

Business Marketing Communications: Advertising and Sales Promotion

Advertising supports and supplements personal selling efforts. The share of the marketing budget devoted to advertising is smaller in business than it is in consumer-goods marketing. A well-integrated business-to-business marketing communications program, however, can help make the overall marketing strategy more efficient and effective. After reading this chapter, you will understand:

1. the specific role of advertising in business marketing strategy.
2. the decisions that must be made when forming a business advertising program.
3. the business media options, including the powerful role of online advertising.
4. ways to measure business advertising effectiveness.
5. the role of trade shows in the business communications mix and how to measure trade show effectiveness.

Let's consider the vital role that marketing communications can assume in business marketing strategy by exploring the stunning success of Bomgar Corporation.¹ While working as a network engineer for an information technology integrator in Mississippi, Joel Bomgar grew tired of driving around the region, moving from client to client, and solving the same basic problem. So, Joel began to work on the original version of the Bomgar Box—a remote information technology support system delivered on an appliance owned and controlled by the customer. Once developed, he then recruited two college friends, created a Web site, and set out to launch the new product, targeting small and medium-sized businesses. Reflecting on this critical milestone for the business, Joel recalls his chief fears: “My entire advertising budget consisted of my personal debit card. How could I possibly compete with all the billion-dollar corporations out there?”²

Joel decided to use Google AdWords (that is, paid search engine advertising) to drive qualified customer prospects to the firm's new Web site. Joel and his team chose keywords and developed targeted messages that highlighted the important features that differentiate Bomgar's products from the competition, including ease of implementation and effective security controls. Patrick Norman, vice president of e-commerce for Bomgar, observes: “With Google, this guy in Mississippi who'd built this new technology was able to put it out there, and suddenly the world was open to him. That just doesn't happen with traditional media.”³ Once a foundation was established, Bomgar expanded the scope of its marketing strategy by running ads on the Google Content Network that reaches 75 percent of Internet users. Next the team used site targeting to display advertising on specific Web sites that are frequented by information technology professionals. By 2008, 4,000 corporate customers from all 50 states and 48 countries have chosen the Bomgar virtual support solution.⁴ In addition to a wealth of mid-size enterprises, current customers include Humana, Ethan Allen, Nissan, and UnitedHealth Group.

Communication with existing and potential customers is vital to business marketing success. Experience has taught marketing managers that not even the best products sell themselves: The benefits, problem solutions, and cost efficiencies of those products must be effectively communicated to everyone who influences the purchase decision. As a result of the technical complexity of business products, the relatively small number of potential buyers, and the extensive negotiation process, the primary communication vehicle in business-to-business marketing is the salesperson. However, nonpersonal methods of communication, including advertising, catalogs, the Internet, and trade shows, have a unique and often crucial role in the communication process. To maximize the return on promotional spending, business-to-business firms are developing integrated marketing campaigns that align marketing communications strategies to strategic objectives.⁵

The focus of this chapter is fourfold: (1) to provide a clear understanding of the role of advertising in business marketing strategy; (2) to present a framework for structuring advertising decisions—a framework that integrates the decisions related to

¹This example is based on Google Content Network: Success Stories, “Remote Control,” accessed on August 1, 2008 at <http://www.adwords.google.com>.

²Ibid., p. 1.

³Ibid., pp. 2–3.

⁴“About Bomgar,” accessed on August 1, 2008 at <http://www.bomgar.com>.

⁵Don Schultz and Heidi Schultz, *IMC—The Next Generation* (New York: McGraw-Hill, 2004).

objectives, budgets, messages, media, and evaluation; (3) to develop an understanding of each business-to-business advertising decision area; and (4) to evaluate the valuable role of online advertising and trade shows in the promotional mix.

The Role of Advertising

Integrated Communication Programs

Advertising and sales promotion are rarely used alone in the business-to-business setting but are intertwined with the total communications strategy—particularly personal selling. Personal and nonpersonal forms of communication interact to inform key buying influentials. The challenge for the business marketer is to create an advertising and sales promotion strategy that effectively blends with personal selling in order to meet sales and profit objectives. In addition, the advertising, online media, and sales promotion tools must be integrated; that is, a comprehensive program of media and sales promotion methods must be coordinated to achieve the desired results.

Enhancing Sales Effectiveness

Effective advertising can make personal selling more productive. John Morrill examined nearly 100,000 interviews on 26 product lines at 30,000 buying locations in order to study the effect of business-to-business advertising on salesperson effectiveness.⁶ He concluded that dollar sales per salesperson call were significantly higher when customers had been exposed to advertising. In addition to increasing company and product awareness, research indicates that buyers who had been exposed to a supplier's advertisement rated the supplier's salespeople substantially higher on product knowledge, service, and enthusiasm.⁷ A primary role of business-to-business advertising is to enhance the reputation of the supplier.

Business-to-business advertising also increases sales efficiency. Increased spending on advertising leads to greater brand awareness for industrial products, which translates into larger market shares and higher profits.⁸ One study used a tightly controlled experimental design to measure the effect of business-to-business advertising on sales and profits. For one product, sales, gross margin, and net profit were significantly higher with advertising, compared with the pretest period with no advertising.⁹ In fact, gross margins ranged from four to six times higher with advertising than with no advertising.

Increased Sales Efficiency

The effect of advertising on the marketing program's overall efficiency is evidenced in two ways. First, business suppliers frequently need to remind actual and potential buyers of their products or make them aware of new products or services. Although

⁶John E. Morrill, "Industrial Advertising Pays Off," *Harvard Business Review* 48 (March–April 1970): pp. 4–14.

⁷Ibid., p. 6. For a comprehensive study of the relationship between brand awareness and brand preference, see Eunsang Yoon and Valerie Kijewski, "The Brand Awareness-to-Preference Link in Business Markets: A Study of the Semiconductor Manufacturing Industry," *Journal of Business-to-Business Marketing* 2 (4, 1995): pp. 7–36.

⁸"New Proof of Industrial Ad Values," *Marketing and Media Decisions* (February 1981): p. 64.

⁹"ARF/ABP Release Final Study Findings," *Business Marketing* 72 (May 1987): p. 55.

these objectives could be partially accomplished through personal selling, the costs of reaching a vast group of buyers would be prohibitive. Carefully targeted advertising extends beyond the salesperson's reach to unidentified buying influentials. A properly placed advertisement can reach hundreds of buying influentials for only a few cents each; the average cost of a business sales call is currently more than \$200.¹⁰ Sales call costs are determined by the salesperson's wages, travel and entertainment costs, and fringe benefits costs. If these costs total \$800 per day and a salesperson can make four calls per day, then each call costs \$200. Second, advertising appears to make all selling activities more effective. Advertising interacts effectively with all communication and selling activities, and it can boost efficiency for the entire marketing expenditure.

