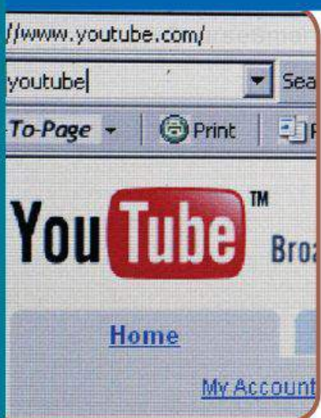
chapter

13

Developing and Promoting Goods and Services



After reading this chapter, you should be able to:

LO-1 Identify a *product*, distinguish between *consumer* and *industrial products*, and explain the *product mix*.

LO-2 Describe the *new product development process* and trace the stages of the *product life cycle*.

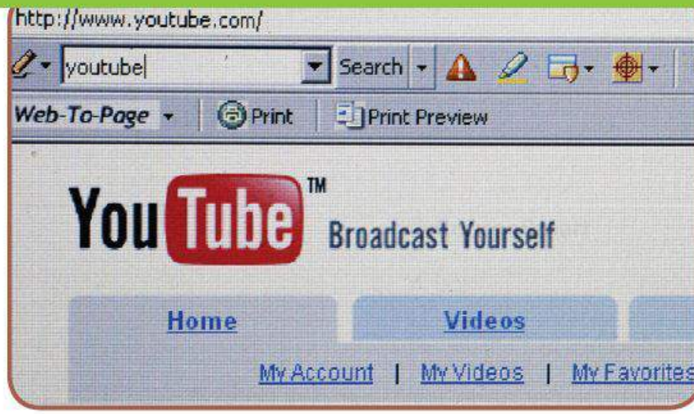
LO-3 Explain the importance of *branding, packaging,* and *labelling*.

LO-4 Identify the important objectives of *promotion* and discuss the considerations in selecting a *promotional mix*.

LO-5 Describe the key *advertising media*.

LO-6 Outline the tasks involved in *personal selling*.

LO-7 Describe the various types of *sales promotions* and distinguish between *publicity* and *public relations*.



Psst! Did You Hear the Latest?

Word of mouth is probably the oldest form of advertising. Ever since the first brand names were developed hundreds of years ago, consumers have been exchanging information about positive and negative product features. In the eighteenth and nineteenth centuries, marketing was very fragmented and most products were promoted only in local areas at retailers like the general store. Word-of-mouth advertising was therefore mostly confined to local or regional markets because existing technology did not allow consumers to be well connected.

By the 1930s, the development of radio, and later television, allowed businesses to market their products nationwide. Word of mouth did not disappear, but it was overshadowed by mass marketing. More recently, word-of-mouth advertising has again gained prominence, mainly because of the internet. PQ Media predicts that in the United States, spending on word-of-mouth advertising will be $3.7 billion in 2011 as companies recognize the emerging importance of social networking sites like YouTube and Facebook and personal blogs.

Word-of-mouth advertising is relatively cheap, and the messages that it carries are trusted by those who hear them. A Nielsen study showed that 78 percent of consumers trust word-of-mouth messages. Newspapers were trusted by 63 percent of consumers, television by 56 percent, and text ads on cellphones by only 18 percent.

Word of mouth is a double-edged sword. If consumers are spreading positive messages about a product, sales will likely soar. For example, Nike spent very little money advertising its Presto line of stretchy sneakers, but kids and teens spread the word to each other about the shoes and the fashion statement they could make by having them. If, however, consumers are spreading negative messages, sales will suffer. The movie *Snakes*

How Will This Help Me?

By understanding the material in this chapter, you can benefit in three ways: (1) as an *employee* and as a *manager*, you'll be better able to use the concepts of developing and promoting products in your career; (2) as a *consumer*, you'll have a clearer picture of how the complex process of new product development and promotion leads to more consumer choice; and (3) as an *investor*, you'll be better prepared to evaluate a company's marketing program and its competitive potential before buying the company's stock.

on a Plane, which starred Samuel L. Jackson, bombed at the box office partly because word of mouth focused on how bad the film was.

Procter & Gamble—which is famous for its television commercials—is very active in word-of-mouth advertising. When the company introduced a new cleaning product called Dawn Direct Foam, it provided information about the product to Vocalpoint, a group of 450 000 brand "evangelists" who talk up P&G products. The new product launch was a success. P&G has another word-of-mouth unit called Tremors, which includes over 200 000 teenagers who are active on social networks. These individuals are often early adopters of new products. P&G is planning to use Canada as a testing ground for online advertising spending; especially in light of the fact that an Ipsos Reid survey showed that Canadian consumers spend 39 percent of their media consumption time on the internet, 26 percent on TV, and 11 percent on print media. This large percentage of media consumption time spent on the internet means great opportunities for word of mouth.

Many other companies also recognize the importance of word-of-mouth advertising:

- Algordonza is a Swiss-based company that makes artificial diamonds from the carbon found in the ashes of people who have been cremated. It sells about 700 diamonds each year to friends and relatives of the deceased. The company does not advertise but relies on word of mouth to make people aware of its product.
- Volkswagen Canada cancelled a scheduled advertising campaign for its Eos automobile because the cars were rapidly being sold due to positive word of mouth.
- Google did no marketing of Gmail; instead they gave Gmail accounts to certain "power users" and the resulting word of mouth increased demand for the service.

A group called The Influencers is Canada's first word-of-mouth community. It has created its own word-of-mouth campaign for promoting word-of-mouth advertising and cites various interesting statistics:

- The average person has 56 word-of-mouth conversations each week.
- Ninety-three percent of customers say word of mouth is the most trustworthy source of product information.
- Word of mouth is rated as the most reliable of 15 different marketing influences.
- Seventy-seven percent of word-of-mouth advertising is face to face.
- Forty-four percent of Canadians avoid buying products that overwhelm them with advertising.

LO-1 What Is a Product?

In developing the marketing mix for products—goods, services, or ideas—marketers must consider what consumers really buy when they purchase products. Only then can they plan their strategies effectively. We begin where product strategy begins—with an understanding of pro-duct *features* and *benefits*. Next, we will describe the major *classifications of products*, both consumer and industrial. Finally, we will discuss the most important component in the offerings of any business—its *product mix*.

VALUE PACKAGE
Product marketed as a bundle of value-adding attributes, including reasonable cost.

Features and Benefits

Products are much more than just *visible* features and benefits. In buying a product, consumers are also buying an image and a reputation. The marketers of Swatch Chrono watch are well aware that brand name, packaging, labelling, and after-the-purchase service are also indispensable parts of their product. Advertisements remind consumers that they don't just get "real" features like shock and water resistance, quartz precision, and Swiss craftsmanship; they also get Swatch's commitment that its products will be young and trendy, active and sporty, and stylistically cool and clean.

Today's consumer regards a product as a bundle of attributes which, taken together, marketers call the **value package**. Increasingly, buyers expect to receive products with greater *value*—with more benefits at reasonable costs. For example, the possible attributes in a personal computer value package are things like easy access, choice of colour, attractive software packages, fast ordering via the internet, and assurance of speedy delivery. Although the computer includes physical *features*—like processing devices and other hardware—most items in the value package are services or intangibles that collectively add value by providing *benefits* that increase the customer's satisfaction.

Look at the ad in Figure 13.1 for Public Mobile. In this ad, the technical features of mobile phones are not emphasized. Rather, the ad focuses on the benefits that buyers will get by using Public Mobile (for example, no contract). These benefits are being marketed as part of a complete value package.

Classifying Goods and Services

Product buyers fall into two groups: buyers of *consumer* products and buyers of *industrial* products. Consumer and industrial buying processes and marketing approaches are quite different.

Classifying Consumer Products Consumer products are commonly divided into three categories that reflect buyers' behaviour: *convenience*, *shopping*, and *specialty* goods.

- **Convenience goods** (such as milk and newspapers) and **convenience services** (such as those offered by fast-food restaurants) are consumed rapidly and regularly. They are relatively inexpensive and are purchased frequently and with little expenditure of time and effort.
- **Shopping goods** (such as HDTVs and tires) and **shopping services** (such as insurance) are more expensive and are purchased less frequently than convenience goods and services. Consumers often compare brands in different stores. They also evaluate alternatives in terms of style, performance, colour, price, and other criteria.
- **Specialty goods** (such as wedding gowns) and **specialty services** (such as catering for wedding receptions) are important and expensive purchases. Consumers usually decide on precisely what they want and will accept no substitutes. They will often go from store to store, sometimes spending a great deal of time and money to get exactly the product they want.

Classifying Industrial Products
Industrial products can be divided into two categories: *expense items* and *capital items*.

- **Expense items** are materials and services that are consumed within a year. The most obvious expense items are industrial goods used directly in the production process, for example, bulkloads of tea processed into tea bags. In addition, *support materials* help to keep a business running without directly entering the production process. Oil, for instance, keeps the tea-bagging machines running but is not used in the tea bags. Similarly, *supplies*—pencils, brooms, gloves, paint—are consumed quickly and regularly by every business. Finally, *services* such as window cleaning, equipment installation, and temporary office help are essential to daily operations. Because these items are used frequently, purchases are often automatic and require little decision making.
- **Capital items** are "permanent"—expensive and long-lasting—goods and services. All these items have expected lives of more than a year—typically up to several years. Expensive buildings (offices,

CONVENIENCE GOODS AND SERVICES Relatively inexpensive consumer goods or services that are bought and used rapidly and regularly, with minimal search effort.

SHOPPING GOODS AND SERVICES Moderately expensive consumer goods or services that are purchased infrequently, causing consumers to spend some time comparing their prices.

SPECIALTY GOODS AND SERVICES Very expensive consumer goods or services that are purchased rarely, and require an extensive search.

EXPENSE ITEMS Relatively inexpensive industrial goods that are consumed rapidly and regularly.

CAPITAL ITEMS Expensive, long-lasting industrial goods that are used in producing other goods or services and have a long life.

Figure 13.1
Public Mobile ad.

PRODUCT MIX
The group of products a company has available for sale.

PRODUCT LINE
A group of similar products intended for a similar group of buyers who will use them in a similar fashion.

factories), fixed equipment (water towers, baking ovens), and accessory equipment (computers, airplanes) are capital goods. Capital services require long-term commitments. They include purchases for employee food services, building and equipment maintenance, or legal services.

The Product Mix

The group of products a company has available for sale, be it consumer or industrial, is known as the firm's **product mix**. Black & Decker makes toasters, vacuum cleaners, electric drills, and a variety of other appliances and tools. Nike has introduced a whole line of sports-related products like baseball gloves and bats, hockey sticks, basketballs, and in-line skates.

A **product line** is a group of products that are closely related because they function in a similar manner or are sold to the same customer group. ServiceMaster was among the first successful home services that offered mothproofing and carpet cleaning. Subsequently, the company expanded into other closely related services for homeowners—lawn care (TruGreen, ChemLawn), pest control (Terminix), and cleaning (Merry Maids).

