14 Communicating Customer Value Integrated Marketing Communications Strategy

Chapter Preview

In this and the next four chapters, we'll examine the last of the marketing mix tools—promotion. Companies must do more than just create customer value; they must also use promotion to clearly and persuasively communicate that value. Promotion is not a single tool but, rather, a mix of several tools. Under the concept of integrated marketing communications, the company must carefully coordinate these promotion tools to deliver a clear, consistent, and compelling message about its organization and its brands.

We begin by introducing the various promotion mix tools. Next, we examine the rapidly changing communications environment and the need for integrated marketing communications. Finally, we discuss the steps in developing marketing communications and the promotion budgeting process. In the next three chapters, we'll present the specific marketing communications tools.

Let's start by looking at a good integrated marketing communications campaign—the "Häagen-Dazs loves honey bees" campaign. From TV and print ads and an engaging Web site to public affairs and grassroots community events, the campaign employs a rich mix of promotional elements that work harmoniously to communicate Häagen-Dazs' unique message and positioning.

Häagen-Dazs: A Beautifully Integrated Marketing Communications Campaign

Häagen-Dazs is one of today's top-selling super premium ice cream brands. But only a few years ago, the brand teetered on the verge of commodity status. A glut of top ice cream brands had turned to beating each other up on price in an increasingly frugal marketplace. Häagen-Dazs needed to find a way to strengthen its emotional connection to consumers—to stand out from the crowd of competing brands. "We needed a socially relevant idea . . . linked to the brand's core essence," says Katty Pien, brand director for Häagen-Dazs.

In response, the brand launched its "Häagen-Dazs loves honey bees" campaign. The campaign centered on an issue that's important to both the brand and its customers—a mysterious colony-collapse disorder threatening the U.S. honey bee population. Honey bees pollinate one-third of all the natural products we eat and up to 40 percent of the natural flavors used in Häagen-Dazs ice cream. Yet, the nation's honey bee populations are disappearing at an alarming rate. The "HD loves HB" message is a natural one for the brand. "We want to keep these little heroes buzzing," says the company.

Perhaps even more important than the "help the honey bees" message itself is the way that Häagen-Dazs communicates that message. More than just running a few ads and a Web site, Häagen-Dazs has created a full-fledged, beautifully integrated marketing communications campaign, using a wide range of media and PR elements that work harmoniously for the cause. At the heart of the campaign is a Web site, www.helpthehoneybees.com, a kind of honey bee central where customers can learn about the problem and find out how they can help.

The campaign began with creative broadcast and print ads that were designed to drive traffic to the Web site. The first TV ad was a beautifully staged mini-opera that poignantly outlined the plight of the honey bee. "Honey bees are dying, and we rely on them for many of our natural ingredients," said the ad. "Help us save them." An early print ad introduced Häagen-Dazs' Vanilla Honey Bee flavor ice cream and implored, "Honey, please don't go. Nature needs honey bees. We all do." A more

The beautifully integrated "Häagen-Dazs loves honey bees" marketing communications campaign has helped make Häagen-Dazs more than just another premium ice cream brand. It's now "a brand with a heart and a soul."

recent ad, printed in *Newsweek* on a recycled linen sheet embedded with actual flower seeds, invites readers to "Plant this page. Save a bee." and then visit www.helpthehoneybees.com to learn about other things they can do.

Once at the Web site, which is carefully integrated with other campaign elements, the emotional connections really blossom. With the sounds of birds chirping and bees buzzing, the site greets visitors with the headline "Imagine a world without honey bees" and explains the colony-collapse disorder problem. "Get involved," the site suggests. "Donate now! Buy a carton, save a bee. Plant a bee-friendly garden." At the site, visitors can read more about the bee crisis and what Häagen-Dazs is doing, tap into a news feed called *The Buzz*, turn on Bee TV, purchase Bee-Ts with phrases like "Long live the queen" and "Bee a hero," create their own animated honey bee and "Bee-mail" it to friends, or make a direct donation to support honey bee research.

At the grass roots level, to create even more bee buzz, Häagen-Dazs hands out samples of Vanilla Honey Bee ice cream and wildflower seeds at local farmers markets across the country. It sponsors projects and fund-raisers by local community groups and schools. It also donates a portion of the sales of all bee-dependent flavors (including all of the proceeds from Vanilla Honey Bee) to fund pollination and colony-collapse disorder research at two major universities.

