**

Table 18.2**Total Advertising Expenditures (in millions of dollars)**

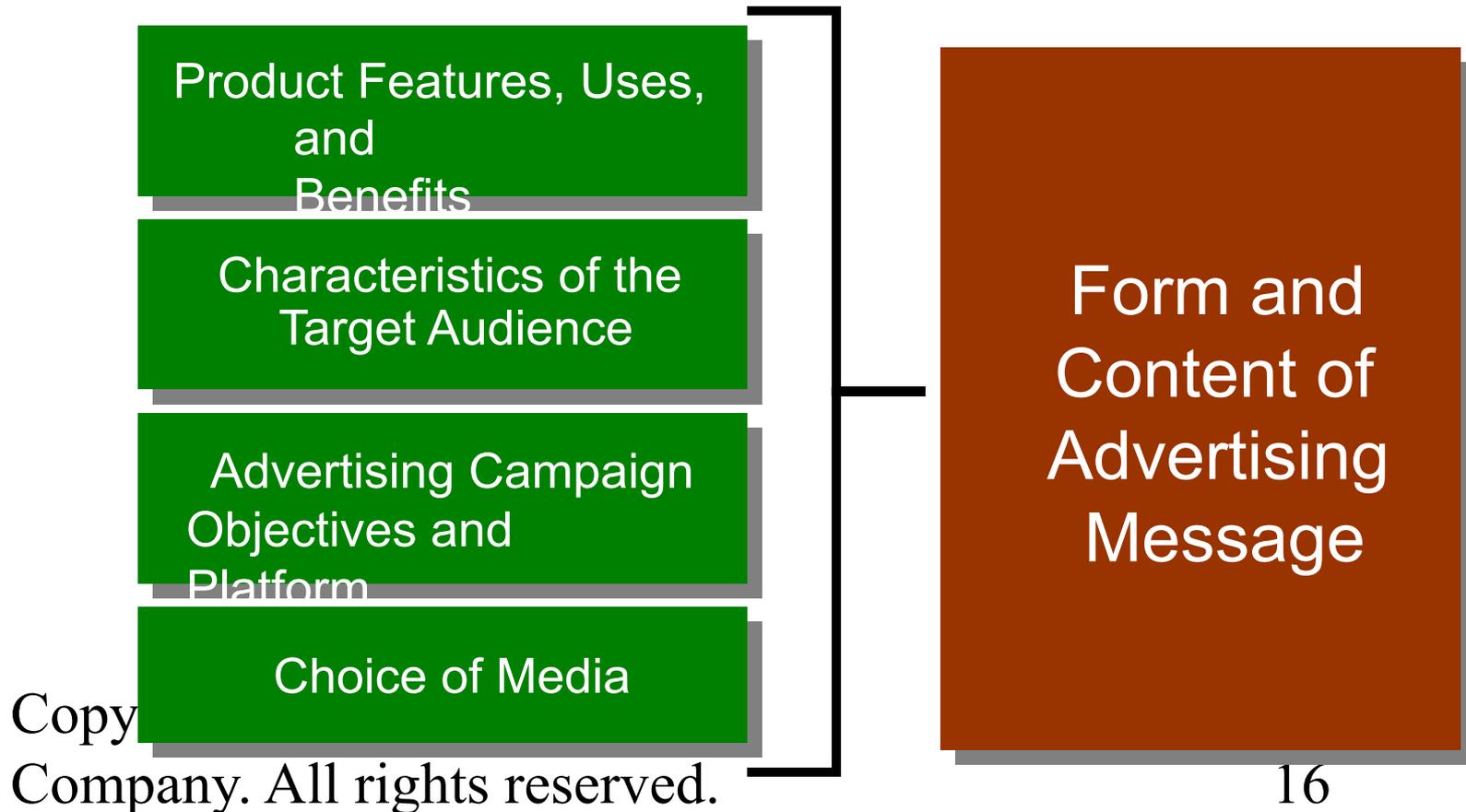
	1985		1990		1995		2000	
	Total Dollar Amount	Percent of Total	Total Dollar Amount	Percent of Total	Total Dollar Amount	Percent of Total	Total Dollar Amount	Percent of Total
Newspapers	\$25,170	26.6%	\$ 32,281	25.1%	\$ 36,317	22.6%	\$ 49,050	20.1%
Magazines	5,341	5.6	6,803	5.3	8,580	5.3	12,370	5.1
Television	20,738	21.8	28,405	22.1	36,246	22.6	59,231	24.3
Radio	6,490	6.9	8,726	6.8	11,338	7.1	19,295	7.9
Yellow pages	6,820*	7.2	8,926	6.9	10,236	6.4	13,228	5.4
Outdoor	945	1.0	1,084	0.8	1,263	0.8	1,758	0.7
Direct mail	15,500	16.4	23,370	18.2	32,866	20.5	44,591	18.3
Business press	2,375	2.5	2,875	2.2	3,559	2.2	4,915	2.0
Internet	NA	0.0	NA	0.0	NA	0.0	4,333	1.8
Miscellaneous	11,438	12.0	16,170	12.6	20,232	12.5	34,919	14.4
TOTAL	\$94,718	100.0%	\$128,640	100.0%	\$160,637	100.0%	\$243,680	100.0%