Companies may extend their horizons and identify opportunities outside existing product lines. The result is *multiple* (or *diversified*) *product lines*. After years of serving residential customers, ServiceMaster has added business and industry services (landscaping and janitorial), education services (management of schools and institutions, including physical facilities and financial and personnel resources), and health-care services (management of support services—plant operations, asset management, laundry/linen supply—for long-term care facilities). Multiple product lines allow a company to grow rapidly and can help to offset the consequences of slow sales in any one product line.

LO-2 Developing New Products

All products and services—including once-popular TV shows like *Friends*, *The Sopranos*, and *Lost*—eventually reach the end of their life cycle and expire. Firms must therefore develop and introduce streams of new products. Levi's was once Canada's most popular brand of jeans, but the company failed to keep pace with changing tastes and lost market share. The company got back on track when it introduced their Signature brand of casual clothing. The brand has become very popular, and Levi's has opened Signature stores in several countries.

While new product development is critical, it is also very risky. Consider the battle between Toshiba (HD DVD) and Sony (Blu-ray) for global dominance of high-definition DVDs. Both companies invested millions of dollars in their respective products, and experts predicted that there would be a prolonged fight between the two companies. But in less than two years, Toshiba gave up the fight and stopped producing its product. Why? Because Sony was successful in convincing movie studios like Warner to release movies only in the Blu-ray format. Major retail outlets like Walmart and Netflix also announced they would sell only the Blu-ray format. Sony's success with Blu-ray is in marked contrast to its failure in the 1980s to get its Betamax format adopted for VCRs. In that earlier fight, Sony lost out when consumers preferred the VHS format.[1]

The Time Frame of New Product Development

Companies often face multi-year time horizons and high risks when developing new products. The Tesla roadster was officially approved for sale in Canada in 2010. What is it? It's an electric roadster that costs $125 000 and can go from zero to 60 mph in 3.7 seconds. Unfortunately, profits are not approaching that quickly. Tesla sold a little less than 1000 cars from 2008 to 2010, worldwide. At the beginning of 2010, the company was trying to raise $100 million in an initial public offering but it is clear that this is a long-term investment. In a recent statement, Tesla indicated that it does not expect to be able to claim tax deductions it has earned in recent years before they expire in 2024. In other words, the product is evolving but its financial success is not around the corner.[2]

The airplane manufacturing business can be quite profitable but it is a long and complicated process to launch a new model. In 2004, Montreal-based Bombardier announced that it would build a new CSeries line of regional passenger jets. In 2006, it shelved the project, but it restarted it in 2007. In 2008, Bombardier announced that it had received the first orders for the new plane but that it would not enter service until 2013.[3] Two other commercial airplane manufacturers have also had delays with their new planes. Boeing's 787 Dreamliner was originally set for release in 2008, but a strike by machinists and incomplete work by suppliers delayed the introduction of the new plane until 2010. Boeing's main competitor, Airbus, experienced its own problems. It had to redesign its A350, which pushed back the planned start of production by nearly three years.[4]

The Tesla Roadster combines sleek design with an environmentally friendly electric package. Quite a combination, but will enough consumers pay $125 000 for the car to make it a long-term success?

Product Mortality Rates It takes about 50 new product ideas to generate one product that finally reaches the market. Even then, only a few of these survivors become *successful* products. Many seemingly great *ideas* have failed as *products*. Indeed, creating a successful new product has become increasingly difficult—even for the most experienced marketers. Why? The number of new products hitting the market each year has increased dramatically, and thousands of new household, grocery, and drugstore items are introduced annually. But at any given time, the average supermarket carries a total of only 20 000 to 25 000 different items. Because of lack of space and customer demand, about 9 out of 10 new products will fail. Those with the best chances are innovative and deliver unique benefits.

Speed to Market The more rapidly a product moves from the laboratory to the marketplace, the more likely it is to survive. By introducing new products ahead of competitors, companies quickly establish market leaders that become entrenched in the market before being challenged by late-arriving competitors. **Speed to market**—that is, a firm's success in responding to customer demand or market changes—is very important. One study estimated that a product that is only three months late to the market (three months behind the leader) loses 12 percent of its lifetime profit potential. A product that is six months late loses 33 percent.[5]

The Seven-Step Development Process

SPEED TO MARKET Strategy of introducing new products to respond quickly to customer and/or market changes.

To increase their chances of developing a successful new product, many firms adopt some variation on a basic seven-step process (see Figure 13.2):

1. *Product ideas*. Product development begins with a search for ideas. Product ideas can come from consumers, the sales force, research and development people, or engineering personnel.
2. *Screening*. In this stage, the goal is to eliminate product ideas that don't match the firm's abilities, expertise, or objectives. Representatives from marketing, engineering, and production must have input at this stage.
3. *Concept testing*. Once the top concepts have been selected, companies use market research to solicit consumer input and identify key benefits as well as an appropriate price level.
4. *Business analysis*. This stage involves developing estimates of costs versus benefits. The aim is not to determine precisely how much money the product

Pharmaceutical companies spend large amounts of money on research and development, yet bring relatively few products to market.

PRODUCT LIFE CYCLE (PLC) The concept that the profit-producing life of any product goes through a cycle of introduction, growth, maturity (levelling off), and decline.

will make, but to see whether the product can meet minimum profitability goals.

5. *Prototype development.* At this stage, product ideas begin to take shape. Using input from the concept-testing phase, engineering and/or research and development produce a preliminary version of the product. Prototypes can be extremely expensive, often requiring extensive handcrafting, tooling, and development of components.
6. *Product testing and test marketing.* Using what it learned from the prototype, the company goes into limited production of the item. This stage is very costly, since promotional campaigns and distribution channels must be established for test markets. But test marketing gives a company its first information on how consumers will respond to a product under real market conditions.
7. *Commercialization.* If test-marketing results are positive, the company will begin full-scale production and marketing of the product. Gradual commercialization, with the firm providing the product to more and more areas over time, prevents undue strain on the firm's initial production capabilities.

The Product Life Cycle

The **product life cycle (PLC)** is the idea that successfully commercialized products have a limited profit-producing life for a company. This life may be a matter of months, years, or decades, depending on the ability of the product to attract customers over time. Products such as Kellogg's Corn Flakes, Coca-Cola, Ivory soap, and Caramilk chocolate bars have had extremely long productive lives.

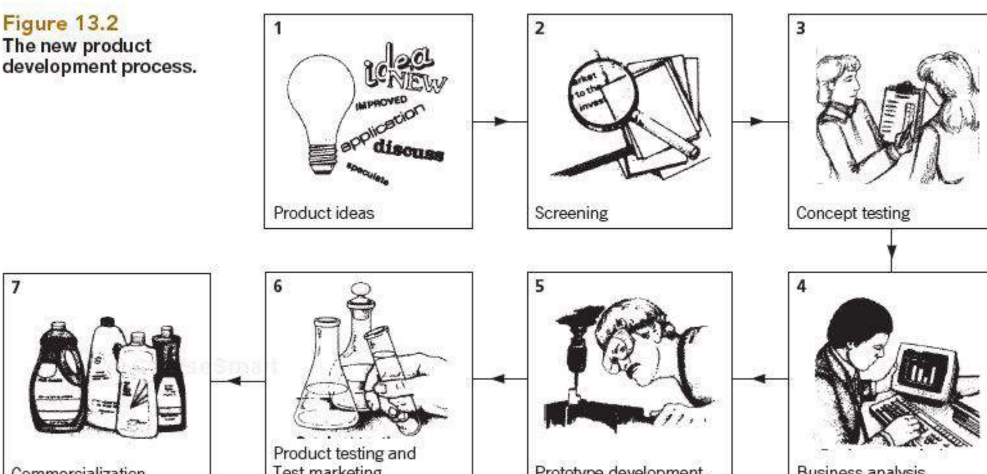
Stages in the Product Life Cycle

The product life cycle is a natural process in which products are born, grow in stature, mature, and finally decline and die.[6]

The life cycle is typically divided into four states through which products pass as they "age" in the market. In Figure 13.3a, the four phases of the PLC are applied to several products with which you are familiar.

1. *Introduction.* The introduction stage begins when the product reaches the marketplace. During this stage, marketers focus on making potential consumers aware of the product and its benefits. Because of extensive promotional and development costs, profits are nonexistent. But the use of social media tools like Twitter and YouTube is providing cost-efficient alternatives for companies to generate attention and buzz.
2. *Growth.* If the new product attracts and satisfies enough consumers, sales begin to climb rapidly. During this stage, the product begins to show a profit. Other firms in the industry move rapidly to introduce their own versions. Heavy promotion is often required to build brand preference over the competition.
3. *Maturity.* Sales growth begins to slow. Although the product earns its highest profit level early in this stage, increased competition eventually leads to price cutting and lower profits. Marketing communications

Figure 13.2
The new product development process.

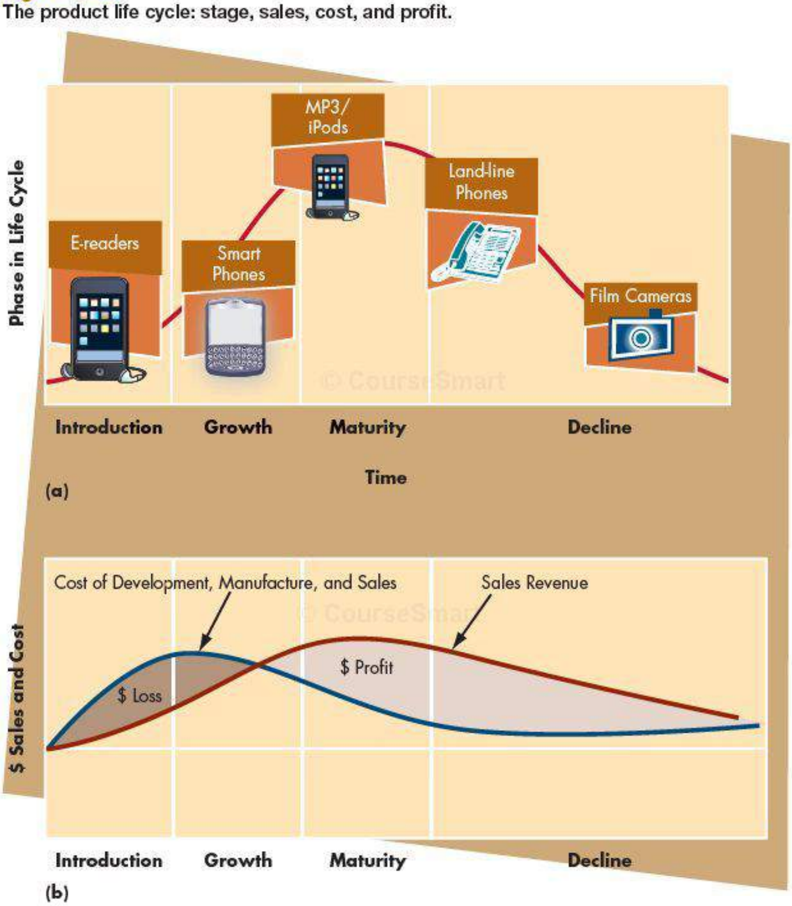


tend to focus on reminder advertising. Toward the end of this stage, sales start to fall.