From the start, the "HD loves HB" communications campaign has been a resounding success. Initially, Häagen-Dazs wanted to achieve 125 million media impressions within a year. "We were blown away to see that we reached that goal in the first two weeks," says Pien. Moreover, the campaign helped boost Häagen-Dazs' sales by 16 percent during a recessionary year. And brand advocacy among consumers for Häagen-Dazs hit 69 percent, the highest among nineteen brands tracked in one study.

Beyond traditional advertising media and the www.helpthehoneybee.com Web site, the "HD loves HB" campaign has begun integrating social networking into the communications mix. For example, during a recent one-week period, Häagen-Dazs used Twitter's social-cause portal, TwitCause, to encourage people to spread the message, donating $1 per tweet to honey bee research. The brand has also leveraged the substantial public affairs potential of the honey bee crisis by lobbying Congress. The public affairs campaign included a Capitol Hill ice cream social, media outreach efforts, and even testimony by Pien before Congress to save the honey bee. The burst of media attention from the public affairs efforts added new momentum. "We originally thought this was one small part of the integrated campaign," says Pien. "But it has breathed new life into our consumer campaign."

Thus, the "Häagen-Dazs loves honey bees" integrated marketing campaign uses a rich, well-coordinated blend of communications elements to successfully deliver Häagen-Dazs' unique message and positioning. Only a few years ago, Häagen-Dazs was just a brand of ice cream. But now, thanks to the "HD loves HB" campaign, the premium ice cream brand also stands out as one of the nation's premium social marketers. It's "a brand with a heart and a soul," says Pien. "We're not only raising brand awareness," she says, "but making a difference in the world."[1]

The HD loves HB integrated marketing communications campaign uses a rich, well-coordinated blend of promotion elements to successfully deliver Häagen-Dazs' unique message.

Building good customer relationships calls for more than just developing a good product, pricing it attractively, and making it available to target customers. Companies must also *communicate* their value propositions to customers, and what they communicate should not be left to chance. All communications must be planned and blended into carefully integrated programs. Just as good communication is important in building and maintaining any kind of relationship, it is a crucial element in a company's efforts to build profitable customer relationships.

Objective OUTLINE

Objective 1 **Define the five promotion mix tools for communicating customer value.**

Objective 2 **Discuss the changing communications landscape and the need for integrated marketing communications.**

Objective 3 **Outline the communication process and the steps in developing effective marketing communications.**

Objective 4 **Explain the methods for setting the promotion budget and factors that affect the design of the promotion mix.**

Author Comment The promotion mix is the marketer's bag of tools for communicating with customers and other stakeholders. To deliver a clear and compelling message, each tool must be carefully coordinated under the concept of *integrated marketing communications*.

The Promotion Mix (p 408)

A company's total **promotion mix**—also called its **marketing communications mix**—consists of the specific blend of advertising, public relations, personal selling, sales promotion, and direct-marketing tools that the company uses to persuasively communicate customer value and build customer relationships. The five major promotion tools are defined as follows:[2]

- *Advertising:* Any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.
- *Sales promotion:* Short-term incentives to encourage the purchase or sale of a product or service.
- *Personal selling:* Personal presentation by the firm's sales force for the purpose of making sales and building customer relationships.
- *Public relations:* Building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events.
- *Direct marketing:* Direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships.

Each category involves specific promotional tools used to communicate with customers. For example, **advertising** includes broadcast, print, Internet, outdoor, and other forms. **Sales promotion** includes discounts, coupons, displays, and demonstrations. **Personal selling** includes sales presentations, trade shows, and incentive programs. **Public relations (PR)** includes press releases, sponsorships, special events, and Web pages. And **direct marketing** includes catalogs, telephone marketing, kiosks, the Internet, mobile marketing, and more.

At the same time, marketing communication goes beyond these specific promotion tools. The product's design, its price, the shape and color of its package, and the stores that sell it *all* communicate something to buyers. Thus, although the promotion mix is the company's primary communications activity, the entire marketing mix—promotion *and* product, price, and place—must be coordinated for greatest impact.

Promotion mix (or marketing communications mix)
The specific blend of promotion tools that the company uses to persuasively communicate customer value and build customer relationships.

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Public relations (PR)
Building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events.

Author Comment This is a really hot marketing topic these days. Perhaps no other area of marketing is changing so quickly and profoundly as marketing communications.

Direct marketing
Direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships.