*Estimate

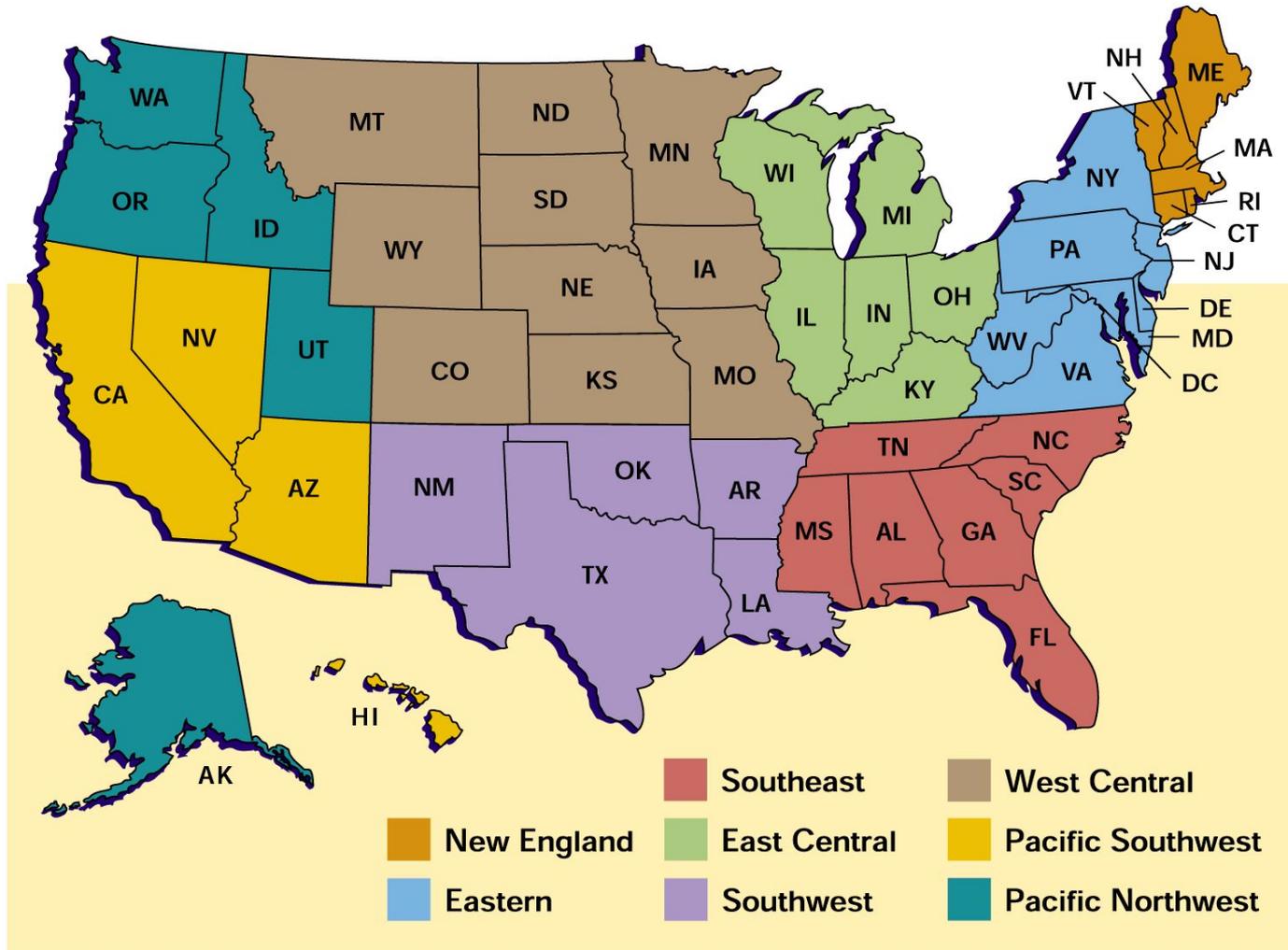
Sources: Robert J. Coen, "U.S. Advertising Volume," *Advertising Age*, May 12, 1986, p. 76; Robert J. Coen, "Coen: Little Ad Growth," *Advertising Age*, May 6, 1991, pp. 1, 16; Robert J. Coen, "U.S. Advertising Volume," *Advertising Age*, May 20, 1996, p. 24; "Coen Cuts Spending Forecast," *Advertising Age*, June 11, 2001, p. 47.