4. *Decline.* During this final stage, sales and profits continue to fall. New products in the introduction stage take sales away. Companies remove or reduce promotional support (ads and salespeople) but may let the product linger to milk the remaining profits.

Figure 13.3b plots the relationship of the PLC to a product's typical sales, costs, and profits. Although the early stages of the PLC often show no profit, successful products usually continue to generate profits until the decline stage. For most products, profitable life spans are short—thus, the importance placed by so many firms on the constant replenishment of product lines. At some point, the company must decide to cease production of a product in the decline stage. For example, in 2003, sales of digital cameras surpassed film cameras for the first time, and Kodak announced stoppage of film camera production after decades as the market leader.

Figure 13.3
The product life cycle: stage, sales, cost, and profit.



LO-3

Identifying Products

BRANDING Process of using symbols to communicate the qualities of a product made by a particular producer.

As noted earlier in the chapter, developing the features of a product is only part of a marketer's job. Identifying that product in consumers' minds through the use of brand names, packaging, and labelling is also important.

Branding Products

Branding is the use of symbols to communicate the qualities of a particular product made by a particular producer. In 2010, technology companies were at the top of the brand value list. According to Millward Brown Optimor, which creates the BrandZ Top 100 Global Brands Ranking, the three most successful brands in the world were Google, IBM, and Apple. (Take a look at the branding exercise in Figure 13.4.) Three Canadian brands made the Top 100: BlackBerry (#14), RBC (#36), and TD (#71).[7] Countries can also be branded. In the 2009 Country Brand Index, Canada ranked second (the U.S. was first).[8]

Companies sometimes change the name of a popular brand because it is "tired," or because of legal requirements. For example, when Circuit City acquired 874 Canadian RadioShack stores, a court ruling required that it drop the RadioShack name. Circuit City decided to rename the stores The Source by Circuit City. Scott Paper changed the name of Cottonelle, Canada's best-selling brand of toilet paper, to "Cashmere" when a licensing agreement with Kimberly-Clark expired.[9]

Adding Value through Brand Equity Many companies that once measured assets in terms of cash,

BRAND EQUITY
The added value a brand name provides to a product beyond its basic functional benefits.

NATIONAL BRANDS
Products distributed by and carrying a name associated with the manufacturer.

LICENSED BRANDS
Selling the limited rights, to another company, to use a brand name on a product.

PRIVATE BRANDS
Products promoted by and carrying a name associated with the retailer or wholesaler, not the manufacturer.

GENERIC BRANDS
No-frills products sold under the general category name rather than a specific company name.

Figure 13.4

buildings, equipment, and inventories now realize that a strong brand is an equally important asset. Widely known and admired brands are valuable because of their power to attract customers. Those with higher **brand equity** generate greater brand awareness and loyalty on the part of consumers, have larger market shares than competing brands, and are perceived to have greater quality. In a 2009 survey of Canadian brand equity, the top three companies were the Royal Bank of Canada (whose brand equity was valued at $5.3 billion), BlackBerry ($4.6 billion), and TD Canada Trust ($4.0 billion).[10]

Types of Brand Names **National brands** are those that are produced and distributed by the manufacturer across the entire country (e.g., Scotch tape, Crest). When a company with a well-known brand sells another company the right to place that brand on its products, these are called **licensed brands**. Harley-Davidson's famous logo—emblazoned on boots, eyewear, gloves, purses, lighters, and watches—brings the motorcycle maker more than $210 million annually. Along with brands such as Coors and Ferrari, licensing for character-based brands like Spider-Man is equally lucrative.

Private brands carry the retailer's own brand name even though they are manufactured by another firm. Sears has two well-known private brands—Craftsman tools and Kenmore appliances. J. Sainsbury PLC, the largest supermarket chain in Britain, introduced its own private brand of cola that looks strikingly like the one used by Coke. The product is made by Cott Corporation of Toronto, which also makes the American Choice label for Walmart. Loblaw Companies Ltd. created a line of upscale products under the private brand President's Choice (PC). If you want Loblaws' famous PC Decadent chocolate chip cookies, you need to visit a Loblaws outlet or one of its subsidiaries. Shoppers Drug Mart has tried to copy the success of President's Choice with its private label brands: Life for a wide range of products and Quo for cosmetics.[11] In fact, Shoppers Drug Mart has set a goal to increase its private-label shelf space to 25 percent of overall product offerings. These brands are often 25 percent cheaper for consumers and yet the profit margins tend to be 15 percent higher for the company. This is a clear win-win scenario.[12] Private brands account for 19 percent of the overall market and $10.9 billion in the grocery market.[13]

Generic brands are also gaining more shelf space; they are the products that you see in grocery stores that simply state a category name like "bacon" or "peanut butter." If you've been to Costco recently, you may have picked up its very popular generic chocolate chip cookies. Major retailers are carrying fewer national brands and more of their own private brands as well as these less-expensive, no-frills generic brands.

Loblaws' PC Decadent Chocolate Chip cookies have built a reputation that all private-label brands strive for. Consumers that love these cookies must go to Loblaws, or one of their subsidiaries, to buy them.

Brand Loyalty **Brand loyalty** means that when customers need a particular item, they will go back and buy the same brand. Brand loyalty exists at three levels: *brand awareness* (customers recognize the brand), *brand preference* (consumers have a favourable attitude toward the brand), and *brand insistence* (consumers demand the brand and will go out of their way to get it). Brand insistence implies consumer trust in a brand. Canadians have less trust than they did 20 years ago, but some well-known brands like Kellogg's, BlackBerry, and Apple are still viewed positively.[14]

Brand loyalty is strong in several sports, including baseball, basketball, and soccer, and fans respond to marketing efforts by companies like Nike and Adidas. But in some other sports (e.g., skateboarding) brand loyalty is difficult to develop. Because skateboarders go through a lot of boards each year, they are reluctant to buy brand-name boards, which cost three to five times what "blank" boards cost. The International Association of Skateboard Companies estimates that 50 to 70 percent of all boards sold are blank, not branded.[15]

Brand loyalty can have a major impact on a company's profits. In the beer industry, each market share point is worth about $25 million in profit. This is why beer brands have such fierce competitive battles.[16]

E-Business and International Branding The expensive and fierce struggle for brand recognition is very evident in the branding battles among major internet players. Collectively, the top internet brands—Google, Yahoo!, and Amazon—spend billions each year. For example, Cisco Systems Inc. developed a successful promotional campaign that increased its brand awareness by 80 percent. The campaign also lifted Cisco's reputation as an internet expert above that of Microsoft and IBM.[17]

Firms that sell products internationally face a growing branding strategy issue. They must consider how product names will translate in various languages. Chevrolet learned this lesson decades ago when it entered the Spanish market with the Nova. This name was not well received simply because "no va" translates into "it does not go."[18] Recently, the 2010 Buick Lacrosse was launched and the name is catching attention in Quebec for the wrong reasons. In French slang, lacrosse is a term for pleasuring yourself. What's even more surprising is that GM was aware of this unfortunate naming issue and originally released the car in 2005 as the Buick Allure. But in an effort to cut down marketing costs it ignored the potential embarrassment and decided to launch the Lacrosse in 2010.[19]

Differences in approaches to brand names are evident even within countries. When Headspace Marketing Inc. asked 1000 Quebecers to rate how well 12 brands had adapted to the needs and expectations of Quebecers, they found that the top three brands were Tim Hortons, Canadian Tire, and Bureau en Gros/Staples (in that order). Tim Hortons ranked much higher than Starbucks (which ranked last), even though Tim Hortons did very little to adapt its product line to the Quebec market and Starbucks did a lot. However, Tim Hortons got involved with community charities and activities and used Quebec actors in its ad campaigns. This apparently made the Tim Hortons brand "resonate" better with Quebecers.[20]

BRAND LOYALTY Customers' recognition of, preference for, and insistence on buying a product with a certain brand name.

TRADEMARK The exclusive legal right to use a brand name.

The experience of Tim Hortons is not unusual. Consider the "brand wars" between Coke and Pepsi in Quebec. Coke sells better than Pepsi in most places in the world, but not in Quebec. Why is that? Perhaps it's because Pepsi customizes its advertisements to meet distinct Québécois tastes. One now-famous ad shows what happens when a European tourist orders a Coke in Quebec: a hush comes over the restaurant, wildlife stops in the forest, and traffic comes to a halt. The waiter finally opens a Pepsi for the tourist, who then says, "Ah! Ici, c'est Pepsi."[21]

Trademarks, Patents, and Copyrights

Because brand development is very expensive, a company does not want another company using its name and confusing consumers into buying a substitute product.

Many companies apply to the Canadian government and receive a **trademark**, the exclusive legal right to use a brand name. Trademarks are granted for 15 years and may be renewed for further periods of 15 years, but only if the company continues to protect its brand name. In 2008, a European court ruled that the construction toys made by LEGO can no longer be protected by trademark law. Montreal-based Mega Brands Inc., which makes a competitive product called Mega-Bloks, had challenged LEGO's trademark.[22]

Just what can be trademarked is not always clear. If the company allows the name to lapse into common usage, the courts may take away protection. Common usage occurs when the company fails to use the ® (registered) symbol for its brand. It also occurs if the company fails to correct those who do not acknowledge the brand as a trademark. Windsurfer, a popular brand of sailboards, lost its trademark, and the name can now be used by any sailboard company. The same thing has happened to other names that were formerly brand names—trampoline, yo-yo, thermos, snowmobile, kleenex, and aspirin. But companies like Xerox, Coca-Cola, Jell-O, and Scotch tape have successfully defended their brand names.

PATENT Protects an invention or idea for a period of 20 years.

COPYRIGHT Exclusive ownership rights granted to creators for the tangible expression of an idea.

PACKAGING The physical container in which a product is sold, including the label.

LABELS That part of a product's packaging that identifies the product's name and contents and sometimes its benefits.

CONSUMER PACKAGING AND LABELLING ACT A federal law that provides comprehensive rules for packaging and labelling of consumer products.