Integrated Marketing Communications (pp 409–414)

In past decades, marketers perfected the art of mass marketing: selling highly standardized products to masses of customers. In the process, they developed effective mass-media communications techniques to support these strategies. Large companies now routinely invest millions or even billions of dollars in television, magazine, or other mass-media advertising, reaching tens of millions of customers with a single ad. Today, however, marketing managers face some new marketing communications realities. Perhaps no other area of marketing is changing so profoundly as marketing communications, creating both exciting and anxious times for marketing communicators.

The New Marketing Communications Model

Several major factors are changing the face of today's marketing communications. First, *consumers* are changing. In this digital, wireless age, they are better informed and more communications empowered. Rather than relying on marketer-supplied information, they can use the Internet and other technologies to find information on their own. They can connect more easily with other consumers to exchange brand-related information or even create their own marketing messages.

Second, *marketing strategies* are changing. As mass markets have fragmented, marketers are shifting away from mass marketing. More and more, they are developing focused marketing programs designed to build closer relationships with customers in more narrowly defined micromarkets.

Finally, sweeping advances in *communications technology* are causing remarkable changes in the ways in which companies and customers communicate with each other. The digital age has spawned a host of new information and communication tools—from smartphones and iPods to satellite and cable television systems to the many faces of the Internet (e-mail, social networks, blogs, brand Web sites, and so much more). These explosive developments have had a dramatic impact on marketing communications. Just as mass marketing once gave rise to a new generation of mass-media communications, the new digital media have given birth to a new marketing communications model.

Although television, magazines, newspapers, and other mass media remain very important, their dominance is declining. In their place, advertisers are now adding a broad selection of more-specialized and highly targeted media to reach smaller customer segments with more-personalized, interactive messages. The new media range from specialty cable television channels and made-for-the-Web videos to Internet catalogs, e-mail, blogs, cell phone content, and online social networks. In all, companies are doing less *broadcasting* and more *narrowcasting*.

Some advertising industry experts even predict that the old mass-media communications model will soon be obsolete. Mass media costs are rising, audiences are shrinking, ad clutter is increasing, and viewers are gaining control of message exposure through technologies such as video streaming or DVRs that let them skip past disruptive television commercials. As a result, they suggest, marketers are shifting ever-larger portions of their marketing budgets away from old-media mainstays such as 30-second TV commercials and glossy magazine ads to digital and other new-age media. For example, one study forecasts that whereas TV advertising spending will grow by only 4 percent per year over the next five years, ad spending on the Internet and other digital media will surge by 17 percent a year.[3]

When Kimberly-Clark recently launched its Huggies Pure & Natural line of diapers, for instance, it skipped national TV advertising altogether—something once unthinkable in the consumer products industry. Instead, it targeted new and expectant mothers through mommy blogs, Web sites, print and online ads, e-mail, in-store promotions, and in-hospital TV programming. ◉ Similarly, when Microsoft recently relaunched its Zune Pass online music service, it used 30-second spots but placed them online only, allowing more precise targeting. By using ads on many smaller sites, Zune Pass reached as many of its targeted

The new marketing communications model: In relaunching Zune Pass, Microsoft used 30-second spots but placed them online only, reaching as many target consumers but at half the cost of traditional media.

young, male consumers as it did using national TV ads the previous year but in a more relevant way and at half the cost.[4]

In the new marketing communications world, rather than old approaches that interrupt customers and force-feed them mass messages, new media formats let marketers reach smaller groups of consumers in more interactive, engaging ways. For example, think about television viewing these days. Consumers can now watch their favorite programs on just about anything with a screen—on televisions but also laptops, cell phones, or iPods. And they can choose to watch programs whenever and wherever they wish, often with or without commercials. Increasingly, some programs, ads, and videos are being produced only for Internet viewing.

Despite the shift toward new digital media, however, traditional mass media still capture a lion's share of the promotion budgets of most major marketing firms, a fact that probably won't change quickly. For example, P&G, a leading proponent of digital media, still spends a lion's share of its huge advertising budget on mass media. Although P&G's digital outlay more than doubled last year, digital still accounts for only about 5 percent of the company's total advertising spending.[5]

At a broader level, although some may question the future of the 30-second TV spot, it's still very much in use today. Last year, more than 48 percent of U.S. advertising dollars was spent on network, spot, and cable television commercials versus 7.8 percent on Internet advertising. Some 99 percent of video watching in the United States is still done via traditional TV, and average viewership is up 20 percent from 10 years ago. So, says one media expert, "Traditional TV [is] still king."[6]

Thus, rather than the old media model rapidly collapsing, most industry insiders see a more gradual blending of new and traditional media. The new marketing communications model will consist of a shifting mix of both traditional mass media and a wide array of exciting, new, more-targeted, and more-personalized media. The challenge is to bridge the "media divide" that too often separates traditional creative and media approaches from new interactive and digital ones. Many advertisers and ad agencies are now grappling with this transition (see Real Marketing 14.1). In the end, however, regardless of whether it's traditional or digital, the key is to find the mix of media that best communicates the brand message and enhances the customer's brand experience.