Developing an Advertising Campaign (cont'd)

- Creating the Advertising Message



Geographic Divisions for *Time* Regional Issues



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 Source: *Time* magazine.

Table 18.3**Characteristics, Advantages, and Disadvantages of Major Advertising Media**

Medium	Types	Unit of Sale	Factors Affecting Rates
Newspaper	Morning Evening Sunday Sunday supplement Weekly Special	Agate lines Column inches Counted words Printed lines	Volume and frequency discounts Number of colors Position charges for preferred and guaranteed positions Circulation level Ad size
Magazine	Consumer Farm Business	Pages Partial pages Column inches	Circulation level Cost of publishing Type of audience Volume discounts Frequency discounts Size of advertisement Position of advertisement (covers) Number of colors Regional issues
Direct mail	Letters; catalogs; price lists; calendars; brochures; coupons; circulars; newsletters; postcards; booklets; broadsides; samplers	Not applicable	Cost of mailing lists Postage Production costs
Radio	AM FM	Programs: sole sponsor, co-sponsor, participative sponsor Spots: 5, 10, 20, 30, 60 seconds	Time of day Audience size Length of spot or program Volume and frequency discounts

Table 18.3**Characteristics, Advantages, and Disadvantages of Major Advertising Media**

Medium	Types	Unit of Sale	Factors Affecting Rates
Television	Network Local CATV	Programs: sole sponsor, co-sponsor, participative sponsor Spots: 5, 10, 15, 30, 60 seconds	Time of day Length of program Length of spot Volume and frequency discounts Audience size
Internet	Websites Banners Buttons Sponsorships Interstitials Classified ads	Not applicable	Length of time Complexity Type of audience Keywords Continuity
Inside transit	Buses Subways	Full, half, and quarter showings sold on monthly basis	Number of riders Multiple-month discounts Production costs Position
Outside transit	Buses Taxicabs	Full, half, and quarter showings; space also rented on per-unit basis	Number of advertisements Position Size
Outdoor	Papered posters Painted displays Spectaculars	Papered posters; sold on monthly basis in multiples called "showings" Painted displays and spectaculars; sold on per-unit basis	Length of time purchased Land rental Cost of production Intensity of traffic Frequency and continuity discounts Location

Table 18.3**Characteristics, Advantages, and Disadvantages of Major Advertising Media****Cost Comparison****Indicator****Advantages****Disadvantages**

Milline rate = cost per agate line \times 1,000,000 divided by circulation

Reaches large audience; purchased to be read; national geographic flexibility; short lead time; frequent publication; favorable for cooperative advertising; merchandising services

Not selective for socioeconomic groups; short life; limited reproduction capabilities; large advertising volume limits exposure to any one advertisement

Cost per thousand (CPM) = cost per page \times 1,000 divided by circulation

Demographic selectivity; good reproduction; long life; prestige; geographic selectivity when regional issues are available; read in leisurely manner

High absolute dollar cost; long lead time

Cost per contact

Little wasted circulation; highly selective; circulation controlled by advertiser; few distractions; personal; stimulates actions; use of novelty; relatively easy to measure performance; hidden from competitors

Expensive; no editorial matter to attract readers; considered junk mail by many; criticized as invasion of privacy

Cost per thousand (CPM) = cost per minute \times 1,000 divided by audience size

Reaches 95% of consumers age 12 and older; highly mobile; low-cost broadcast medium; message can be quickly changed; geographic selectivity; demographic selectivity

Provides only audio message; short life of message; listeners' attention limited because of other activities while listening