Creating Awareness

From a communications standpoint, the buying process takes potential buyers sequentially from unawareness of a product or supplier to awareness, to brand preference, to conviction that a particular purchase will fulfill their requirements, and, ultimately, to actual purchase. Business advertising often creates awareness of the supplier and the supplier's products. Sixty-one percent of the design engineers returning an inquiry card from a magazine ad indicated that they were unaware of the company that advertised before seeing the ad.¹¹ Business advertising may also make some contribution to creating preference for the product—all cost-effectively. In addition, advertising can create a corporate identity or image. Hewlett-Packard, Dell, IBM, and others use ads in general business publications such as *Business Week* and even television advertising to trumpet the value of their brand and to develop desired perceptions in a broad audience.¹²

Interactive Marketing Communications

The Internet changes marketing communications from a one-way to a two-way process that permits the marketer and the consumer to more readily exchange information.¹³ Consumers receive and provide information by navigating Web sites, specifying their preferences, and communicating with business marketers.¹⁴ To illustrate, Intel rolled out its new Xeon server processors through an online program called "Four Days of Dialogue."¹⁵ Rather than renting conference facilities and asking customers to travel to a particular location to see the product, chip architects at Intel provided a 1-hour online session on four consecutive days to introduce and describe the technology. Customers could log in to ask questions or simply to monitor the

¹⁰Erin Anderson and Bob Trinkle, *Outsourcing the Sales Function: The Real Costs of Field Sales* (Mason, OH: Thomson Higher Education, 2005).

¹¹Raymond E. Herzog, "How Design Engineering Activity Affects Supplies," *Business Marketing* 70 (November 1985): p. 143.

¹²David A. Aaker and Erich Joachimsthaler, "The Lure of Global Branding," *Harvard Business Review* 77 (November–December 1999): pp. 137–144.

¹³C. K. Prahalad and Venkat Ramaswamy, *The Future of Competition: Co-Creating Value with Customers* (Boston: Harvard Business School Press, 2004), pp. 1–17.

¹⁴David W. Stewart, "From Consumer Response to Active Consumer: Measuring the Effectiveness of Interactive Media," *Journal of the Academy of Marketing Science* 30 (Fall 2002): pp. 376–396.

¹⁵Beth Snyder Bulik, "B to B's Best Marketers 2007: Donald MacDonald, VP-Sales and Marketing Group, Intel Corp.," *B to B* (October 27, 2008), accessed at <http://www.btobonline.com> on July 29, 2008.

discussion. Intel received 22,000 unique visitors. According to Sandra Lopez, integrated marketing manager for business at Intel, the goal of the firm's online strategy is to "engage our audience in a continuous dialogue."¹⁶ To advance this goal, Intel distributes its marketing messages throughout CNET.com (a product review forum for technology products), including blogs and reader forums.

What Business-to-Business Advertising Cannot Do

To develop an effective communications program, the business marketing manager must blend all communication tools (online and print formats) into an integrated program, using each tool where it is most effective. Business advertising quite obviously has limitations. Advertising cannot substitute for effective personal selling—it must supplement, support, and complement that effort. In the same way, personal selling is constrained by its costs and should not be used to create awareness or to disseminate information—tasks quite capably performed by advertising.

For many purchasing decisions, advertising alone cannot create product preference—this requires demonstration, explanation, and operational testing. Similarly, conviction and actual purchase can be ensured only by personal selling. Advertising has a supporting role in creating awareness, providing information, and uncovering important leads for salespeople; that is how the marketing manager must use it to be effective.

Managing Business-to-Business Advertising

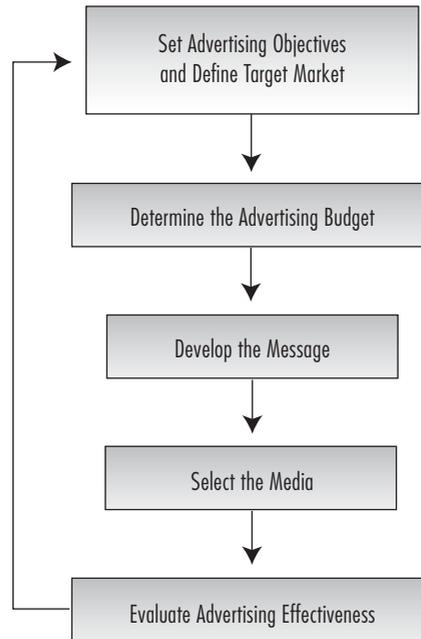
The advertising decision model in Figure 15.1 shows the structural elements involved in managing business-to-business advertising. First, advertising is only one aspect of the entire marketing strategy and must be integrated with other components to achieve strategic goals. The advertising decision process begins with formulating advertising objectives, which are derived from marketing goals. From this formulation the marketer can determine how much it has to spend to achieve those goals. Then, specific communication messages are formulated to achieve the market behavior specified by the objectives. Equally important is evaluating and selecting the media used to reach the desired audience. The result is an integrated advertising campaign aimed at eliciting a specific attitude or behavior from the target group. The final, and critical, step is to evaluate the campaign's effectiveness.

Defining Advertising Objectives

Knowing what advertising must accomplish enables the manager to determine an advertising budget more accurately and provides a yardstick for evaluating advertising. In specifying advertising goals, the marketing manager must realize that (1) the advertising mission flows directly from the overall marketing strategy; advertising must fulfill a marketing strategy objective, and its goal must reflect the general aim and purpose of the entire strategy; and (2) the advertising program's objectives must respond

¹⁶Matthew Schwartz, "Ad Units Meet New Demands," B to B's Interactive Marketing Guide 2008, p. 17, accessed at <http://www.btobonline.com> on July 25, 2008.

FIGURE 15.1 | THE DECISION STAGES FOR DEVELOPING THE BUSINESS-TO-BUSINESS ADVERTISING PROGRAM



to the roles for which advertising is suited: creating awareness, providing information, influencing attitudes, and reminding buyers of company and product existence.

Written Objectives

An advertising objective must be measurable, realistic, and specify what is to be achieved and when. The objective must speak in unambiguous terms of a specific outcome. The purpose is to establish a single working direction for everyone involved in creating, coordinating, and evaluating the advertising program. Correctly conceived objectives set standards for evaluating the advertising effort. A specific objective might be “to increase from 15 percent (as measured in June 2010) to 30 percent (by June 2011) the proportion of general contractors associating ‘energy efficiency’ feature with our brand of commercial air conditioners.” The objective directs the manager to create a message related to the major product benefit, using media that reaches general contractors. The objective also provides a way to measure accomplishment (awareness among 30 percent of the target audience).

Business advertising objectives frequently bear no direct relationship to specific dollar sales targets. Although dollar sales results would provide a “hard” measure of advertising accomplishment, it is often impossible to link advertising directly to sales. Personal selling, price, product performance, and competitive actions have a more direct relationship to sales levels, and it is almost impossible to sort out advertising’s impact. Thus, advertising goals are typically stated in terms of *communication goals* such as brand awareness, recognition, and buyer attitudes. These goals can be measured; it is presumed that achieving them stimulates sales volume.

Target Audience A significant task is specifying target audiences. Because a primary role of advertising is to reach buying influentials inaccessible to the salesperson, the business marketing manager must define the buying influential groups to be reached. Generally, each group of buying influentials is concerned with distinct product and service attributes and criteria, and the advertising must focus on these. Thus, the objectives must specify the intended audience and its relevant decision criteria.

Creative Strategy Statement A final consideration is to specify the creative strategy statement. Once objectives and targets are established, the **creative strategy statement** provides guidelines for the company and advertising agency on how to position the product in the marketplace. Product position relates to how the target market perceives the product.

For example, if the commercial air conditioners cited earlier currently have an unfavorable product position with regard to energy efficiency but recent product development efforts have advanced performance, the firm might use the following creative strategy statement: “Our basic creative strategy is to reposition the product from that of a reliable air conditioner to a high-performance, energy-efficient air conditioner.”