The Need for Integrated Marketing Communications

The shift toward a richer mix of media and communication approaches poses a problem for marketers. Consumers today are bombarded by commercial messages from a broad range of sources. But consumers don't distinguish between message sources the way marketers do. In the consumer's mind, messages from different media and promotional approaches all become part of a single message about the company. Conflicting messages from these different sources can result in confused company images, brand positions, and customer relationships.

All too often, companies fail to integrate their various communications channels. The result is a hodgepodge of communications to consumers. Mass-media advertisements say one thing, while an in-store promotion sends a different signal, and company sales literature creates still another message. And the company's Web site, e-mails, Facebook page, or videos posted on YouTube say something altogether different.

The problem is that these communications often come from different parts of the company. Advertising messages are planned and implemented by the advertising department or an ad agency. Personal selling communications are developed by sales management. Other company specialists are responsible for PR, sales promotion events, Internet or social network efforts, and other forms of marketing communications. However, whereas these

Real Marketing 14.1

The Shifting Advertising Universe: SoBe It!

SoBe made a big splash in the 2008 Super Bowl with a big-budget, 60-second commercial produced by the Arnell Group, an old-line Madison Avenue creative ad agency. The ad extravaganza featured supermodel Naomi Campbell and a full troupe of SoBe lizards, energized by colorful droplets of the brand's new enhanced water, LifeWater. The computer-generated graphics were stunning, the colors alluring, and Naomi Campbell was, well, Naomi Campbell. However, although the ad drew attention, it was not a viewer favorite. It just didn't connect with consumers.

Not to be denied, for the 2009 Super Bowl, SoBe and parent company PepsiCo assigned the Arnell Group to create an even more elaborate (and even more expensive) commercial, a 3D spectacular featuring pro football players in white tutus performing a ballet, directed by a SoBe lizard. Once the athletes and lizards got a taste of SoBe Life-Water, a DJ cranked up the music, and the dance switched to hip-hop. Once again, although the ad generated a ton of awareness, it simply didn't deliver much in the way of consumer-brand engagement. As one journalist stated bluntly: "The SoBe spots [were] among the biggest wastes of money in Super Bowl history."

Finally the wiser, SoBe ran no ads during the 2010 Super Bowl. In fact, in a move that sent shivers down the spines of many old-line Madison Avenue agencies, SoBe abandoned its traditional big-media, "TV-first," advertising approach altogether and adopted a more bottom-up, digital, new-media approach. It fired the Arnell Group, replacing the big creative agency with a team of smaller digital, PR, and promotion shops. "The passionate fans weren't saying things we thought they should be saying," says Angelique Krembs, SoBe's marketing director. "Going forward, we needed to get engagement. That's why we evolved our approach."

SoBe's new advertising model turns the old approach upside down. Instead of starting with mass-market TV and print advertising, SoBe now aims first to hook its 18-to-29-year-old target audience with more focused and involving digital and interactive media. "We're not tied to the old methods," says Krembs. "The key to success is we're not starting with 'Here is our TV plan, and here's what we're going to create for it.' As opposed to creating advertising, we're creating content," and then figuring out where to put it to engage customers in the most effective way. In a reverse of past thinking, Krembs notes, SoBe's first choice going forward would be to have content appear online first and then moved to traditional TV. That kind of thinking spells trouble for traditional Madison Avenue creative agencies, which cut their teeth on developing creative ads for big-budget, mostly television and print campaigns.

SoBe's new advertising approach reflects a broader industry trend. In today's splintering advertising universe, in which there are more new places than ever to stick ads—online, on cell phones, in all places digital and interactive—advertisers and traditional ad agencies alike are scrambling to stay relevant. Says one agency CEO:

> TV viewers are using DVRs to blast through the very commercials that are [the traditional agency's] bread and butter. Marketers are stampeding online, where [these traditional agencies] lack the tools and talent to compete. Digital boutiques are proliferating, staffed with tech vets and Gen Y video artists dedicated to making ads for video-sharing and social-networking sites and whatever comes after them.