A **patent** protects an invention or idea for a period of 20 years. The cost is $1600 to $2500 and it takes 18 months to three years to secure a patent from the Canadian Intellectual Property Office.[23] Patents can be very valuable. In 2006, Research In Motion agreed to pay $612.5 million to NTP Inc., a U.S. firm that claimed RIM was infringing on some patents that NTP held.[24] In 2010, RIM was found not guilty by a judge in the U.K. for a claim by Motorola.[25] In yet another patent dispute, Pfizer Inc. reached an agreement in 2008 with an Indian generic drug maker that will keep a cheaper version of the cholesterol-lowering drug Lipitor out of the U.S. market until 2011. Sales revenues of Lipitor are about US$13 billion annually, so this is a very important deal for Pfizer.[26]

Copyrights give exclusive ownership rights to the creators of books, articles, designs, illustrations, photos, films, and music. Computer programs and even semiconductor chips are also protected. Copyrights extend to creators for their entire lives and to their estates for 50 years thereafter. Copyrights apply to the tangible expressions of an idea, not to the idea itself. For example, the idea of cloning dinosaurs from fossil DNA cannot be copyrighted, but Michael Crichton, the author of *Jurassic Park*, could copyright his novel because it is the tangible result of the basic idea.

There is much debate about how copyrights apply to material that appears on the internet. In 2005, the U.S.-based Authors Guild and several publishers sued Google, claiming that its book-scanning project was infringing on their copyrights. In 2008, Google agreed to pay US$125 million to settle the lawsuits. Google can now make available millions of books online.[27] The issue of file sharing is making copyright a big issue these days. New laws and new interpretations of old ones will redefine the role of copyright over the next few years.

Packaging Products

With a few exceptions, including fresh fruits and vegetables, structural steel, and some other industrial products, almost all products need some form of **packaging** to be transported to the market. Packaging serves as an in-store advertisement that makes the product attractive, clearly displays the brand, identifies product features and benefits, and reduces the risk of damage, breakage, or spoilage. It is the marketer's last chance to say "buy it" to the consumer. Packaging costs can be as high as 15 percent of the total cost to make a product, and features like resealable tops can add 20 percent to the price. In 2009, Tropicana learned that consumers were fond of the company's classic logo with the orange and straw as the centrepiece. When they tried to replace it with a new design, consumers responded with emails, letters, and complaints. PepsiCo, which owns Tropicana, immediately reversed the decision.[28]

Companies are paying close attention to consumer concerns about packaging. Beyond concerns about product tampering, packaging must be tight enough to withstand shipping, but not so tight that it frustrates consumers when they try to open the package. Nestlé—which spends more than $6 billion annually on packaging—spent nine months coming up with a new easier-opening lid and an easier-to-grip container for its new Country Creamery ice cream.[29]

Labelling Products

Labels *identify*, *promote*, and *describe* the product. The federal government regulates the information on package labels. The **Consumer Packaging and Labelling Act** has two main purposes: (1) to provide a comprehensive set of rules for packaging and labelling of consumer products, and (2) to ensure that the manufacturer provides full and factual information on labels. All pre-packaged products must state in French and English the quantity enclosed in metric units, as well as the name and description of the product.

Sellers are very sensitive about what is on the label of the products they sell. For example, the maple leaf is on all beer that Labatt Brewing Co. Ltd. sells in Canada—except in Quebec. There, the label has a stylized sheaf of wheat instead. Interestingly, the maple leaf is much more prominent on Labatt's beer sold in the United States.[30] Many companies use different labels for their products in Quebec than they do for products sold elsewhere in Canada.

LO-4 Promoting Products and Services

The ultimate objective of promotion is to increase sales. However, marketers also use promotion to increase consumer awareness of their products, to make consumers more knowledgeable about product features, and to persuade consumers to like and actually purchase their products. Today's value-conscious customers gain benefits when the specific elements in the promotional mix are varied so as to communicate value-added benefits in its products. Burger King shifted its promotional mix by cutting back on advertising and using those funds for customer discounts. Receiving the same food at a lower price is "value added" for Burger King's customers. Many companies, like Hallmark Cards, experience seasonal sales patterns. By increasing their promotional activities in slow periods, they can achieve a more stable sales volume throughout the year. As a result, they can keep their production and distribution systems running evenly.

The boxed insert entitled "Promoting a Green Business Image" describes how companies communicate information about their green initiatives to consumers.

PUSH STRATEGY A promotional strategy in which a company aggressively pushes its product through wholesalers and retailers, which persuade customers to buy it.

Promotional Strategies

Once a firm's promotional objectives are clear, it must develop a promotional strategy to achieve these objectives. Promotional strategies may be of the push or pull variety. A company with a **push strategy** will "push" its product to wholesalers and retailers, who

THE GREENING OF BUSINESS

Promoting a Green Business Image

Canadian businesses are increasingly promoting themselves as "green" enterprises. For example, the Fur Council of Canada—which emphasizes its ties with Native Canadians and its made-in-Canada attributes—is promoting itself as a green industry with billboard and print advertisements that stress the sustainability of the fur industry.

Convincing customers that a business is green is becoming increasingly difficult because consumers have become quite cynical, and because watchdog groups carefully scrutinize green claims. The 2010 Canadian Green Gap Index survey found that an overwhelming majority of Canadians either couldn't name a green retailer or didn't think any retailer was deserving of the label. A Gandalf Group survey of 1500 Canadians found that the majority of consumers think that (a) environmental claims by businesses are just a marketing ploy, and (b) labelling regulations are needed so buyers can understand what terms like "eco-friendly" actually mean.

One oil company that has had great difficulties with its green image is BP. Its slogan "Beyond Petroleum" promotes its green image, but BP is involved in extracting oil from the Alberta oil sands, which Greenpeace has called "the greatest climate crime in history." BP was also cited for environmental offences several times during the last decade. All of these problems were evident even before a fire in 2006 at a BP refinery in Texas that killed 15 workers, and the much more highly publicized explosion on its deepwater drilling rig in the Gulf of Mexico in 2010 that killed 11 workers and created an environmental catastrophe when millions of litres of oil were released into the ocean.

The term *greenwashing* has been coined to describe the practice of exaggerating or making false claims about the environmental impact of a product or service. EnviroMedia publishes a Greenwashing Index that ranks the eco-friendly advertising claims of various companies. In response to concerns about greenwashing, the Canadian Competition Bureau, in cooperation with the Canadian Standards Association, has drafted industry guidelines that will require companies to back up their environmental claims with scientific evidence. The new guidelines will create national definitions for terms like "recyclable" and will also prohibit vague claims about products (for example, "our product is non-toxic").

Critical Thinking Questions

1. What is your reaction to the Fur Council of Canada's green advertising campaign? What would you say to an animal rights activist who is outraged at the claims the Fur Council is making?
2. Consider the following statement: *"The Competition Bureau's plan to create national guidelines to define terms like 'recyclable' is well intentioned, but it will not work in practice because companies will figure out ways to get around the rules and still make unwarranted claims about how green they are."* Do you agree or disagree with the statement? Explain your reasoning.

PULL STRATEGY A promotional strategy in which a company appeals directly to customers, who demand the product from retailers, which demand the product from wholesalers.

PROMOTIONAL MIX That portion of marketing concerned with choosing the best combination of advertising, personal selling, sales promotions, and publicity to sell a product.

ADVERTISING Paid, non-personal communication by which an identified sponsor informs an audience about a product.

ADVERTISING MEDIUM The specific communication device—television, radio, internet, newspapers, direct mail, magazines, billboards—used to carry a firm's advertising message to potential customers.

then persuade customers to buy it. In contrast, a company with a **pull strategy** appeals directly to customers, who demand the product from retailers, who in turn demand the product from wholesalers, who in turn demand the product from the manufacturer. Advertising "pulls" while personal selling "pushes."

Makers of industrial products often use a push strategy, while makers of consumer products often use a pull strategy. Many large firms use a combination of the two strategies. For example, Coca-Cola uses advertising to create consumer demand (pull) for its various beverages—Coke, Fruitopia, Dasani, and PowerAde. It also pushes wholesalers and retailers to stock these products.

The Promotional Mix

As we noted in Chapter 12, there are four basic types of promotional tools: *advertising*, *personal selling*, *sales promotions*, and *publicity and public relations*. The best combination of these tools—the best **promotional mix**—depends on many factors. The company's product, the costs of different tools versus the promotions budget, and characteristics in the target audience all play a role. Figure 13.5 summarizes the effective promotional tools for each stage of the consumer buying process (discussed in Chapter 12).

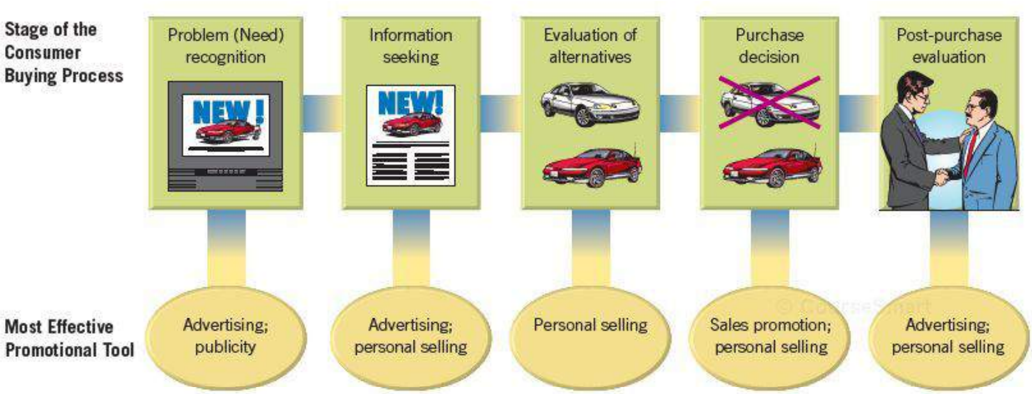
LO-5 Advertising Promotions

Advertising is paid, non-personal communication by which an identified sponsor informs an audience about a product. You can probably remember many jingles and slogans from your early childhood. If a friend tells you that he or she has dandruff, you may instinctively tell them to use Head and Shoulders shampoo. Companies have been planting messages in your head for years. Like it or not, we are all a little bit brainwashed. Consumers remember brand names more easily if the company has a catchy advertising slogan. Buckley's Cough Mixture is well known in Canada. You remember the slogan, don't you? "It tastes awful, and it works." Advertising can convince customers to try a company's product or service, but it has limits. It is the customers' experience with the product or service that determines whether they will make repeat purchases. Let's take a look at the different types of advertising media, noting some of the advantages and limitations of each one.

Advertising Media

In developing advertising strategies, marketers must consider what is the best **advertising medium** for their message. IBM, for example, uses television and internet ads to keep its name fresh in consumers' minds. But it also uses newspaper and magazine ads to educate consumers on products' abilities and trade publications to introduce new software. An advertiser selects media with a number of factors in mind. The marketer must first ask:

Figure 13.5
The consumer buying process and the promotional mix.