All creative efforts—copy, theme, color, and so forth—as well as media and tactics, should support the creative strategy statement. Planning an effective advertising campaign requires clearly defined objectives that provide a foundation for selecting media and measuring results.

Determining Advertising Expenditures

Collectively, business marketers spend billions of dollars on media advertising annually and the Web is winning a growing share of these dollars. The leading advertisers are shown in Table 15.1. Note the preponderance of telecommunications and high-tech firms on the top-10 list. In allocating advertising dollars, Hewlett-Packard, for example, has bumped up its online ad budget to 42 percent of its overall media spending.¹⁷ Typically, business marketers use a blend of intuition, judgment, experience, and, only occasionally, more advanced decision-oriented techniques to determine advertising budgets. Some of the techniques business marketers most commonly use are rules of thumb (for example, percentage of past years’ sales) and the objective-task method.

Rules of Thumb Often, because advertising is a relatively small part of the total marketing budget for business firms, the value of using sophisticated methods for advertising budgeting is not great. In these cases, managers tend to follow simple **rules of thumb** (for example, allocate 1 percent of sales to advertising or match competition spending). Unfortunately, percentage-of-sales rules are all too pervasive throughout business marketing, even where advertising is an important element.

The fundamental problem with percentage-of-sales rules is that they implicitly make advertising a consequence rather than a determinant of sales and profits and can easily give rise to dysfunctional policies. Percentage-of-sales rules suggest that the business advertiser reduce advertising when sales volume declines, just when increased advertising may be more appropriate. Nevertheless, simple rules of thumb continue to be applied in budget decisions because they are easy to use and familiar to management.

¹⁷Ibid., p. 17.

TABLE 15.1 | TOP BUSINESS-TO-BUSINESS ADVERTISERS

Company	Total Advertising Expenditures (millions)
AT&T Inc.	\$419.4
Verizon Communications Inc.	405.9
Sprint Nextel Corp	277.1
IBM	236.3
Hewlett-Packard Co.	219.6
Microsoft Corp.	213.6
Monster Worldwide	155.1
FedEx Corp	144.0
Citigroup	137.6
J.P. Morgan Chase & Co.	129.0

SOURCE: "Largest U.S. B-to-B Advertising Buyers," *Marketing News*, July 15, 2008, p. 25.

Objective-Task Method The task method for budgeting advertising expenditures relates advertising costs to the objective it is to accomplish. Because the sales dollar results of advertising are almost impossible to measure, the task method focuses on the communications effects of advertising, not on the sales effects.

The **objective-task method** is applied by evaluating the tasks advertising will perform, analyzing the costs of each task, and summing up the total costs to arrive at a final budget. The process can be divided into four steps:

1. Establish specific marketing objectives for the product in terms of such factors as sales volume, market share, profit contribution, and market segments.
2. Assess the communication functions that must be performed to realize the marketing objectives and then determine the role of advertising and other elements of the communications mix in performing these functions.
3. Define specific goals for advertising in terms of the measurable communication response required to achieve marketing objectives.
4. Estimate the budget needed to accomplish the advertising goals.

The task method addresses the major problem of the rule-of-thumb methods—funds are applied to accomplish a specific goal so that advertising is a *determinant* of those results, not a consequence. Using the task approach, managers allocate all the funds necessary to accomplish a specific objective rather than allocating some arbitrary percentage of sales. The most troubling problem with the method is that management must have some instinct for the proper relationship between expenditure level and communication response. It is difficult to know what produces a certain level of awareness among business marketing buying influentials. Will 12 two-page insertions in *Purchasing* magazine over the next six months create the desired recognition level, or will 24 insertions over one year be necessary?

Budgeting for advertising must not ignore the political and behavioral aspects of the process. Nigel Piercy's research suggests that firms pay insufficient attention to budgeting technique because they operate through structures and processes that are often political in nature.¹⁸ Piercy suggests that what actually determines advertising budgets are the power "interests" in the company and the political behavior of various parties in the budgeting process. An implication of this research is that the manager may be well served by focusing on budgeting as a political activity, and not simply as a technique-driven process.

Passing the Threshold Several communications are often needed to capture the attention of buyers, which complicates the budgeting decision. Research suggests that a brand must surpass a threshold level of awareness in the market before meaningful increases can be made to its brand preference share. A small advertising budget may not allow the marketer to move the firm's brand beyond a threshold level of awareness and on to preference. Eunsang Yoon and Valerie Kijewski warn that "the communications manager having limited marketing resources will then be in danger of making the mistake of stopping the program prematurely, thus wasting past investment, rather than pressing on to pass the threshold awareness level."¹⁹

Because budgeting is so important to advertising effectiveness, managers must not blindly follow rules of thumb. Instead, they should evaluate the tasks required and their costs against industry norms. With clear objectives and proper budgetary allocations, the next step is to design effective advertising messages.

Developing the Advertising Message

Message development is a complex, critical task in industrial advertising. Highlighting a product attribute that is unimportant to a particular buying group is not only a waste of advertising dollars but also a lost opportunity. Both the appeal and the way that appeal is conveyed are vital to successful communication. Thus, creating business-to-business advertising messages involves determining advertising objectives, evaluating the buying criteria of the target audience, and analyzing the most appropriate language, format, and style for presenting the message.

Perception For an advertising message to be successful, an individual must first be exposed to it and pay attention to it. Thus, a business advertisement must catch the decision maker's attention. Once the individual has noticed the message, he or she must interpret it as the advertiser intended. Perceptual barriers often prevent a receiver from perceiving the intended message. Even though the individual is exposed to an advertisement, nothing guarantees that he or she processes the message. In fact, the industrial buyer may read every word of the copy and find a meaning in it opposite to the one the advertiser intended.

The business advertiser must therefore contend with two important elements of perception: attention and interpretation. Buyers tend to screen out messages that are inconsistent with their own attitudes, needs, and beliefs, and they tend to interpret information in the light of those beliefs (see Chapter 3). Unless advertising messages

¹⁸Nigel Piercy, "Advertising Budgeting: Process and Structure as Explanatory Variables," *Journal of Advertising* 16 (2, 1987): p. 34.

¹⁹Yoon and Kijewski, "The Brand Awareness-to-Preferences Link," p. 32.

are carefully designed and targeted, they may be disregarded or interpreted improperly. Advertisers must put themselves in the position of the receivers to evaluate how the message appears to them.

Whether an ad uses technical wording appears to have some effect on readers' perceptions of both the industrial product and the ad.²⁰ Technical ads were shown to create less desire in some readers to seek information because such ads suggest "more difficulty in operation." Therefore, it is important to remember that technical readers (engineers, architects, and so on) respond more favorably to the technical ads and nontechnical readers respond more favorably to nontechnical ads. From a message-development viewpoint, the business advertiser must carefully tailor the technical aspects of promotional messages to the appropriate audience.