For decades, the traditional creative agencies ruled the roost. They were about coming up with strategic Big Ideas that would connect brands emotionally with millions of consumers through large-scale mass-media campaigns. But today, the Small Idea is on the rise. Increasingly, like SoBe, marketers are adding a host of new digital and interactive media—Web sites, viral video, blogs, social networks—that let them target individuals or small communities of consumers rather than the masses.

In this shifting advertising universe, traditional creative agencies, such as the Arnell Group, often find themselves outmaneuvered by smaller, more nimble and specialized digital, interactive, and media agencies. However, these smaller digital shops lack experience in leading accounts and driving brand strategy. The competition is fierce, with traditional agencies struggling to become more digital and digital agencies struggling to become more traditional. "We in the ad business are faced with the question of who is going to lead this new world," says an industry analyst. "Will it be digitized traditional agencies or the new breed of digital agencies with big ambitions? Every day we see evidence of the contest afoot. The outcome, however, is far from clear."

Rather than starting with mass-market TV and print ads, SoBe's new bottom-up advertising approach now begins with more engaging and interactive online content.

Continued on next page

At SoBe, however, things seem clear enough. The brand's latest campaign involves no traditional agencies. Rather, SoBe's brand team includes Firstborn, a digital shop, as the lead agency, which partners with PR agency Weber Shandwick and promotional agency TracyLocke. Under the old approach, the SoBe brand team would have developed a "creative brief" that outlined the brand and advertising strategy and then let the Arnell Group take the lead in creating the advertising (usually a traditional television-plus-print campaign). Under the new approach, the SoBe brand team and the three agencies work jointly in an ongoing process to create and distribute engaging message content, often starting with digital and interactive venues. "The process might seem more chaotic," says Krembs, "but there's more opportunity to improve, because you keep 'workshoping' it. It's not, 'Here's [a brief,] go out and make it.'"

One of the SoBe team's first efforts illustrates the new approach. The team created two new TV spots using footage first shot at a SoBe print-ad shoot. The footage featured *Twilight* star Ashley Greene and was part of *Sports Illustrated*'s famed swimsuit issue. SoBe first used the footage online and then in a PR effort. Only then did it repurpose the material into TV ads.

By creating ads from material that has debuted interactively online, SoBe can see what resonates most with customers and avoid expensive missteps, such as its previous Super Bowl ads. "We're creating production efficiencies, but it's more of a strategic decision to let consumers react to different things out there and then reuse [successful content] in a different way," says the president of Firstborn. Krembs agrees: "By the time we get to TV, we should be referencing something that's culturally relevant."

Consumer relevance and interaction seem to be the key to the new approach. For example, go to the SoBe Web site and you'll see customer testimonials from real on-the-street tastings of SoBe flavors or even a "Join the Debate" feature inviting consumers to vote for the next SoBe flavor.

Interestingly, SoBe's shifting communication strategy comes at a time when the brand is doing extremely well. With its LifeWater efforts, its share of the enhanced water category nearly doubled to 10.7 percent. That's only about one-third the share of Coca-Cola's Vitaminwater, but it represents tremendous growth. Last year, with the launch of a zero-calorie line, SoBe posted a 68 percent rise in volume. So the new advertising approach evolved not to meet a crisis but as a forward-thinking effort to adjust to the new advertising environment.

Thus, for advertisers and their agencies, as oft-misspoken baseball legend Yogi Berra once said, "The future ain't what it used to be." In the fast-changing advertising universe, SoBe and other brands are scrambling to master the new digital and interactive technologies and merge them effectively with traditional approaches. In turn, the shift in advertising thinking is spurring traditional creative agencies to add digital know-how at the same time that the new digital agencies are trying to build brand-stewardship skills. For advertisers and agencies alike, the message is clear. Says the agency CEO, "We've got to reinvent and transform the way we work."

Sources: Quotes, extracts, and other information from Ken Wheaton, "Is Pepsi's Pass on Super Bowl an Offensive or Defensive Move?" *Advertising Age*, January 4, 2010, p. 12; Tony Quin, "Race to Relevance: Why the Winners Will Come from Both Sides," *Brandweek*, March 15, 2010, p. 14; Burt Helm, "Struggles of a Mad Man," *BusinessWeek*, December 3, 2007, pp. 44–49; Bob Garfield, "Ed McMahon's Bad Ad Steals the Super Bowl," *Advertising Age*, February 2, 2009, accessed at http://adage.com/article?article_id=134248; and Natalie Zmuda, "SoBe Ditches Creative Agency in New Marketing Approach," *Advertising Age*, April 14, 2010, accessed at http://adage.com/agencynews/article?article_id=143303.

companies have separated their communications tools, customers don't. Mixed communications from these sources result in blurred brand perceptions by consumers.