Which medium will reach the people I want to reach? If a firm is selling hog-breeding equipment, it might choose a business magazine read mostly by hog farmers. If it is selling silverware, it might choose a magazine for brides like *Let's Get Married* (or *Marions-Nous*). If it is selling toothpaste, the choice might be a general audience television program or a general audience magazine such as *Reader's Digest* (or *Sélection du Reader's Digest*). Each advertising medium has its own advantages and disadvantages. In the following paragraphs, we will examine the various media formats. In addition, Table 13.1 provides a summary of their advantages and disadvantages.

Newspapers Newspapers are a widely used advertising medium; in 2008, Canadian advertisers spent $2.5 billion on this medium. Unfortunately this figure was nearly 3 percent lower than in the previous year and continued a downward trend.[31] Newspapers offer excellent coverage, since each local market has at least one daily newspaper, and many people read the paper every day. This medium offers flexible, rapid coverage, since ads can change from day to day. Newspapers also offer believable coverage, since ads are presented next to news. In addition, a larger percentage of individuals with higher education and income level tend to read newspapers on a daily basis. For example, newspapers attract a 47 percent readership from individual households with an income of $75 000 or above, as opposed to only a 5 percent readership of individual households under $20 000.[32] However, newspapers do not generally allow advertisers to target their audience very precisely. In recent years, the volume of classified ads placed in newspapers has declined as advertisers have shifted their emphasis to the internet. The *Toronto Star* has tried to counter this trend by giving a free internet posting to anyone who buys a classified ad in the newspaper.[33]

Television Television allows advertisers to combine sight, sound, and motion, thus appealing to multiple senses. (Ads can use many techniques to emphasize motion. There was a great Cadillac ad that focused on motion by turning off the sound for seven seconds and capturing viewer attention in a unique manner.) Information on viewer demographics for a particular program allows advertisers to promote to their target audiences. National advertising is done on television because it reaches more people than any other medium. One disadvantage of television is that too many commercials cause viewers to confuse products. In addition, viewers who record programs on DVRs (digital video recorders) often fast-forward through the ads appearing on the TV shows they have recorded. This is a growing concern, since 35 percent of Canadians are expected to have this device by 2012.[34] The brevity of TV ads also makes television a poor medium to educate viewers about complex products.

Spending on television advertising in Canada totalled $3.3 billion in 2008.[35] Television is the most expensive advertising medium. In 2010, a 30-second commercial during the NFL Super Bowl cost about $3 million, up from $1.3 million in 1998. Perhaps it was coincidental, but Pepsi decided to pass on the opportunity after 23 consecutive years of participation.[36] To buy a national 30-second spot in Canada for the Super Bowl costs approximately $110 000; a comparable Grey Cup spot cost about $65 000.[37]

Table 13.1 Media Strengths and Weaknesses

Advertising	Strengths	Weaknesses
Television	Program demographics allow for customized ads Large audience	Most expensive
Magazines	Often reread and shared Variety of ready market segmentation	Require advanced planning Little control over ad placement
Newspapers	Broad coverage Ads can be changed daily	Quickly discarded Broad readership limits ability to target specific audience
Direct mail	Targeted audience Personal messages Predictable results	Easily discarded Environmentally irresponsible
Internet	Targeted audience Measurable success	Nuisance to consumers Easy to ignore
Radio	Inexpensive Large audience Variety of ready market segmentation	Easy to ignore Message quickly disappears
Outdoor	Inexpensive Difficult to ignore Repeat exposure	Presents limited information Little control over audience

A combination of additional unmeasured media—catalogues, sidewalk handouts, skywriting, telephone calls, ads on PDAs, special events, movies, and door-to-door communication—are not included.

DIRECT MAIL Printed advertisements, such as flyers, mailed directly to consumers' homes or places of business.

WORD-OF-MOUTH (WOM) ADVERTISING Opinions about the value of products passed among consumers in informal discussions.

In examining the TV medium, we should also consider product placement, which involves using brand-name products as part of the actual storyline of TV shows. This approach has been growing. Shows like *Survivor* and *American Idol* are noticeably full of placements. *American Idol* contestants are interviewed in the Coca-Cola room and the judges drink from prominently placed Coca-Cola glasses. The contestants film a music video featuring a Ford car or truck each week, which is presented as part of the show. Finally, the audience is invited to vote using AT&T. In all, there were over 4100 plugs in one recent season of *American Idol*.[38] In the early days of TV, live commercials featured actors selling the merits of products. Decades later, in an attempt to break through the clutter, it appears as if this old technique has been revived and updated.

Direct Mail **Direct mail** involves flyers or other types of printed advertisements mailed directly to consumers' homes or places of business. Direct mail allows the company to select its audience and personalize its message. The goal is to generate an immediate response and to have the customer contact a firm directly. Although many people discard "junk mail," targeted recipients with stronger-than-average interest are more likely to buy. Although direct mail involves the largest advance costs of any advertising technique, it does appear to have the highest cost-effectiveness. With "fax attacks," advertisers can send their "mail" messages electronically via fax machines and get higher response rates than they would if they used Canada Post. Targeted emails are also serving this purpose. Advertisers spent $1.7 billion on direct mail promotion in 2008.[39]

Radio According to BBM research, radio reaches 81 percent of Canadians on a daily basis; the average Canadian spends 159 minutes listening to the radio during a typical workday.[40] Radio ads are fairly inexpensive, and since most radio is programmed locally, this medium gives advertisers a high degree of customer selectivity. For example, radio stations are already segmented into listening categories such as classic rock, country and western, jazz, talk, news, and religious programming. Radio only permits an audio presentation and ads are over quickly. As well, people tend to use the radio as "background" while they are doing other things, so they may pay little attention to advertisements. Spending on radio advertisements totalled $1.5 billion in Canada in 2008.[41] Subscriber-based satellite radio poses a significant long-term threat to the traditional radio model.

Magazines The many different magazines on the market provide a high level of consumer selectivity. The person who reads *Popular Photography* is more likely to be interested in the latest specialized lenses from Canon than is a *Gourmet* magazine subscriber. Magazine advertising allows for excellent reproduction of photographs and artwork that not only grab buyers' attention but may also convince them of the product's value. Magazines also provide advertisers space for detailed product information. Magazines have a long life and tend to be passed from person to person, thus doubling and tripling the number of exposures. *Reader's Digest* has the largest readership in Canada, followed by *Canadian Living* (*Chatelaine* and *Canadian Geographic* are tied for third).[42] Spending on magazine advertisements totalled $692 million in Canada in 2008. This figure represents a 4 percent decline from the previous year; it was the sharpest decline of any medium in that timeframe.[43]

Outdoor Advertising Outdoor advertising—billboards; signs; and advertisements on buses, taxis, and subways—is relatively inexpensive, faces little competition for customers' attention, and is subject to high repeat exposure. Outdoor advertising has also gone high-tech. Winnipeg-based Sidetrack Technologies Inc. has developed a system of 360 digital strips that are placed at intervals along subway walls. When a train passes by, the strips blend together, creating the impression of watching a video. The strips can be changed remotely, thus allowing a company like McDonald's to advertise Egg McMuffins in the morning and Big Macs during the afternoon commute.[44]

Titan Worldwide has developed an LED display that shows commercials on New York City buses. The display contains GPS technology, so it can target audiences based on the time of day and postal code where the bus is located. The technology will also be introduced to Canada and Ireland.[45] Many billboards now feature animation and changing images, and today's billboard messages are cheaper because they can be digitally printed in colour in large quantities. On the downside, outdoor ads can present only limited information, and sellers have little control over who sees their advertisements. Outdoor advertising in Canada totalled $463 million in 2008.[46]

Word of Mouth **Word-of-mouth (WOM) advertising** occurs when consumers talk to each other about products they are using. According to the Word of Mouth Marketing Association, there are several varieties of WOM advertising, including buzz marketing (using high-profile news to get consumers talking about a product), viral marketing

Speed and creativity have given billboards like these a new prominence in the world of advertising media. Instead of relying on highly skilled human artists, outdoor ad sellers can now commission digital creations that not only turn heads but cost less than most other media. Whereas it used to take a month to launch a billboard-based campaign, it now takes just days.

(consumers passing product information around on the internet), product seeding (providing free product samples to influential consumers), and cause marketing (involving consumers who feel strongly about a cause such as reducing poverty).[47]

Consumers form very strong opinions about products as a result of conversations with friends and acquaintances, so when consumers start talking about a new product or idea, the information can build momentum and spread like wildfire. This "spreading the word" can happen without any expenditure of money by the company selling the product in question. However, companies spend money developing formal word-of-mouth advertising campaigns because they recognize how powerful they are. The now-famous Evolution ad for Dove soap (which showed an "ordinary" girl being transformed into a goddess) was posted on YouTube instead of traditional media. It was eventually viewed by 300 million people and generated huge publicity for the brand. The only cost to the company was that incurred in making the video.[48] Toronto-based Hook Communications launched its Voice over Internet Protocol (VOIP) service in 2010 with an incentive to spread the word. Customers are being asked to provide the emails of friends and then Hook sends friendly messages on their behalf. If two people join the service, the referrer receives a year of free service and $100 in loyalty rewards.[49]

The Internet Online ad sales were valued at $1.6 billion in Canada in 2008.[50] The growth in this area has been substantial and the power of this approach is unquestionable. To understand the transformational power of this medium, consider the strategic fortress of TV advertising: the Super Bowl. By 2010, even this sacred advertising event had changed. Instead of tightly guarding their secret campaigns for the big day, many companies are now creating teaser campaigns on YouTube and Facebook, to build interest, weeks before the event. In addition, the immense audience is being directed from TV to the internet during the game. For example, Budweiser Canada used the Super Bowl to drive people to its Facebook page in order to enter a live contest that concluded at the end of the game.[51] The long-promised power of the online ad world is not a myth. (Yes, Virginia, there is an Internet Clause). For a detailed example, take a look at the E-Business and Social Media Solutions Box entitled "Batman Embraces the Internet Age."