Focus on Benefits A business buyer purchases benefits—a better way to accomplish some task, a less expensive way to produce a final product, a solution to a problem, or a faster delivery time. Advertising messages need to focus on benefits that the target customer seeks and persuade the reader that the advertiser can deliver them.²¹ Messages that have direct appeals or calls to action are viewed to be "stronger" than those with diffuse or indirect appeals to action. Robert Lamons, an advertising consultant, observes:

A good call to action can actually start the selling process. Promise a test report; offer a product demonstration; direct them to a special section of your Web site. . . . Compare how your product stacks up to others in the field. Everyone is super-busy these days, and if you can offer something that helps them expedite or narrow their search, you're giving them something money can't buy: free time.²²

Understanding Buyer Motivations Which product benefits are important to each group of buying influentials? The business advertiser cannot assume that a standard set of "classical buying motives" applies in every purchase situation. Many business advertisers often do not understand the buying motives of important market segments. Developing effective advertising messages often requires extensive marketing research in order to fully delineate the key buying criteria of each buying influencer in each of the firm's different target markets.

Selecting Advertising Media for Business Markets

Although the message is vital to advertising success, equally important is the medium through which it is presented. An integrated marketing communications program might include a blend of online, print, and direct-mail advertisements that deliver a consistent story across formats. Business-to-business media are selected by the target audience—the particular purchase-decision participants to be reached. Selection of media also involves budgetary considerations: Where are dollars best spent to generate the customer contacts desired?

²⁰Joseph A. Bellizzi and Jacqueline J. Mohr, "Technical versus Nontechnical Wording in Industrial Print Advertising," in *AMA Educators' Proceedings*, Russell W. Belk et al., eds. (Chicago: American Marketing Association, 1984), p. 174.

²¹Steve McKee, "Five Common B2B Advertising Myths," *Business Week*, April 2007, accessed at <http://www.businessweek.com> on July 29, 2008.

²²Robert Lamons, "Tips for Distinguishing Your Ads from Bad Ads," *Marketing News* (November 19, 2001): p. 10.

INSIDE BUSINESS MARKETING

Viral Marketing Campaigns Create Buzz

Viral marketing involves the use of electronic media to stimulate and encourage word-of-mouth or electronic message dissemination between individuals concerning a particular product or brand. For example, IBM launched an online campaign called “IBM Storage Scavenger Hunt Game,” which sent information technology (IT) professionals scrambling around the Web to locate clues for freeing fictional characters from a virtual storage maze. The campaign featured online video in banner ads and e-mail featuring a call for help from IT characters Ned and Gil, who regularly appear in many IBM TV spots. The ads directed users to a landing page, where they were given clues for freeing Ned and Gil from the maze.

IBM’s goal for the campaign was to reach storage-system decision makers in a fun and engaging way. It worked! The target audience became truly engaged in the campaign and participants were interested in solving the puzzle. “The IBM campaign resulted in click rates that were four to five times higher than average e-mail campaigns and twice as high as average banner ad campaigns.

SOURCE: Kate Maddox, “Video in Play as Ad Vehicle,” B to B Interactive Marketing Guide 2008, accessed on August 1, 2008 at <http://www.btobonline.com>.

Online Advertising As business marketing strategists seek more effective ways to communicate with customers and prospects, they continue to shift more of the advertising budget to digital formats. For example, during a recent global interactive campaign, more than 220,000 visitors clicked through to a Hewlett-Packard microsite designed for small and mid-sized businesses.²³ A **microsite** is a specialized Web page a visitor lands on after clicking an online ad or e-mail. Similarly, both IBM and GE make extensive use of online videos to show how their products and services are helping customers around the world to solve business problems.

A Shift to Digital Online advertising spending by business-to-business firms exceeds \$27 billion and will continue to grow at a rapid pace (see Table 15.2). Paid search engine advertising represents the prime format, accounting for 40 percent of total online spending, followed by display ads. Experiencing particularly rapid spending growth is the rich media/video format, particularly the online video category. “Video is a particularly compelling way to tell a brand or product story that can be very useful for b-to-b communications, as these businesses tend to be more complex and can require additional explanation,” according to Andreas Combuechen, CEO–chief creative officer of Atmosphere BBDO.²⁴

Motorola’s Integrated Campaign Like many other firms, Motorola is shifting its emphasis from traditional advertising to a more integrated focus. A recent integrated marketing campaign demonstrates Motorola’s mission-critical public

²³“B to B’s Best Brands – Hewlett-Packard,” B to B’s Best: 2007, p. 26, accessed at <http://www.btobonline.com> on June 15, 2008.

²⁴Ellis Booker, “Economic Slowdown Will Accelerate Online Shift,” B to B’s Interactive Guide: 2008, p. 3, accessed at <http://www.btobonline.com> on August 1, 2008.

TABLE 15.2 | U.S. ONLINE ADVERTISING SPENDING

Format	\$ in Millions
Search	\$11,000
Display ads	5,912
Classified	4,675
Rich Media/Video	2,613
Lead/Generation	2,269
E-mail	481
Sponsorships	550
TOTAL	\$27,500

SOURCE: “eMarketer,” cited in B to B Interactive Marketing Guide, 2008, p. 4, accessed at <http://www.btoonline.com> on August 1, 2008.

safety solutions.²⁵ The campaign features a microsite at <http://www.motorola.com/secondnature>, targeted at police chiefs, fire chiefs, and municipal chief information officers. The campaign includes print and online ads, direct mail and e-mail, all of which are designed around a unifying goal: drive customer prospects to the microsite to observe Motorola’s technology solutions at work in a virtual city environment.

Business Publications More than 2,700 business publications carry business-to-business advertising. For those specializing in the pharmaceutical industry, *Drug Discovery & Development*, *Pharmaceutical Executive*, and *Pharmaceutical Technology* are a few of the publications available. Business publications are either horizontal or vertical. **Horizontal publications** are directed at a specific task, technology, or function, whatever the industry. *Advertising Age*, *Purchasing*, and *Marketing News* are horizontal. **Vertical publications**, on the other hand, may be read by everyone from floor supervisor to president within a specific industry. Typical vertical publications are *Chemical Business* or *Computer Gaming World*.

If a business marketer’s product has applications within only a few industries, vertical publications are a logical media choice. When many industries are potential users and well-defined functions are the principal buying influencers, a horizontal publication is effective.

Many trade publications are **requester publications**, which offer free subscriptions to selected readers. The publisher can select readers in a position to influence buying decisions and offer the free subscription in exchange for information such as title, function, and buying responsibilities. Thus, the advertiser can tell whether each publication reaches the desired audience.

Obviously, publication choice is predicated on a complete understanding of the range of purchase–decision participants and of the industries where the product is used. Only then can the target audience be matched to the circulation statements of alternative business publications.

²⁵Kate Maddox, “Video in Play as Ad Vehicle,” B to B’s Interactive Marketing Guide: 2008, p. 26, accessed at <http://www.btoonline.com> on August 1, 2008.