Table 18.3**Characteristics, Advantages, and Disadvantages of Major Advertising Media****Cost Comparison****Indicator****Advantages****Disadvantages**

Cost per thousand (CPM) =
 cost per minute \times 1,000
 divided by audience size

Reaches large audience; low cost per exposure; uses audio and video; highly visible; high prestige; geographic and demographic selectivity

High dollar costs; highly perishable message; size of audience not guaranteed; amount of prime time limited

Cost per thousand or by
 the number of click-throughs

Immediate response; potential to reach a precisely targeted audience; ability to track customers and build databases; very interactive medium

Costs of precise targeting are high; inappropriate ad placement; effects difficult to measure; concerns about security and privacy

Cost per thousand riders

Low cost; "captive" audience; geographic selectivity

Does not reach many professional persons; does not secure quick results

Cost per thousand exposures

Low cost; geographic selectivity; reaches broad, diverse audience

Lacks demographic selectivity; does not have high impact on readers

No standard indicator

Allows for repetition; low cost; message can be placed close to point of sale; geographic selectivity; operable 24 hours a day

Message must be short and simple; no demographic selectivity; seldom attracts readers' full attention; criticized as traffic hazard and blight on countryside

Sources: Information from William F. Arens, *Contemporary Advertising* (Burr Ridge, IL: Irwin/McGraw-Hill, 1999); George E. Belch and Michael Belch, *Advertising and Promotion* (Burr Ridge, IL: Irwin/McGraw-Hill, 1998).

Developing an Advertising Campaign (cont'd)

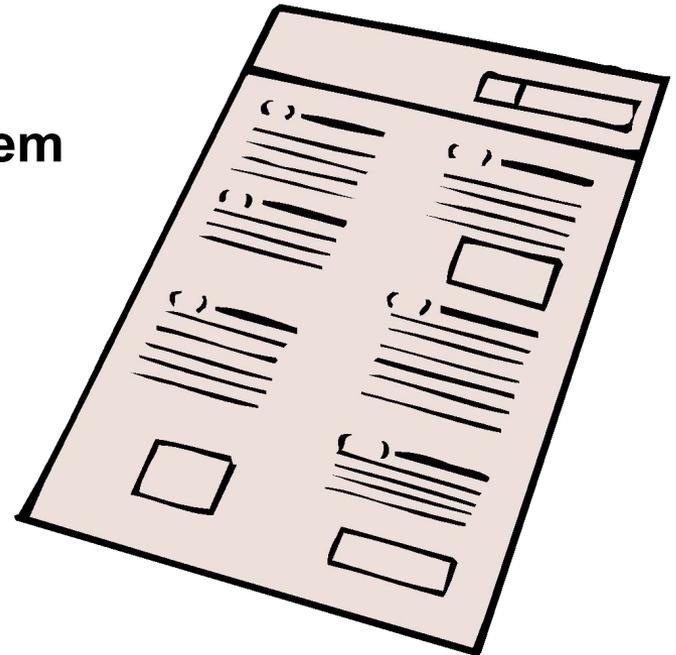
- **Creating the Advertising Message (cont'd)**

- Copy: the verbal portion of advertisements

- **Includes headlines, subheadlines, body copy, and signature**

- Copy guidelines

- **Identify a specific desire or problem**
- **Recommend the product as the best way to satisfy the desire or solve the problem**
- **State product benefits**
- **Substantiate advertising claims**
- **Ask the buyer to take action**

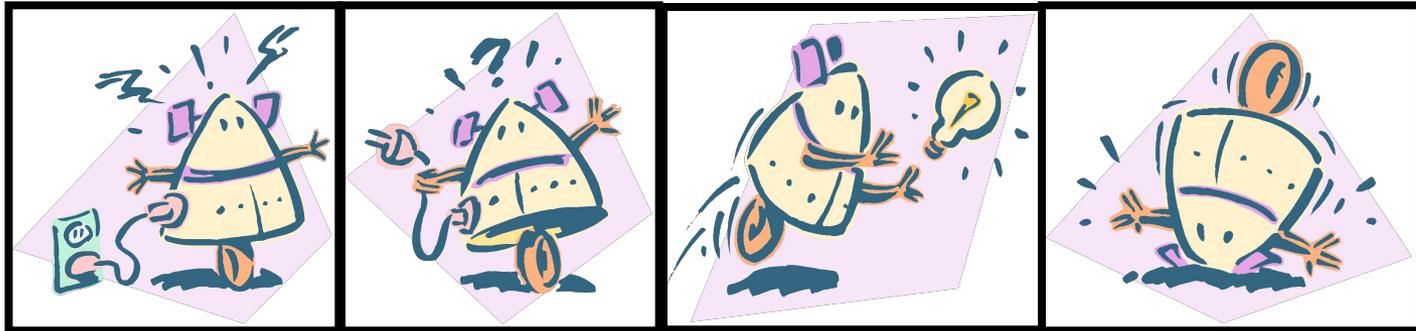


Developing an Advertising Campaign (cont'd)