MySpace is using "hypertargeting" to categorize users into different categories like "rodeo watcher" or "scrapbook enthusiast." Live Nation, a concert promoter, saw increased traffic on its Coldplay page after it placed ads on MySpace that were directed at fans of Coldplay and similar bands. This sounds very positive for marketers, but privacy concerns have arisen about technologies that track consumers as they surf the web. For example, a company called NebuAd has developed ad-tracking software that has gotten the attention of critics who claim that it violates wiretap laws.[52]

Internet advertising offers advantages for both buyers and sellers. For buyers, advantages include *convenience*, *privacy*, *selection*, *easily accessible information*, and *control*. For sellers, advantages include *reach*, *direct distribution*, *reduced expenses*, *relationship building* (with customers on interactive websites), *flexibility*, and *feedback* (sellers can measure the success of messages by counting how many people see each ad and track the number of click-throughs to their own websites).[53]

Online marketing can be profitable for companies, but what happens when consumers turn against them? With so many individuals participating in social networking sites like Facebook and MySpace and keeping personal blogs, it's increasingly common for a single unhappy customer to wage war against a company for selling faulty products or providing poor service. Individuals may post negative reviews of products on blogs, upload angry videos outlining complaints on YouTube, or join public discussion forums where they can voice their opinion. While companies benefit from the viral spread of good news, they must also be on guard against an online backlash that can damage their reputation.[54]

Virtual Advertising Another method of advertising, called *virtual advertising*, uses digital implants of brands or products onto live or taped programming, giving the illusion that the product is part of the show. With this technique, an advertiser's product can appear as part of the

MEDIA MIX The combination of media through which a company chooses to advertise its products.

television show—when viewers are paying more attention—instead of during commercial breaks. In a televised basketball game, the digital image of a brand—for example, the round face of a Rolex watch or an Acura hubcap—can be electronically enlarged and superimposed on centre court without physically changing the playing floor. For recorded movies, digital images can be inserted easily. A Reitmans shopping bag can be digitally added to the table in a kitchen scene, or a Sony HDTV can be superimposed on the wall for display during a dramatic scene in the den.[55]

Other Advertising Media and Approaches Mobile phone ads are growing in importance for obvious reasons. There are 21.5 million Canadian wireless phone subscribers, which translates into a 67.5 percent penetration rate. In addition, with more of these users moving to smart phones, the range of ad possibilities are improving.[56]

A combination of many additional media—including catalogues, sidewalk handouts, Yellow Pages, skywriting, special events, and door-to-door communications—make up the remaining advertisements to which Canadians are exposed. The combination of media that a company chooses for advertising is called its **media mix**. Although different industries use different mixes, most depend on multiple media to advertise their products and services. As you can read in the Entrepreneurship and New Ventures boxed insert, advergaming is also a major venue for advertising. There were approximately 130 million console and computer gamers in North America in 2010, with a projected 170 million expected by 2013.[57]

E-BUSINESS AND SOCIAL MEDIA SOLUTIONS

Batman Embraces the Internet Age

The five Batman movies released between 1989 and 2008 grossed more than $1.6 billion worldwide. It would be understandable, then, if the producers decided to reduce the marketing budget for film number six. If ever a movie could be expected to market itself, it would be *The Dark Knight.* Instead, the producers teamed with 42 Entertainment, a California-based creator of alternate reality games, to immerse fans in one of the most elaborate viral marketing campaigns ever conceived. The fun began over a year before the movie opened, with the appearance of posters and a website "supporting" one of the film's characters, Harvey Dent, in his campaign for district attorney of Gotham City. Visitors to the website quickly discovered a link to a similar site—www.whysoserious.com—that appeared to have been vandalized by the movie's main villain, the Joker.

The emergence of the Joker set in motion a series of games in which fans vied with one another to solve puzzles. The fastest fans received cellphones that let them access information that led them deeper into the puzzle. Meanwhile, the websites multiplied: fake newspapers with articles like "Batman Stops Mob Melee," safety tips from the Gotham Police Department, even a link to Betty's House of Pies—a restaurant that plays a small but crucial role in the movie's plot.

The appeal of viral marketing, according to Jonathan Waite, owner of the Alternate Reality Gaming Network, is that "you're not a passive onlooker; you're taking an active role. And any time you take an active role, you're emotionally connecting." Or, as one blogger put it, "I've never been a fan of the Batman series, but this sort of thing makes me want to go see it."

The Dark Knight's innovative marketing campaign helped catapult the movie to a record-breaking box office debut, earning over $158 million in its opening weekend. Domestically and internationally, the film was a great success, earning more than $873 million worldwide. That was more than half the money earned by the previous five Batman movies combined.

This is not an isolated case; companies are clearly paying attention to the enhanced power of an old tool. Word of mouth in the e-business social media age is just beginning to gain strength and explore possibilities.

Critical Thinking Question

1. Have you participated in the spread of a viral campaign recently? Describe the ad and the reasons why you sent the content to a friend.

LO-6 Personal Selling Promotions

Virtually everyone has done some selling. Perhaps you had a lemonade stand or sold candy for the drama club. Or you may have gone on a job interview, selling your abilities and services as an employee to the interviewer's company. In personal selling, a salesperson communicates one to one with a potential customer to identify the customer's need and match that need with the seller's product.

Personal selling—the oldest form of selling—provides the personal link between seller and buyer. It adds to a firm's credibility because it gives buyers a contact person who will answer their questions. Because it involves personal interaction, personal selling

PERSONAL SELLING
Promotional tool in which a salesperson communicates one to one with potential customers.

ENTREPRENEURSHIP AND NEW VENTURES

Fuelling the World of Branded Entertainment

The casual gaming industry develops non-violent, easy-to-play video games that appeal to a wide variety of users. Industry sales are $2.3 billion, expected annual growth is 20 percent, and the worldwide market is about 200 million people. Fuel Industries of Ottawa, Ontario, founded in 1999, has positioned itself as an up-and-comer in this industry by winning contracts that typically would be awarded to big-name companies like DreamWorks Animation and Pixar Animation Studios. The company's success has not gone unnoticed. In 2008, *Canadian Business* magazine recognized Fuel as one of the country's fastest growing businesses.

Fuel doesn't just develop online video games. Rather, it is pioneering a model of branded online entertainment (referred to as "advergames"). Essentially, an advergame is an online video game and advertising rolled into one. The theory behind the concept is simple: if consumers are having fun while interacting with the entertainment, they are more likely to remember and feel positive toward the brand. Instead of trying to make an impression during a traditional 60-second commercial, advergames keep consumers engaged for up to 600 seconds! Many companies are beginning to see the benefits of this marketing strategy.

Fuel was launched into the branded digital promotion business when it created an advergame called Fairies and Dragons that helped McDonald's promote its Happy Meal in 40 European countries. With every Happy Meal, kids received a fairy or dragon toy along with a CD-ROM that contained three games and 10 hours of game play. That approach differed noticeably from the usual tactic of licensing characters from established entertainment companies like Disney. Plans are underway to launch the same concept for McDonald's in other regions, including Australia, Japan, and North America.

Since their success with McDonald's, Fuel has done similar work for U.S. toy company Jakks Pacific's branded game Girl Gourmet Cupcake Maker. The company is also behind the development of Spark City, an online game targeted to tween girl gamers. This virtual world is part of the All Girl Arcade website. The branded element appears through the integration with television and retail. As an example, Fuel is adding a movie theatre to Spark City and the agency is in talks with broadcasters and film companies looking to run trailers in the theatre.

So, what's the cost to get your brand into Spark City? It could be anywhere between $25 000 and $200 000. But is there a risk of virtual world burnout among customers as branded sites flourish? According to Virtual Worlds Management, a Texas-based company, the future looks good, but "the cream will definitely rise to the top." Therefore, if a company chooses this strategy, as with any product, branded sites need to be developed to address the needs and wants of the selected target market.

Critical Thinking Questions

1. How can marketers build relationships with customers through newer methods of virtual advertising like advergames?
2. What are the advantages and disadvantages of internet advertising?

SALES PROMOTIONS Short-term promotional activities designed to stimulate consumer buying or cooperation from distributors and other members of the trade.

requires a level of trust between the buyer and the seller. When a buyer feels cheated by the seller, that trust has been broken and a negative attitude toward salespeople in general can develop.

Personal selling is the most expensive form of promotion per contact because presentations are generally made to one or two individuals at a time. Personal selling expenses include salespeople's compensation and their overhead (travel, food, and lodging). The average cost of an industrial sales call has been estimated at nearly $300.[58] The Exercising Your Ethics exercise at the end of the chapter describes an interesting personal selling dilemma.

Costs have prompted many companies to turn to *telemarketing*: using telephone solicitations to conduct the personal selling process. Telemarketing is useful in handling any stage of this process and in arranging appointments for salespeople. It cuts the cost of personal sales visits to industrial customers, who require about four visits to complete a sale. Such savings are stimulating the growth of telemarketing, which provides 150 000 jobs in Canada and generates $25 billion in annual sales. Telemarketing returns $6.25 for every dollar spent.[59]

Because many consumers are annoyed by telemarketing pitches, a do-not-call registry was set up in Canada in 2008, and six million people quickly registered. Heavy fines can be levied on companies that ignore the new rules. A survey by VoxPop showed that 80 percent of Canadians who registered now receive fewer telemarketing calls than they used to.[60] However, in 2009, it was discovered that some unscrupulous marketers were actually using the registry to call people. Michael Geist, a Canada research chair in internet and e-commerce law at the University of Ottawa, says the government's registry is flawed.[61]

LO-7 Sales Promotions

Sales promotions are short-term promotional activities designed to stimulate consumer buying or cooperation from distributors, sales agents, or other members of the trade. They are important because they increase the likelihood that buyers will try products. They also enhance product recognition and can increase purchase size and amount. For example, soap is often bound into packages of four with the promotion, "Buy three and get one free."

Once the master of mass-marketing (especially the 30-second TV spot), Coca-Cola has bowed to audience fragmentation and the invention of DVR's, which allow people to skip TV ads altogether. Coke has begun experimenting with alternative approaches to promotion, focusing on events and activities that can be integrated into the daily routines of targeted consumers. In Europe, the company posts interactive websites built around music, and in the United States it has installed Coke Red Lounges in a few select malls, offering teenagers exclusive piped-in music, movies, and videos.

To be successful, sales promotions must be convenient and accessible when the decision to purchase occurs. If Harley-Davidson has a one-week motorcycle promotion and you have no local dealer, the promotion is neither convenient nor accessible to you, and you will not buy. But if Herbal Essences offers a 20 percent–off coupon that you can save for use later, the promotion is convenient and accessible. Like anything else, too much of a good thing can be destructive. The Bay has been criticized for holding too many scratch-and-save "Bay Days." The goal of such programs is to generate immediate sales, as people are given an incentive to buy now or buy before the end of the weekend. But in the case of the Bay, many customers have been conditioned to expect these sales. The end result is that some customers delay purchase, waiting for the next sale. This is clearly not the goal of a sales promotion program.

Types of Sales Promotions The best-known sales promotions are *coupons*, *point-of-purchase displays*, *purchasing incentives* (such as free samples, trading stamps, and premiums), *trade shows*, and *contests and sweepstakes*.