B2B TOP PERFORMERS

Search Engine Marketing at Google: The Right Message, the Right Time

To reach customers through all stages of the buying cycle, from awareness to retention, business-to-business firms are devoting a greater share of their advertising budgets to e-marketing campaigns, including keyword advertising through leading Internet search engines such as Google or Yahoo. As marketing managers face increased pressure to demonstrate the return on investment of each advertising dollar spent, keyword advertising provides compelling value—it delivers qualified leads in the form of potential customers searching on terms specifically related to your products and services. You pay only when users click on your ads. Keyword advertising provides the lowest average cost-per-lead of any direct marketing method.¹ Says Eric Grates, business service manager at Dow Chemical, “With click through rates ranging from 2.5 to 7 percent, the Google advertising program continues to be a key component of our overall marketing efforts.”²

Russ Cohn, who leads Google’s business-to-business service operations, offers some useful guidelines for successful keyword advertising:

1. Ensure that your Web site is search-crawler friendly by providing a clear hierarchy, text links, and information-rich content.
2. Understand that relevance to the user is the goal: The most successful ads connect customers to the information or solution they are seeking.
3. Create a relevant, targeted keyword list by choosing specific words that accurately reflect your Web site and advertised products.
4. Write clear and compelling ads that use the keywords and that isolate your unique value proposition.
5. Track results and measure everything.
 - Monitor click-through rates to make adjustments to the campaign.
 - Test different keywords and ad copy.
 - Use free conversion tracking tools to analyze which keywords are providing the best returns.
 - Calculate the return on investment.

¹Russ Cohn, “Unlocking Keyword Advertising,” *B2B Magazine*, accessed at <http://www.b2bm.biz.com> on November 2, 2005.

²“Google Named Top 5 Business-to-Business Media Property,” accessed at <http://www.google.com> on May 5, 2003.

Characteristics of an Effective Print Ad Recent research on the effectiveness of business-to-business print ads provides strong evidence that the marketing strategist should emphasize a “rational approach” and provide a clear description of the product and the benefits it offers to customers.²⁶ The effectiveness of ads is also enhanced by detailing product quality and performance information in a concrete and logical manner.

Advertising Cost Circulation is an important criterion in the selection of publications, but circulation must be tempered by cost. First, the total advertising budget must be allocated among the various advertising tools, such as business publications, sales promotion, direct marketing (mail and e-mail), and online advertising. Of course, allocations to the various media options vary with company situation and advertising

²⁶Ritu Lohtia, Wesley J. Johnston, and Linda Rab, “Business-to-Business Advertising: What Are the Dimensions of an Effective Print Ad?” *Industrial Marketing Management* 24 (October 1995): pp. 369–378.

mission. The allocation of the business publication budget among various journals depends on their relative effectiveness and efficiency, usually measured in cost per thousand using the following formula:

$$\text{Cost per thousand} = \frac{\text{Cost per page}}{\text{Circulation in thousands}}$$

To compare two publications by their actual page rates would be misleading, because the publication with the lower circulation is usually less expensive. The cost-per-thousand calculation should be based on circulation to the *target* audience, not the total audience. Although some publications may appear expensive on a cost-per-thousand basis, they may in fact be cost-effective, with little wasted circulation. Some publications also have popular Web sites that advertisers can use to create integrated marketing communications.

Frequency and Scheduling Even the most successful business publication advertisements are seen by only a small percentage of the people who read the magazine; therefore, one-time ads are generally ineffective. Because a number of exposures are required before a message “sinks in,” and because the reading audience varies from month to month, a schedule of advertising insertions is required. To build continuity and repetitive value, at least 6 insertions per year may be required in a monthly publication, and 26 to 52 insertions (with a minimum of 13) in a weekly publication.²⁷

Direct Marketing Tools

Direct mail and e-mail are among the direct marketing tools available to the business marketer. Direct mail delivers the advertising message firsthand to selected individuals. Possible mailing pieces range from a sales letter introducing a new product to a lengthy brochure or even a product sample. Direct mail can accomplish all of the major advertising functions, but its real contribution is in delivering the message to a precisely defined prospect. In turn, says Internet marketing consultant Barry Silverstein, direct *e-mail* can have a substantial effect on creating and qualifying customer leads, *if* some important rules are strictly followed: “always seek permission to send e-mail” and “always provide the recipient with the ability to ‘opt out.’”²⁸ Attention first centers on direct-mail advertising.

Direct Mail Direct mail is commonly used for corporate image promotion, product and service promotion, sales force support, distribution channel communication, and special marketing problems. In promoting corporate image, direct mail may help to establish a firm’s reputation of technological leadership. On the other hand, product advertising by direct mail can put specific product information in the hands of buying influentials. For example, as part of a successful integrated marketing campaign to change perceptions of UPS from a ground shipping company to a supply chain leader, the firm used direct mail to target decision makers—from shipping managers

²⁷See Stanton G. Cort, David R. Lambert, and Paula L. Garrett, “Effective Business-to-Business Frequency: New Management Perspectives from the Research Literature,” *Advertising Research Foundation Literature Review* (October 1983).

²⁸Barry Silverstein, *Business-to-Business Internet Marketing*, 3rd ed. (Gulf Breeze, FL.: MAXIMUM Press, 2001), p. 171. See also Carol Krol, “E-Mail: Integrating Channels Key,” *B to B’s Interactive Marketing Guide*: 2008, p. 8, accessed at <http://www.btobonline.com> on August 1, 2008.

to front-office administrators. The direct-mail strategy had strong results, achieving a 10.5 percent response rate, with 36 percent of those responders buying services.²⁹

Direct E-Mail Because marketers are devoting a larger share of their advertising budgets to online marketing, IBM's customer relationship program, called *Focusing on You*, rests on a simple but powerful idea—ask customers what information they want and give it to them.³⁰ By giving the customer the choice, IBM learns about the customer's unique preferences and is better equipped to tailor product and service information to that customer's specific needs. The program relies on e-mail marketing, which is far less costly than direct mail. In fact, IBM found that sending customers traditional printed materials by mail was 10 times more expensive than e-mail communications. Moreover, e-mail campaigns often yield higher responses than direct-mail campaigns, and the results are generated more quickly. For example, a third of all responses to a particular IBM e-mail campaign were generated in the first 24 hours!

Let the Customer Decide Pamela Evans, director of worldwide teleweb marketing at IBM, describes the value of interactive marketing:

In the IBM software business, for example, we have a long sales cycle, and the Web gives us the opportunity for our prospects and customers to go online where we establish a relationship that we can then continue to nurture electronically. . . . The challenge as marketers we all face is determining how the customer wants to interact with us, and really taking advantage of the Web and the power . . . there for self-service.³¹

Firms that plan to fully integrate direct e-mail into their marketing communications strategy should make a special effort to build their own e-mail list. Often such information is already available from the firm's customer relationship management (CRM) system. From Chapter 4, recall that a goal of the CRM system is to integrate customer records from all departments, including sales, marketing, and customer service. As a result, if a customer responds to an e-mail (or direct-mail) campaign, the CRM system captures that information in a centralized database for all contact employees (salespersons, call center employees, marketing managers) to retrieve.

Other ways to create an e-mail list include offering an e-mail alert service or e-mail newsletter, asking for e-mail addresses in direct-mail campaigns, and collecting e-mail addresses at trade shows.³² Business marketers must also realize that the response to an e-mail campaign can be immediate, so they must be prepared to acknowledge, process, and fulfill orders before the e-mail campaign is launched.

Measuring Advertising Effectiveness

The business advertiser rarely expects orders to result immediately from advertising. Advertising is designed to create awareness, stimulate loyalty to the company, or create a favorable attitude toward a product. Even though advertising may not directly

²⁹Kate Maddox and Beth Snyder Bulik, "Integrated Marketing Success Stories," *B2B* 89 (July 7, 2004): p. 23.

³⁰Silverstein, *Business-to-Business Internet Marketing*, p. 226.