- **Creating the Advertising Message (cont'd)**

- Storyboard

- **A mockup combining copy and visual material to show the sequence of major scenes in a commercial**



Plugged
“Hum”

Unplugged
“Buzz”

Leap
“Yeah”

Upset
“Oops”

Developing an Advertising Campaign (cont'd)

- **Creating the Advertising Message (cont'd)**
 - Artwork
 - **An ad's illustration and layout**
 - Illustrations
 - **Photos, drawings, graphs, charts, and tables used to spark audience interest**
 - Layout
 - **The physical arrangement of an ad's illustration and copy**



Developing an Advertising Campaign (cont'd)

- **Executing the Campaign**
 - Planning and coordination
 - Implementation
 - **Detailed scheduling of campaign phases**
 - **Evaluation and corrective action as necessary to make the campaign more effective**

Developing an Advertising Campaign (cont'd)

- Evaluating Advertising Effectiveness

Evaluation	Assessment
Pretest	Evaluation of ads performed before a campaign begins
Consumer Jury	A panel of a product's actual or potential buyers who pretest ads
Posttest	Evaluation of advertising effectiveness after the campaign
Recognition Test	A posttest in which individuals are shown the actual ad and asked if they recognize it
Unaided Recall Test	A posttest in which respondents identify ads they have recently seen but are given no recall clues
Aided Recall Test	A posttest that asks respondents to identify recent ads and provides clues to jog their memories

Who Develops the Advertising Campaign?

Individuals

Firm's Advertising Department

Advertising Agency



Who Develops the Advertising Campaign? (cont'd)

- **Individuals**
- **Persons within the firm**
 - Advertising departments in larger firms
 - **Copywriters, artists, media buyers, and technical production coordinators**
- **Advertising Agency**
 - Copywriting, artwork, technical production, and formulation of the media plan
 - **Media experts, researchers, and legal advisers**

Public Relations

- **Public Relations**

- Communications efforts used to create and maintain favorable relations between an organization and its stakeholders
- Focuses on enhancing the image of the total organization

- **Public Relations Tools**

- Written materials

- **Brochures** • **Newsletters** • **Company magazines**
- **News releases** • **Annual reports**
- **Corporate identity materials** • **Speeches**
- **Sponsored events**

Public Relations (cont'd)

- **Publicity: a news story type of communication transmitted through a mass medium at no charge**
 - News release
 - **A short piece of copy publicizing an event or a product**
 - Feature article
 - **A manuscript of up to 3,000 words prepared for a specific publication**
 - Captioned photograph
 - **A photo with a brief description of its contents**
 - Press conference
 - **A meeting used to announce major news events**

Table 18.4**Possible Issues for Publicity Releases**

Changes in marketing personnel	Packaging changes
Support of a social cause	New products
Improved warranties	New slogan
Reports on industry conditions	Research developments
New uses for established products	Company's history and development
Product endorsements	Employment, production, and sales records
Quality awards	Award of contracts
Company name changes	Opening of new markets
Interviews with company officials	Improvements in financial position
Improved distribution policies	Opening of an exhibit
International business efforts	History of a brand
Athletic event sponsorship	Winners of company contests
Visits by celebrities	Logo changes
Reports on new discoveries	Speeches of top management
Innovative marketing activities	Merit awards
Economic forecasts	Anniversary of inventions

Public Relations (cont'd)

• Publicity (cont'd)

– Advantages

- **Credibility**
- **News value**
- **Significant word-of-mouth communications**
- **A perception of being endorsed by the media**

– Limitations

- **Must be accepted by news media**
- **Must be timely, interesting, accurate, and in the public interest**
- **Inability to control content or time of release to public**

Public Relations (cont'd)