- **Coupons** are certificates entitling the bearer to stated savings off a product's regular price. Coupons may be used to encourage customers to try new products, to attract customers away from competitors, or to induce current customers to buy more of a product. They appear in newspapers and magazines and are often sent through direct mail.
- To grab customers' attention as they walk through a store, some companies use **point-of-purchase (POP) displays.** Displays located at the end of the aisles or near the checkout in supermarkets are POP displays. POP displays often coincide with a sale on the item(s) being displayed. They make it easier for customers to find a product and easier for manufacturers to eliminate competitors from consideration. The cost of shelf and display space, however, is becoming more and more expensive.
- Free samples and premiums are *purchasing incentives*. Free samples allow customers to try a product without any risk. They may be given out at local retail outlets or sent by manufacturers to consumers via direct mail. **Premiums** are free or reduced-price items, such as pens, pencils, calendars, and coffee mugs, given to consumers in return for buying a specified product. For example, during one promotion, Molson Canadian included a free T-shirt with certain packages of its beer.[62] Premiums may not work as well as originally hoped, since customers may only temporarily switch to a brand simply to get the premiums that company is offering.
- Industries sponsor **trade shows** for their members and customers. Trade shows allow companies to rent booths to display and demonstrate their products to customers who have a special interest in the products or who are ready to buy. Trade shows are relatively inexpensive and are very effective, since the buyer comes to the seller already interested in a given type of product. International trade shows are becoming more important.
- Customers, distributors, and sales representatives may all be persuaded to increase sales of a product through the use of *contests*. For example, distributors and sales agents may win a trip to Hawaii for selling the most pillows in a month.

Publicity and Public Relations

Much to the delight of marketing managers with tight budgets, **publicity** is free. Moreover, because it is presented in a news format, consumers see publicity as objective and believable. However, marketers may have little control over bad publicity, and that can have a very negative impact. For example, a YouTube video showing what appeared to be a Guinness beer commercial portrayed several people in a suggestive sexual arrangement with the title "Share One with a Friend." Guinness was quick to distance itself from the fake advertisement, saying that was not how it wanted its product portrayed. In another case, the restaurant chain Olive Garden was placed in a difficult position when it received favourable publicity from Playboy Playmate Kendra Wilkinson, who at that time was one of Hugh Hefner's three live-in girlfriends and who was featured in the E! series *The Girls Next Door*. She gave several on-air plugs, but the restaurant was concerned because Wilkinson's reputation at the time was not consistent with the company's wholesome, family-friendly image.[63]

In contrast to publicity, **public relations** is company-influenced publicity. It attempts to create goodwill between the company and its customers through public-service announcements that enhance the company's image. For example, a bank may announce that senior citizens' groups can have free use of a meeting room for their social activities. As well, company executives may make appearances as guest speakers representing their companies at professional meetings and civic events. They also may serve as leaders in civic activities like the United Way campaign and university fundraising.

Corporate sponsorships of athletic events also help promote a company's image. Roots has been successful

COUPON A method of sales promotion featuring a certificate that entitles the bearer to stated savings off a product's regular price.

POINT-OF-PURCHASE (POP) DISPLAY A method of sales promotion in which a product display is located in a retail store in order to encourage consumers to buy the product.

PREMIUM A method of sales promotion in which some item is offered free or at a bargain price to customers in return for buying a specified product.

TRADE SHOW A method of sales promotion in which members of a particular industry gather for displays and product demonstrations designed to sell products to customers.

PUBLICITY Information about a company, a product, or an event transmitted by the general mass media (with no direct cost to the company).

PUBLIC RELATIONS Company-influenced information directed at building goodwill with the public or dealing with unfavourable events.

AMBUSH MARKETING Occurs when a company launches an advertising campaign to coincide with a major event, like the Olympics; it capitalizes on viewer interest without paying an official sponsorship fee.

GLOBAL PERSPECTIVE Company's approach to directing its marketing toward worldwide rather than local or regional markets.

in getting high-profile individuals to wear its products. These sponsorships rely on a positive brand association to the event; however, sometimes sponsors can be frustrated by a competitor that benefits from the same exposure without paying official sponsor fees, a practice known as **ambush marketing**. The Royal Bank was an official sponsor of the 2010 Winter Olympic Games, so when Scotiabank launched a national photo contest to display Canadian pride, cleverly timed to benefit from the exposure of the games, the Olympic organizing committee took notice.[64] Most large firms have a department to manage their relations with the public and to present a desired company image.

International Promotional Strategies

As we saw in Chapter 5, in recent decades we have witnessed a profound shift from "home-country" marketing to "multi-country" and now to "global" marketing. Nowhere is this rapidly growing global orientation more evident than in marketing promotions, especially advertising.

Before creating an international advertisement like this Chinese ad for Coca-Cola, it is crucial to research what differences—such as meaning of words, traditions, and taboos—exist between different societies. For example, German manufacturers of backpacks label them as "body bags," which is not terribly enticing to the Canadian consumer. Gerber baby food is not sold in France because the French translation of gerber is "to vomit."

Emergence of the Global Perspective

Every company that markets products in several countries faces a basic choice: use a *decentralized approach*, maintaining separate marketing management for each country or region, or adopt a *global perspective*, directing a coordinated marketing program at one worldwide audience. Thus, the **global perspective** is a philosophy that directs marketing toward worldwide rather than local or regional markets.

The Movement toward Global Advertising A truly global perspective means designing products for multinational appeal—that is, genuinely global products.[65] A few brands, such as Coca-Cola, McDonald's, Mercedes-Benz, and Rolex, enjoy recognition as truly global brands. One universal advertising program is more efficient and cost-effective than developing different programs for many countries, but global advertising is not feasible for many companies. Four factors make global advertising a challenging proposition:

- *Product variations.* Even if a product has universal appeal, some variations, or slightly different products, are usually preferred in different cultures. *Cosmopolitan* magazine has 58 editions, in 34 languages, and is distributed to 100 countries.[66] Many companies have found that without a local or national identity, universal ads don't cause consumers to buy. Coca-Cola's "think global, act local" strategy and Nestlé's approach to small-scale local advertising call for ads tailored to different areas. Such ads are designed to produce variations on a universal theme while appealing to local emotions, ideas, and values. Advertising agencies have set up worldwide agency networks that can coordinate a campaign's central theme while allowing regional variations.
- *Language differences.* Compared with those in other languages, ads in English require less print space and airtime because English is an efficient and precise language. Also, translations are often inexact or confusing. When Coke first went to China, the direct translation of *Coca-Cola* came out "bite the wax tadpole."

- *Cultural receptiveness.* There are differences across nations regarding the mass advertising of sensitive products (birth control or personal hygiene products), not to mention those for which advertising may be legally restricted (alcohol, cigarettes). A Canadian in Paris may be surprised to see nudity in billboard ads and even more surprised to find that France is the only country in the European Union that bans advertising and selling wine on the internet. In the EU and through much of Asia, comparative advertising is considered distasteful or even illegal.
- *Image differences.* Any company's image can vary from nation to nation, regardless of any advertising appeals for universal recognition. American Express, IBM, and Nestlé have better images in the United States than in the United Kingdom, where Heinz, Coca-Cola, and Ford have better images.

Summary of Learning Objectives

1. **Identify a *product*, distinguish between *consumer* and *industrial products*, and explain the *product mix*.** A *product* is a good, service, or idea that is marketed to fill consumer needs and wants. Customers buy products because of the *value* that they offer. *Consumer products* are divided into three categories that reflect buyer behaviour: *convenience goods*, *shopping goods*, and *specialty goods*. Industrial products include *expense items* and *capital items*. The group of products that a company makes available for sale is its *product mix*.
2. **Describe the *new product development process* and trace the stages of the *product life cycle*.** Many firms adopt some version of a basic seven-step process: (1) *product ideas*, (2) *screening*, (3) *concept testing*, (4) *business analysis*, (5) *prototype development*, (6) *product testing and test marketing*, and (7) *commercialization*.

   The *product life cycle (PLC)* is a series of four stages characterizing a product's profit-producing life: (1) *introduction*, (2) *growth*, (3) *maturity*, and (4) *decline*.
3. **Explain the importance of *branding, packaging,* and *labelling*.** *Branding* is a process of using symbols to communicate the qualities of a particular product. With a few exceptions, a product needs some form of *packaging*, a physical container in which it is sold, advertised, or protected. Every product has a *label* on its package that identifies its name, manufacturer, and contents; like packaging, labelling can help market a product.
4. **Identify the important objectives of *promotion* and discuss the considerations in selecting a *promotional mix*.** Besides the ultimate objective of increasing sales, marketers may use promotion to accomplish any of the following four goals: (1) *communicating information*, (2) *positioning products*, (3) *adding value*, and (4) *controlling sales volume*.
5. **Describe the key *advertising media*.** The most common media—television, newspapers, direct mail, radio, magazines, outdoor advertising, internet, mobile—differ in their cost and their ability to segment target markets. The combination of media through which a company advertises is its *media mix*.
6. **Outline the tasks involved in *personal selling*.** In *personal selling*, a salesperson communicates one to one with potential customers to identify their needs and align them with a seller's products. It adds to a firm's credibility because it allows buyers to interact and ask questions. Unfortunately, expenses are high so many companies have turned to *telemarketing*.
7. **Describe the various types of *sales promotions* and distinguish between *publicity* and *public relations*.** *Sales promotions* are short-term promotional activities designed to stimulate consumer buying or

cooperation from members of the trade. They increase the likelihood that buyers will try pro-ducts; they also enhance product recognition and can increase purchase size and amount. The following are the best-known forms of promotions: (1) *coupons*, (2) *point-of-purchase (POP) displays*, (3) *free samples*, (4) *premiums*, (5) *trade shows*, and (6) *contests*.

Publicity is a promotional tool in which information about a company or product is created and transmitted by general mass media. It is free, and because it is presented in a news format, consumers often see it as objective and credible. However, marketers often have little control over it, and it can be as easily detrimental as beneficial. *Public relations* is company-influenced publicity that seeks to build good relations with the public and deal with unfavourable events.

Questions and Exercises

Questions for Analysis

1. What impact do the different levels of brand loyalty (recognition, preference, insistence) have on the consumer buying process described in Chapter 12?
2. Why would a business use a "push" strategy rather than a "pull" strategy?
3. Is publicity more or less available to small firms than to larger firms? Why?
4. How would you expect the branding, packaging, and labelling of convenience, shopping, and specialty goods to differ? Why? Give examples to illustrate your answers.
5. Select a good or service that you have purchased recently. Try to retrace the relevant steps in the buyer decision process as you experienced it. Which steps were most important to you? Which steps were least important?
6. Sales promotions and advertising are both part of the promotional mix. How do the short-term objectives of sales promotions differ from advertising efforts?

Application Exercises

7. Interview the manager of a manufacturing firm that produces at least three or four different products. Identify each of the company's products in terms of their stage in the product life cycle. Are all the products in the same stage, or does the company have products in each stage?
8. Select a product that is sold nationally. Identify as many media sources used in its promotion as you can. Which medium is used most often? On the whole, do you think the campaign is effective? What criteria did you use to make your judgment about effectiveness?
9. Interview the owner of a local small business. Identify the company's promotional objectives and strategies, and the elements in its promotional mix. What changes, if any, would you suggest? Why?
10. Identify two advertising campaigns that have recently been conducted by similar businesses in your area. Go online to gather more information and watch ads on YouTube, and/or clip ads in newspapers and magazines. Survey students as to which company had a more effective ad campaign. Summarize the findings and explain why you think one was better than the other.