³¹Carol Krol, "The Internet Continues to Reshape Direct," *BtoB*, accessed at <http://www.b2bonline.com> on October 10, 2005.

³²Barry Silverstein, *Internet Marketing for Information Technology Companies*, 2d ed. (Gulf Breeze, FL.: MAXIMUM Press, 2001), p. 107.

precipitate a purchase decision, advertising programs must be held accountable, and marketing managers are facing increased pressure to demonstrate the actual returns on marketing expenditures.³³ Research suggests that firms that are adept at marketing performance measurement generate greater profitability and stock returns than their competitors.³⁴ Thus, the business advertiser must be able to measure the results of current advertising in order to improve future advertising and evaluate the effectiveness of advertising expenditures against expenditures on other elements of marketing strategy.

Measuring Impacts on the Purchase Decision

Measuring advertising effectiveness means assessing advertising's effect on what "intervenes" between the stimulus (advertising) and the resulting behavior (purchase decision). The theory is that advertising can affect awareness, knowledge, and other dimensions that more readily lend themselves to measurement. In essence, the advertiser attempts to gauge advertising's ability to move an individual through the purchase decision process. This approach assumes, correctly or not, that enhancement of any one phase of the process or movement from one step to the next increases the ultimate probability of purchase.

A study completed at Rockwell International Corporation suggests that business marketers should also measure the **indirect communication effects of advertising**.³⁵ This study revealed that advertising affects word-of-mouth communications (indirect effect), and such communications play an important role in buyer decision making. Similarly, the study showed that advertising indirectly affects buyers on the basis of its effect on overall company reputation and on the sales force's belief that advertising aids selling. The study suggested that advertising effectiveness measurement include a procedure for tracking and measuring advertising's effect on the indirect communication effects.

In summary, advertising effectiveness is evaluated against objectives formulated in terms of the elements of the buyer's decision process as well as some of the indirect communication effects. Advertising efforts are also judged, in the final analysis, on cost per level of achievement (for example, dollars spent to achieve a certain level of awareness or recognition).

The Measurement Program

A sound measurement program entails substantial advanced planning. Figure 15.2 shows the basic areas of advertising evaluation. The advertising strategist must determine in advance what is to be measured, how, and in what sequence. A preevaluation phase is required to establish a benchmark for a new advertising campaign. For example, a preevaluation study would be conducted to capture the existing level of awareness a firm's product enjoys in a defined target market. After the advertising campaign, the evaluation study examines changes in awareness against this benchmark. Five primary areas for advertising evaluation include (1) markets, (2) motives, (3) messages, (4) media, and (5) results.

³³Diane Brady and David Kiley, "Making Marketing Measure Up," *Business Week*, December 13, 2004, pp. 112–113.

³⁴Dan O'Sullivan and Andrew V. Abela, "Marketing Performance Measurement Ability and firm Performance," *Journal of Marketing* 71 (April 2007): pp. 79–93.

³⁵C. Whan Park, Martin S. Roth, and Philip F. Jacques, "Evaluating the Effects of Advertising and Sales Promotion Campaigns," *Industrial Marketing Management* 17 (May 1988): p. 130.

FIGURE 15.2 | THE PRIMARY AREAS FOR ADVERTISING EVALUATION

AREA	FOCUS OF MEASUREMENT
Target Market Coverage	Degree to which advertising succeeded in reaching defined target markets
Key Buying Motives	Factors that triggered purchase decision
Effectiveness of Messages	Degree to which the message registered with key buying influentials in defined market segments
Media Effectiveness	Degree to which various media were successful in reaching defined target markets with message
Overall Results	Degree to which advertising accomplished its defined objectives

Web Metrics For online advertising, attention likewise centers on defined communication objectives. Was the ad designed to drive visitors to the Web site to view an online video or to download information on a new product? This event is the “desired action” and the business marketing manager wants to measure site traffic to this action and evaluate all of the components of the Web site that lead visitors to take this action. “Pulling in information from search marketing campaigns allows b-to-b marketers to better understand what visitors searched for to find their site and what text-based ads elicited the highest click-through and conversion (action) rates. In turn, these data can help marketers optimize their sites with language that resonates with their target audiences and customize their home pages with links that are most important to their visitors,”³⁶ says Jim Sterne, president, Target Media.

Evaluation is Essential The evaluation of business-to-business advertising is demanding and complex, but absolutely essential. Budgetary constraints are generally the limiting factors. However, professional research companies can be called on to develop field research studies. When determining the effect of advertising on moving a decision participant from an awareness of the product or company to a readiness to buy,

³⁶Jim Sterne, “Must-have Web Metrics,” *B to B*, March 10, 2008, accessed at <http://www.btobonline.com> on May 14, 2008.

the evaluations usually measure knowledge, recognition, recall, awareness, preference, and motivation. Measuring effects on actual sales are unfortunately not often possible.

Managing Trade Show Strategy

Business advertising funds are designated primarily for online, print, and direct-mail formats but these are reinforced by other promotional activities such as exhibits and trade shows, catalogs, and trade promotion. Special attention is given here to trade shows—an important promotional vehicle for business markets.

Trade Shows: Strategy Benefits

Most industries stage an annual business show or exhibition to display new advances and technological developments in the industry. The Center for Exhibition Industry Research indicates that some 1.5 million U.S. and Canadian firms place displays at trade shows each year and that 83 percent of trade-show visitors are classified as “buying influencers.”³⁷ Exhibiting firms spend more than \$21 billion annually on floor space at North American exhibitions, and the average company participates in more than 45 trade shows per year.³⁸ Generally, sellers present their products and services in booths visited by interested industry members. The typical exhibitor contacts four to five potential purchasers per hour on the show floor.

A trade-show exhibit offers a unique opportunity to publicize a significant contribution to technology or to demonstrate new and old products. According to Thomas Bonoma, “For many companies, trade-show expenditures are the major—and for more than a few, the only—form of organized marketing communication activity other than efforts by sales force and distributors.”³⁹ Through the trade show:

- An effective selling message can be delivered to a relatively large and interested audience at one time (for example, more than 30,000 people attend the annual Plant Engineering Show).
- New products can be introduced to a mass audience.
- Customers can get hands-on experience with the product in a one-on-one selling situation.
- Potential customers can be identified, providing sales personnel with qualified leads.
- General goodwill can be enhanced.
- Free publicity is often generated for the company.

The cost of reaching a prospect at a trade show is approximately \$250, much lower than the cost of making a personal sales call for many firms.⁴⁰ Furthermore,

³⁷Douglas Ducante, “The Future of the United States Exhibition Industry—Flourish or Flounder,” accessed at <http://www.ceir.org> on October 2002.

³⁸Ruth P. Stevens, *Trade Show and Event Marketing* (Mason, OH: Thomson/South-Western, 2005), pp. 2–6.

³⁹Thomas V. Bonoma, “Get More Out of Your Trade Shows,” *Harvard Business Review* 61 (January–February 1983): p. 76.

⁴⁰Stevens, *Trade Show and Event Marketing*, p. 16.

trade shows offer an excellent and cost-effective short-term method for introducing a product in new foreign markets.⁴¹ An international trade fair enables a manufacturer to meet buyers directly, observe competition, and gather market research data. The entry time for exporting can easily be cut from six years to six months by attending foreign trade fairs.