- **Evaluating Public Relations Effectiveness**
 - Environmental monitoring
 - **Identifies changes in public opinion affecting the organization**
 - Public relations audit
 - **Assesses an organization's image among the public or evaluates the effect of a specific public relations program**
 - Communications audit
 - **Analyzes the content of organizational messages**
 - Social audit
 - **Measures the extent to which stakeholders view the organization as being socially responsible**

Public Relations (cont'd)

- **Dealing with Unfavorable Public Relations**
 - Prevention of negative incidents and events
 - **Safety programs, inspections, and effective quality control procedures**
 - Preparedness for negative incidents and events
 - **Predetermined policies and procedures that expedite news coverage**
 - **Being forthright with the press and the public**

After reviewing this chapter you should:

- Be aware of the nature and types of advertising.
- Know the major steps involved in developing an advertising campaign.
- Know who is responsible for developing advertising campaigns.
- Understand public relations.
- Know how public relations is used and evaluated.



Chapter 18

Supplemental Slides

Key Terms and Concepts

- The following slides (a listing of terms and concepts) are intended for use at the instructor's discretion.
- To rearrange the slide order or alter the content of the presentation
 - select “Slide Sorter” under View on the main menu.
 - left click on an individual slide to select it; hold and drag the slide to a new position in the slide show.
 - To delete an individual slide, click on the slide to select, and press the Delete key.
 - Select “Normal” under View on the main menu to return to normal view.

Important Terms

- **Advertising**

- Paid nonpersonal communication about an organization and its products transmitted to a target audience through mass media

- **Advertising Campaign**

- The creation and execution of a series of advertisements to communicate with a particular target audience

- **Target Audience**

- The group of people at whom advertisements are aimed

Important Terms

- **Advertising Platform**

- Basic issues or selling points to be included in the advertising campaign

- **Advertising Appropriation**

- Advertising budget for a specified period

- **Media Plan**

- Specifies media vehicles (e.g., magazines, radio, and television stations, and newspapers) and the schedule for running the advertisements

- **Cost comparison indicator**

- A means of comparing the cost of vehicles in a specific medium in relation to the number of people reached

Important Terms

- **Copy**

- The verbal portion of advertisements

- **Storyboard**

- A mockup combining copy and visual material to show the sequence of major scenes in a commercial

- **Artwork**

- An ad's illustration and layout

- **Illustrations**

- Photos, drawings, graphs, charts, and tables used to spark audience interest

Important Terms

- **Layout**

- The physical arrangement of an ad's illustration and copy

- **Public Relations**

- Communications efforts used to create and maintain favorable relations between an organization and its stakeholders

- **Publicity**

- A news story type of communication transmitted through a mass medium at no charge

- **News release**

- A short piece of copy publicizing an event or a product

Important Terms

- **News Release**

- A short piece of copy publicizing an event or a product

- **Feature Article**

- A manuscript of up to 3,000 words prepared for a specific publication

- **Captioned Photograph**

- A photo with a brief description of its contents

- **Press Conference**

- A meeting used to announce major news events

Important Terms

- **Environmental Monitoring**

- Identifies changes in public opinion affecting the organization

- **Public Relations Audit**

- Assesses an organization's image among the public or evaluates the effect of a specific public relations program

- **Communications Audit**

- Analyzes the content of organizational messages

- **Social Audit**

- Measures the extent to which stakeholders view the organization as being socially responsible

Percent of Individuals Willing to Receive Advertisements on Their Cell Phones

	Willing	Not Willing
All cell phone users	29%	71%
AGE		
18-29	45%	55%
30-44	26%	74%
45-54	21%	79%
55+	25%	75%
INCOME		
Under \$40,000	42%	58%
\$40,000 to \$80,000	30%	70%
\$80,000 and above	21%	79%
Source: The Strategis Group		

Co1

Source: "Lose My Number," *American Demographics*, June 2001, p.31. Adapted with permission.

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Illustration Techniques for Advertisements

- **Product alone**
- **Emphasis on special features**
- **Product in setting**
- **Product in use**
- **Product being tested**
- **Result of product's use**
- **Dramatizing headline**
- **Dramatizing situation**
- **Comparison**
- **Contrast**
- **Diagrams, charts, and graphs**
- **Phantom effects**
- **Symbolic**
- **Testimonials**

Transparency Figure 18I

Major Types of Publicity-Based Public Relations Methods

Types of
Publicity-Based
Public Relations
Methods

News
Release

Feature
Article

Captioned
Photograph

Press
Conference

Letters to
the Editor

Editorial

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