TEAM EXERCISES

Building Your Business Skills

Greeting Start-Up Decisions

Goal

To encourage students to analyze the potential usefulness of two promotional methods—personal selling and direct mail—for a start-up greeting card company.

Situation

You are the marketing adviser for a local start-up company that makes and sells specialty greeting cards in a city of 400 000. Last year's sales totalled 14 000 cards, including personalized holiday cards, birthday cards, and special-events cards for individuals. Although revenues increased last year, you see a way of further boosting sales by expanding into card shops, grocery stores, and gift shops. You see two alternatives for entering these outlets:

1. Use direct mail to reach more individual customers for specialty cards.
2. Use personal selling to gain display space in retail stores.

Your challenge is to persuade the owner of the start-up company to use the alternative you believe is the more financially sound decision.

Method

Step 1 Get together with four or five classmates to research the two kinds of product segments: *personalized cards* and *retail store cards*. Find out which of the two kinds of marketing promotions will be more effective for each segment. What will be the reaction to each method by customers, retailers, and card company owners?

Step 2 Draft a proposal to the company owner. Leaving budget and production details to other staffers, list as many reasons as possible for adopting a direct mail strategy. Then list as many reasons as possible for adopting a personal selling strategy. Defend each reason. Consider the following reasons in your argument:

- *Competitive environment:* Analyze the impact of other card suppliers that offer personalized cards and cards for sale in retail stores.
- *Expectations of target markets:* Who buys personalized cards, and who buys ready-made cards from retail stores?
- *Overall cost of the promotional effort:* Which method—direct mail or personal selling—will be more costly?
- *Marketing effectiveness:* Which promotional method will result in greater consumer response?

Follow-Up Questions

1. Why do you think some buyers want personalized cards? Why do some consumers want ready-made cards from retail stores?
2. Today's computer operating systems provide easy access to software for designing and making cards on home computers. How does the availability of this product affect your recommendation?
3. What was your most convincing argument for using direct mail? For using personal selling?
4. Can a start-up company compete in retail stores against industry giants such as Hallmark?

Exercising Your Ethics

Cleaning Up in Sales

The Situation

Selling a product—whether a good or a service—requires the salesperson to believe in it, to be confident of his or her sales skills, and to keep commitments made to clients. Because so many people and resources are involved in delivering a product, numerous uncertainties and problems can give rise to ethical issues. This exercise encourages you to examine some of the ethical issues that can surface in the selling process for industrial products.

The Dilemma

Cleaning Technologies Corporation (CTC) is a U.S.-based company that manufactures equipment for industrial cleaners. The Canadian division of CTC has hired Denise Skilsel and six other recent graduates that have just completed the sales training program for a new line of high-tech machinery that CTC has developed. As a new salesperson, Skilsel is eager to meet potential clients, all of whom are professional buyers for companies—such as laundries and dry cleaners, carpet cleaners, and military cleaners—that use CTC products or those of competitors. Skilsel is especially enthusiastic about several facts that she learned during training: CTC's equipment is the most technically advanced in the industry, carries a 10-year performance guarantee, and is safe—both functionally and environmentally.

The first month was difficult but successful. In visiting seven firms, Skilsel successfully closed three sales, earning large commissions and praise from the sales manager. Moreover, after listening to her presentations, two more potential buyers gave verbal commitments and were about to sign for much bigger orders than any Skilsel had closed to date. As she was catching her flight to close those sales, Skilsel received two calls—one from a client and one from a competitor. The client, just getting started with CTC equipment, was having some trouble: employees stationed nearby were getting sick when the equipment was running. The competitor told Skilsel that the U.S. Environmental Protection Agency (EPA) had received complaints from some of CTC's customers that the new technology was environmentally unsafe because of noxious emissions.

Team Activity

Assemble a group of four students and assign each group member to one of the following roles:

- Denise Skilsel: CTC salesperson (employee)
- CTC sales manager (employer)
- CTC customer
- CTC investor

Action Steps

1. Before discussing the situation with your group, and from the perspective of your assigned role, consider what you would recommend Skilsel say to the two client firms she is scheduled to visit. Write down your recommendation.
2. Gather your group together and reveal each member's recommendation.
3. Appoint someone to record the main points of agreement and disagreement. How do you explain the results? What accounts for any disagreement?
4. Identify any ethical issues involved in group members' recommendations. Which issues, if any, are more critical than others?
5. From an ethical standpoint, what does your group finally recommend Skilsel say to the two client firms she is scheduled to visit? Explain your result.
6. Identify the advantages and drawbacks resulting from your recommendations.

BUSINESS CASE 13

Measuring the Effectiveness of Advertising

Businesses spend a lot of money each year on advertising, so it is not surprising that they want to know what effect it is having. For example, marketers are asking advertising agencies more probing questions about advertising campaigns and media buys: how are the media plans developed, who buys the current media mix, and how have they performed? Faced with growing accountability to perform, ad agencies are imposing more accountability on media outlets. Local and national TV may no longer rely solely on Nielsen ratings as evidence for ad effectiveness; more convincing proof of performance would show how much they contribute to advertiser's sales. Newspapers, magazines, radio, and other media will also be asked for more convincing evidence. New ways to test the effects of media on consumer attention, persuasion and consumer thinking, and responsiveness in buying behaviour are in the development stage. Reliable measurements will allow media planners in advertising agencies to compare bottom-line results from alternative media expenditures—newspapers, internet, radio, magazines, TV—and to pinpoint the best combination of media buys.

Measuring audiences has evolved over the years and media competition is complex.

In general, advertisers want to know what television programs consumers are watching, or what websites they are visiting. If it can be demonstrated that some TV shows or websites are more popular than others, advertisers will pay more to have their ads appear in those places.

Nielsen Media Research is the most well-known company providing information on television viewing habits. It gets its revenues by selling its viewer data to advertising agencies, television networks, and cable companies. In the past, the system involved having selected viewers write down the channel number they were watching and who was watching TV each quarter-hour of the day. But this system was cumbersome, and consumers often made errors when filling out forms. The system gradually began to break down as technology changed. For example, when remote controls became popular, so did channel surfing, but channel surfing is virtually impossible to reflect in a diary. The introduction of digital video recorders (DVRs) and the delivery of shows via cellphone, computer, and iPad has made Nielsen's old system obsolete.

Nielsen initially responded to criticisms by attaching electronic meters to household TVs. The meter determined what channel was being watched and who was watching, but viewers still had to punch in a pre-assigned number on their remote control whenever they started to watch. These meters likely improved the accuracy of in-home viewing data, but they did not address the growing problem of measuring viewing habits of people who were not at home but who were still watching TV. For example, measuring the viewing habits of students who live away from home at university is not easy. Nielsen also doesn't monitor viewing in offices, bars, hotels, prisons, and many other out-of-home venues.

Cable companies argue that Nielsen's system doesn't accurately capture the large number of people who watch cable TV. Differences can be substantial with different measuring systems. For example, in a side-by-side analysis in New York City, an episode of *The Simpsons* on the Fox network showed a 27 percent decline when the new electronic meters were used, but shows on Comedy Central cable saw gains of 225 percent using the same electronic measurement.

In Montreal and Quebec City, consumers are being paid to carry a pager-sized device that records each advertisement they see or hear and every store or restaurant they go into. BBM Canada is using something called the Personal Portable Meter (PPM) to determine television ratings. These devices listen for cues that broadcasters have embedded in their broadcasts and enable BBM to assess television viewing outside peoples' homes (it has also been introduced for radio listeners). The new system allows advertisers to eventually correlate the advertisements people hear with the products they buy. They can therefore determine how effective their advertisements are.

Nielsen announced that it would introduce new technology that would allow it to capture DVR viewing on a daily basis. It will also begin measuring video-on-demand and testing ways of measuring viewing on the internet and on hand-held devices such as iPods and cellphones. If these new measuring systems show significantly different viewing patterns than historical data, it will result in even more advertising dollars shifting to new media. Nielsen also has invested in a company called NeuroFocus, which is developing a system for scanning the human brain to determine if people are paying attention to (and remembering) ads they see.

But even if these improvements are made, some critics will not be happy. The vice-president at one advertising space–buying company says that the only thing that is important to measure is "live" viewing. The use of DVRs has led to a sharp drop in "live" television viewing, and people who are watching a DVR program may not even be watching the ads. Not surprisingly, TV companies disagree with that assessment. They argue that ad rates should be determined by the total viewership an ad gets.

Two web measurement services—comScore and Nielsen Online—gather data on internet use by getting people to agree to let their online surfing and purchasing patterns be monitored. The behaviour of these individuals is then extrapolated to the larger population. Since this method is similar to the traditional assessment method that Nielsen used to measure television-viewing habits, there are also concerns about its accuracy. To overcome these concerns, Google introduced Google Analytics to more accurately measure internet use. It shows which websites various target audiences visit and helps advertisers figure out the best places to place online ads. Google's system uses data from web servers and allows for a better understanding of how the internet is used by consumers. Both comScore and Nielsen Online charge advertisers for the data they provide, but Google provides information free of charge. Google also introduced a new system to help advertisers determine how web surfers respond to the ads they see on the various sites they visit. The system works by comparing people who have seen the ads with people who haven't.

No system is perfect, and it is clear that using web servers to gather data has some problems of its own. For example, measurement is based on "cookies" (tracking data), but some users delete cookies and then another cookie is attached when they later revisit a website. This can lead to overstatement of the number of website visits. As well, the system has trouble telling whether a website visit is from an actual consumer or from a technology that visits different websites.

One of the potentially serious problems with gathering data about consumer behaviour is "click fraud." It can occur in several ways, such as when a web developer repeatedly clicks on a website in order to make it seem like there is a great deal of interest in it. Or computers can be programmed to repeatedly click on ads to simulate a real consumer clicking on ads on a web page. When this happens, advertisers get a bigger bill but no extra sales revenue. When click fraud occurs, the money spent on advertising is obviously wasted. Click Forensics Inc., a click fraud reporting service, reports that the click fraud rate is about 16 percent. But Google claims that only 2 out of 10 000 clicks are fraudulent.

Questions for Discussion

1. The viewership data that Nielsen develops is important in determining how much advertisers pay to place their ads on TV. What are the advantages and disadvantages of the system? Are there alternative systems that might work better? Explain.
2. The argument has been made that counting DVR viewing isn't useful because people don't watch program advertisements when using a DVR and because advertisements simply don't have the same urgency as they do when the program actually airs. Do you agree or disagree with this argument? Give reasons. Whatever your position, how do you think uncertainty over issues like this influence the value of the data that are produced? What could be done to improve the data?
3. Suppose that you are buying advertising space on TV. Would you be more likely to accept Nielsen data for, say, sports programs than you would for dramas? Explain. What kind of biases might you have and why?
4. What are the strong and weak points of measuring viewership for internet advertisements?

SCANLIFE