Trade-Show Investment Returns

A recent study evaluated the effect of a trade show on the sales and profitability of a new laboratory testing device.⁴² In a controlled experiment where new product sales could be traced to customers both attending and not attending the show, sales levels were higher among attendees. In turn, the proportion of customers who bought the product was higher among those who had visited the booth during the show. Importantly, there was a positive return on trade-show investment (23 percent) based on incremental profits related to the cost of the trade show. This research is one of the first studies to show that the returns from trade-show investments can indeed be measured.

Improving Sales Efficiency Another study demonstrated the powerful way personal selling and trade shows work together in an integrated marketing communications strategy.⁴³ The results demonstrate that follow-up sales efforts generate higher sales productivity when customers had already been exposed to the company's products at a trade show. The return-on-sales figures are higher among show attendees than nonattendees, illuminating the positive effects of trade shows on customer purchase intentions. Although dramatically enhancing performance, however, trade shows can be extremely costly and must be carefully planned.

Planning Trade-Show Strategy

To develop an effective trade-show communications strategy, managers must address four questions:

1. What functions should the trade show perform in the total marketing communications program?
2. To whom should the marketing effort at trade shows be directed?
3. What is the appropriate show mix for the company?
4. What should the trade-show investment-audit policy be? How should audits be carried out?⁴⁴

Answering these questions helps managers crystallize their thinking about target audiences, about expected results, and about how funds should be allocated.

⁴¹Brad O'Hara, Fred Palumbo, and Paul Herbig, "Industrial Trade Shows Abroad," *Industrial Marketing Management* 22 (August 1993): p. 235.

⁴²Srinath Gopalakrishna, Gary L. Lilien, Jerome D. Williams, and Ian K. Sequeira, "Do Trade Shows Pay Off?" *Journal of Marketing* 59 (July 1995): pp. 75–83.

⁴³Timothy M. Smith, Srinath Gopalakrishna, and Paul M. Smith, "The Complementary Effect of Trade Shows on Personal Selling," *International Journal of Research in Marketing* 21 (March 2004): pp. 61–69.

⁴⁴Bonoma, "Get More Out of Your Trade Shows," p. 79.

Trade-Show Objectives

The functions of trade shows in generating sales include identifying decision influencers; identifying potential customers; providing product, service, and company information; learning of potential application problems; creating actual sales; and handling current customer problems. In addition to these selling-related functions, the trade show can be valuable for building corporate image, gathering competitive intelligence, and enhancing sales force morale. Specific objectives are needed to guide the development of trade-show strategy and to specify the activities of company personnel while there. Once specific objectives are formulated, however, the exhibitor must evaluate alternative trade shows in light of the target market.

Selecting the Shows

The challenge is to decide which trade shows to attend and how much of the promotional budget to expend.⁴⁵ Clearly, the firm wants to attend those shows frequented by its most important customer segments, so it begins by soliciting ideas from salespeople and customers. A wealth of information can also be found in leading trade-show directories, like the *American Tradeshow Directory* (<http://www.tradeshowbiz.com>) or from a Web-based trade-show searchable database like <http://www.ExhibitNet.com>. Here information on each show is provided and exhibitors can promote their presence at the show on the site.

Some firms use the reports published by Exhibit Surveys, Inc., a company that surveys trade-show audiences. Two of the important measures Exhibit Surveys developed are the **net buying influences** and the **total buying plans**. The first measures the percentage of the show audience that has decision authority for the types of products being exhibited; the second measures the percentage of the audience planning to buy those products within the next 12 months. These measures are very useful to the business marketing manager when selecting the most effective shows to attend.

Many firms survey their target prospects before the trade show to learn which trade shows they will attend and what they hope to gain from attending. In this way the exhibitor can prepare its trade-show strategy to fit the needs of its potential customers. Others suggest that a firm rank-order various shows based on expected profitability.⁴⁶ The expected profitability is computed by calibrating a model of “lead efficiency” using the firm’s historical sales lead and lead conversion-to-sale data, gross margin information, and total attendance at past shows. **Lead efficiency** is defined as the number of sales leads obtained at the show divided by the total number of show visitors with definite plans to buy the exhibitor’s product or one similar to it.

Managing the Trade-Show Exhibit

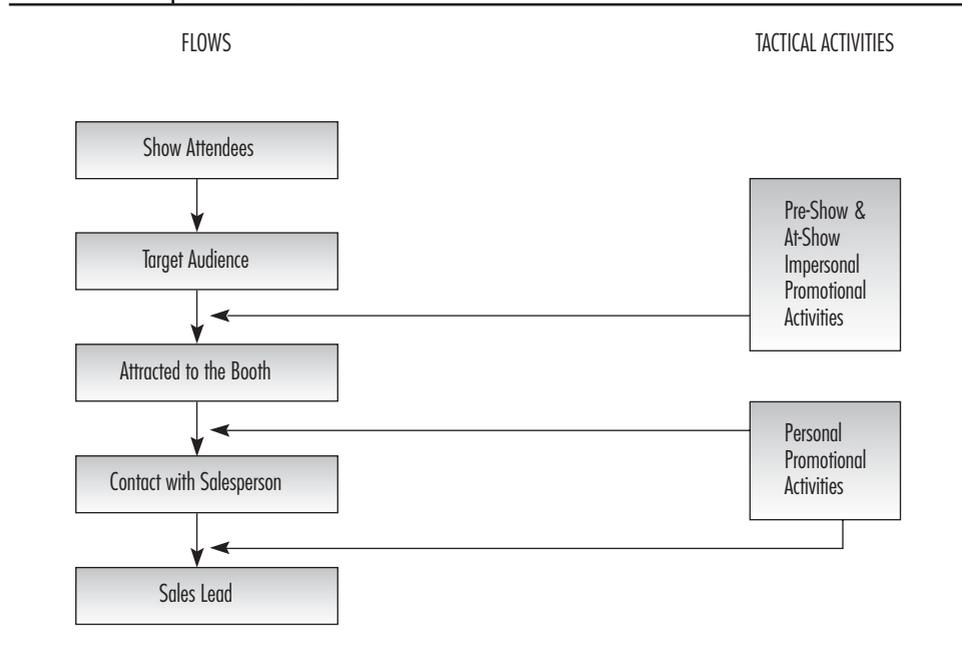
To generate interest in an exhibit, business marketing firms run advertisements in business publications profiling new projects they will exhibit at the show. Trade-show strategies should also be linked to interactive marketing communications. This enables many exhibitors to schedule appointments with prospects and customers during the show.

Sales personnel must be trained to perform in the trade-show environment. The selling job differs from the typical sales call in that the salesperson may have only 5 to 10 minutes to make a presentation. On a typical sales call, salespersons

⁴⁵Stevens, *Trade Show and Event Marketing*, pp. 58–62.

⁴⁶Srinath Gopalakrishna and Jerome D. Williams, “Planning and Performance Assessment of Industrial Trade Shows: An Exploratory Study,” *International Journal of Research in Marketing* 9 (September 1992): pp. 207–224.

FIGURE 15.3 REPRESENTATION OF TRAFFIC FLOW MODEL AT TRADE SHOWS AS A SEQUENCE OF STAGES



SOURCE: Srinath Gopalakrishna and Gary L. Lilien, "A Three-Stage Model of Industrial Trade Show Performance," Working paper #20-1992, Institute for the Study of Business Markets, Pennsylvania State University.

usually sell themselves first, then the company, and finally the product. At the trade show, the process is reversed.