Integrated marketing communications (IMC)
Carefully integrating and coordinating the company's many communications channels to deliver a clear, consistent, and compelling message about the organization and its products.

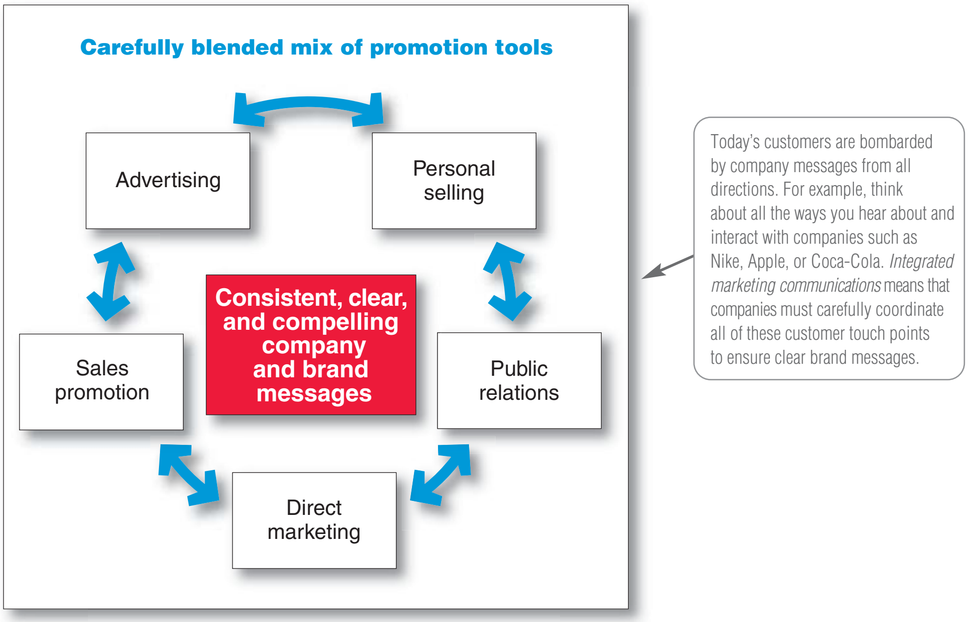
Today, more companies are adopting the concept of **integrated marketing communications (IMC)**. Under this concept, as illustrated in **Figure 14.1**, the company carefully integrates its many communications channels to deliver a clear, consistent, and compelling message about the organization and its brands.

Integrated marketing communications calls for recognizing all touchpoints where the customer may encounter the company and its brands. Each *brand contact* will deliver a message—whether good, bad, or indifferent. The company's goal should be to deliver a consistent and positive message to each contact. IMC leads to a total marketing communications strategy aimed at building strong customer relationships by showing how the company and its products can help customers solve their problems.

Integrated marketing communications ties together all of the company's messages and images. Its television and print ads have the same message, look, and feel as its e-mail and personal selling communications. And its PR materials project the same image as its Web site or social network presence. Often, different media play unique roles in attracting, informing, and persuading consumers; these roles must be carefully coordinated under the overall marketing communications plan.

A great example of the power of a well-integrated marketing communications effort is the "Häagen-Dazs loves honey bees" campaign discussed at the start of this chapter. Another is Burger King's now-classic, award-winning, Whopper Freakout campaign:[7]

FIGURE | 14.1
Integrated Marketing Communications



To celebrate the 50th anniversary of the iconic Whopper, Burger King launched a campaign to show what would happen if it suddenly removed the sandwich from its menu "forever." It dropped the Whopper in selected restaurants and used hidden cameras to capture the real-time reactions of stricken customers. It then shared the results in a carefully integrated, multipronged promotional campaign. The campaign began with coordinated TV, print, and radio spots announcing that "We stopped selling the Whopper for one day to see what would happen. . . . What happened was, people freaked!" The ads drove consumers to www.whopperfreakout.com, which featured a video documentary outlining the entire experiment. The documentary was also uploaded to YouTube. At the Web site, visitors could view Freakout ads showing the disbelieving, often angry reactions of a dozen or more customers. Burger King also promoted the campaign through rich media ad banners on several other popular Web sites. Customers themselves extended the campaign with spoofs and parodies posted on YouTube. The richly integrated Whopper Freakout campaign was a smashing success. The ads became the most recalled campaign in Burger King's history, and the whopperfreakout.com Web site received 4 million views in only the first three months. In all, the IMC campaign drove store traffic and sales of the Whopper up a whopping 29 percent.