There must be a system for responding effectively to inquiries generated at the show. Some business marketers find it effective to use a laptop to transmit information to corporate headquarters electronically. Headquarters staff then generate a letter and send out the required information by mail or e-mail. When prospects return to their offices after a show, the material is immediately available.

Evaluating Trade-Show Performance

The measurement of trade-show performance is very important in assessing the success of a firm's trade-show strategy. Srinath Gopalakrishna and Gary Lilien present a useful framework to assess performance by considering traffic flow through the firm's booth as a sequence of three stages.⁴⁷ Figure 15.3 illustrates the process and three different indices of performance—attraction, contact, and conversion efficiency for the three respective stages.

An important contribution of this framework is the link between performance indices and key decision variables the firm can control. Attraction efficiency is the proportion of *interested* visitors the booth is able to attract. Notice that the firm's target audience is the pool of visitors at the show who are interested in the firm's products,

⁴⁷Srinath Gopalakrishna and Gary L. Lilien, "A Three-Stage Model of Industrial Trade Show Performance," *Marketing Science* 14 (Winter 1995): pp. 22–42.

which is usually smaller than the total number of attendees at the show. The booth's attraction power is a function of space (square feet), show promotion, use of attention-getting techniques, and so on. Similarly, contact and conversion efficiencies are modeled as a function of the number of booth personnel and their level of training.

For an individual firm, trade-show expenditures should be tied to concrete marketing communication goals to secure an adequate return on investment. To this end, business marketing managers must carefully evaluate each trade show and its expenses in terms of the likely effect on sales, profit, and corporate image. As with all other promotional vehicles, the planning and budgeting for trade shows must focus on specific objectives. Once these objectives have been determined, the rational approach will then identify what has to be done and how much will have to be spent.

Summary

Business-to-business marketers are developing integrated marketing communications strategies that align strategic business objectives with creative execution across a variety of media to achieve desired results. Because of the nature of the business-to-business buying process, personal selling is the primary technique for creating sales; advertising supports and supplements personal selling. Yet, advertising does perform some tasks that personal selling simply cannot perform. Advertising is able to reach buying influentials who are often inaccessible to sales personnel.

Advertising supports personal selling by making the company and product known to potential buyers. The result is greater overall selling success and firm performance. Effective advertising makes the entire marketing strategy more efficient, often lowering total marketing and selling costs. Finally, advertising can provide information and company or product awareness more efficiently than can personal selling. More than just an advertising medium, the Internet changes marketing communications from a one-way to a two-way process that permits the marketer to more readily exchange information with customers.

Managing the advertising program begins by determining advertising objectives, which must be clearly defined and directed to a specific audience. Once objectives are specified, funds are allocated to advertising efforts. Rules of thumb, though common, are not the ideal methods for specifying advertising budgets. The objective-task method is far more effective.

Advertising messages are created with the understanding that the potential buyer's perceptual process influences receptivity to the message. The most effective appeal is one that projects product benefits or the solution sought by the targeted buying influential.

Advertising media are selected on the basis of their circulation—how well their audience matches the desired audience of buying influentials. The Internet provides a powerful medium to communicate with target customers, and business-to-business firms are shifting a major share of the advertising budget to digital formats. Astute business marketers integrate the Web with other media and are using online videos to tell a brand or product story. Interactive marketing campaigns can be readily changed, personalized, and customized, making one-to-one marketing a reality.

Finally, advertising effectiveness must be evaluated against the advertising campaign's communication objectives. Readership, recognition, awareness, attitudes, and intention to buy are typical measures of business-to-business advertising performance. For online advertising, attention centers on the degree to which the ad moved potential customers to the desired action (for example, to download a new-product brochure).

Trade-show visitors tend to be buying influentials, and the cost of reaching a prospect here is far lower than through personal selling. A carefully planned and executed strategy is needed to secure promising returns on trade-show investments. Trade shows are an effective way to reach large audiences with a single presentation, but funds must be allocated carefully.

Discussion Questions

1. Although the bulk of the promotional budget of the business marketing firm is allocated to personal selling, advertising can play an important role in business marketing strategy. Explain.
2. Evaluate this statement: “The Internet changes marketing communications from a one-way process to a two-way process that permits the marketer and the consumer to now more readily exchange information.”
3. Breck Machine Tool would like you to develop a series of ads for a new industrial product. On request, Breck’s marketing research department will provide you with any data they have about the new product and the market. Outline the approach you would follow in selecting media and developing messages for the campaign. Specify the types of data you would draw on to improve the quality of your decisions.
4. Outline how you would evaluate the effectiveness and efficiency of a business firm’s advertising function. Focus on budgeting practices and performance results.
5. Explain how a message in a business-to-business advertisement in the *Wall Street Journal* may be favorably evaluated by the production manager, unfavorably evaluated by the purchasing manager, and fail even to trigger the attention of the quality-control engineer.
6. Given the rapid rise in the cost of making personal sales calls, should the business marketer attempt to substitute direct-mail advertising or online advertising for personal selling whenever possible? Support your position.
7. Describe the role that online advertising might assume in the promotional mix of the business marketer. How can the business marketer use the Web to form close relationships with customers?
8. It is argued that business advertising is not expected to precipitate sales directly. If business advertising does not persuade organizational buyers to buy brand *A* versus brand *B*, what does it do, and how can we measure its effect against expenditures on other marketing strategy elements?

Internet Exercise

1. Intuit Inc, a leading provider of software for small and medium-sized enterprises created a Web site to help these businesses develop customized jingles. Go to <http://www.thejinglegenerator.com> and provide an assessment of this online initiative by Intuit.

Johnson Controls, Inc.⁴⁸

Johnson Controls, Inc., provides control and automotive systems worldwide. The Controls Division offers mechanical and electrical systems that control energy use, air-conditioning, lighting, security, and fire safety for buildings. The company also provides on-site management and technical services for customers in a range of settings, including manufacturing installations, commercial buildings, government buildings, hospitals, and major sports complexes.

While serving a full range of market sectors from manufacturers to educational institutions, Johnson Controls has developed a suite of products and services for large retail chains, including department stores, discount stores, grocers, and “big box” supercenters. Most major shopping malls in North America are customers. Johnson Controls’ products include a variety of control panels that manage HVAC equipment, transportation, airflow, lighting levels, energy consumption, and air quality—and even determine how many customers enter and exit a store. Behind the control systems is a Remote Operations Center for 24-hour monitoring: Many problems can be diagnosed and corrected online.

Johnson Controls has recently developed a product and service solution that targets the convenience store industry. The convenience store controller smartly manages a store’s lighting, refrigeration, and HVAC, alerting store personnel to malfunctions. Building on its deep experience in working with large grocery chains, Johnson Controls can demonstrate to a convenience store chain how the system reduces energy costs, prevents food spoilage, improves occupant comfort, and lowers the cost of maintenance.

Discussion Questions

1. Outline the advertising strategy Johnson Controls might follow to promote the convenience store controller. What benefits would you emphasize in the body of an ad?
2. Develop a list of keywords you would use in promoting the product through Google’s Internet search advertising program.

⁴⁸“Johnson Controls, Retail Industry Solutions,” accessed at <http://www.johnsoncontrols.com> on November 5, 2005.