Integrated marketing communications: Burger King's richly integrated, multipronged Whopper Freakout campaign, which employed a carefully coordinated mix of everything from TV and radio ads to rich media ad banners and a Freakout Web site, boosted store traffic and Whopper sales by 29 percent.

In the past, no one person or department was responsible for thinking through the communication roles of the various promotion tools and coordinating the promotion mix. To help implement integrated marketing communications, some companies have appointed a marketing communications director who has overall responsibility for the company's communications efforts. This helps to produce better communications consistency and greater sales impact. It places the responsibility in someone's hands—where none existed before—to unify the company's image as it is shaped by thousands of company activities.

Author Comment | To develop effective marketing communications, you must first understand the general communication process.

A View of the Communication Process (pp 414–415)

Integrated marketing communications involves identifying the target audience and shaping a well-coordinated promotional program to obtain the desired audience response. Too often, marketing communications focus on immediate awareness, image, or preference goals in the target market. But this approach to communication is too shortsighted. Today, marketers are moving toward viewing communications as *managing the customer relationship over time*.

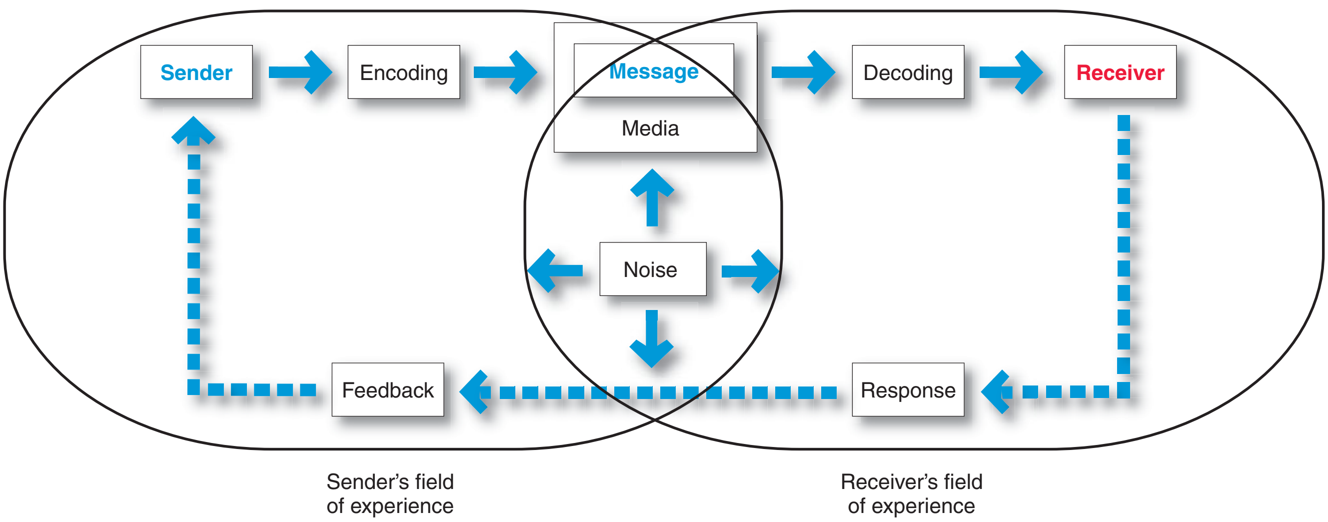
Because customers differ, communications programs need to be developed for specific segments, niches, and even individuals. And, given the new interactive communications technologies, companies must ask not only "How can we reach our customers?" but also "How can we let our customers reach us?"

Thus, the communications process should start with an audit of all the potential touchpoints that target customers may have with the company and its brands. For example, someone purchasing a new cell phone plan may talk to others, see television ads, read articles and ads in newspapers and magazines, visit various Web sites for prices and reviews, and check out plans at Best Buy, Walmart, or a wireless provider's kiosk or store at the mall. The marketer needs to assess what influence each communication experience will have at different stages of the buying process. This understanding helps marketers allocate their communication dollars more efficiently and effectively.

To communicate effectively, marketers need to understand how communication works. Communication involves the nine elements shown in **Figure 14.2**. Two of these elements are the major parties in a communication—the *sender* and the *receiver*. Another two are the major communication tools—the *message* and the *media*. Four more are major communication functions—*encoding*, *decoding*, *response*, and *feedback*. The last element is *noise* in the system. Definitions of these elements follow and are applied to a McDonald's "i'm lovin' it" television commercial.

FIGURE | 14.2
Elements in the Communication Process

There is a lot going on in this figure! For example, apply this model to McDonald's. To create great adertising—such as its long-running "i'm lovin' it" campaign—McDonald's must thoroughly understand its customers and how communication works.



- *Sender:* The *party sending the message* to another party—here, McDonald's.
- *Encoding:* The process of *putting thought into symbolic form*—for example, McDonald's ad agency assembles words, sounds, and illustrations into a TV advertisement that will convey the intended message.
- *Message:* The *set of symbols* that the sender transmits—the actual McDonald's ad.
- *Media:* The *communication channels* through which the message moves from the sender to the receiver—in this case, television and the specific television programs that McDonald's selects.
- *Decoding:* The process by which the receiver *assigns meaning to the symbols* encoded by the sender—a consumer watches the McDonald's commercial and interprets the words and images it contains.
- *Receiver:* The *party receiving the message* sent by another party—the customer who watches the McDonald's ad.
- *Response:* The *reactions of the receiver* after being exposed to the message—any of hundreds of possible responses, such as the consumer likes McDonald's better, is more likely to eat at McDonald's next time, hums the "i'm lovin' it" jingle, or does nothing.
- *Feedback:* The part of the *receiver's response communicated back to the sender*—McDonald's research shows that consumers are either struck by and remember the ad or they write or call McDonald's, praising or criticizing the ad or its products.
- *Noise:* The *unplanned static or distortion* during the communication process, which results in the receiver getting a different message than the one the sender sent—the consumer is distracted while watching the commercial and misses its key points.

For a message to be effective, the sender's encoding process must mesh with the receiver's decoding process. The best messages consist of words and other symbols that are familiar to the receiver. The more the sender's field of experience overlaps with that of the receiver, the more effective the message is likely to be. Marketing communicators may not always *share* their customer's field of experience. For example, an advertising copywriter from one socioeconomic level might create ads for customers from another level—say, wealthy business owners. However, to communicate effectively, the marketing communicator must *understand* the customer's field of experience.

This model points out several key factors in good communication. Senders need to know what audiences they wish to reach and what responses they want. They must be good at encoding messages that take into account how the target audience decodes them. They must send messages through media that reach target audiences, and they must develop feedback channels so that they can assess an audience's response to the message.

Author Comment | Now that we understand how communication works, it's time to turn all of those promotion mix elements into an actual marketing communications program.

Steps in Developing Effective Marketing Communication (pp 415–422)

We now examine the steps in developing an effective integrated communications and promotion program. Marketers must do the following: Identify the target audience, determine the communication objectives, design a message, choose the media through which to send the message, select the message source, and collect feedback.

Identifying the Target Audience

A marketing communicator starts with a clear target audience in mind. The audience may be current users or potential buyers, those who make the buying decision or those who influence it. The audience may be individuals, groups, special publics, or the general public. The target audience will heavily affect the communicator's decisions on *what* will be said, *how* it will be said, *when* it will be said, *where* it will be said, and *who* will say it.

Determining the Communication Objectives

Once the target audience has been defined, marketers must determine the desired response. Of course, in many cases, they will seek a *purchase* response. But purchase may result only after a lengthy consumer decision-making process. The marketing communicator needs to know where the target audience now stands and to what stage it needs to be moved. The target audience may be in any of six **buyer-readiness stages**, the stages consumers normally pass through on their way to making a purchase. These stages include *awareness*, *knowledge*, *liking*, *preference*, *conviction*, and *purchase* (see **Figure 14.3**).

Buyer-readiness stages
The stages consumers normally pass through on their way to a purchase, including awareness, knowledge, liking, preference, conviction, and, finally, the actual purchase.

The marketing communicator's target market may be totally unaware of the product, know only its name, or know only a few things about it. Thus, the communicator must first build *awareness* and *knowledge*. For example, Kia used its biggest-ever marketing campaign—centered around last year's Super Bowl—to introduce its redesigned 2011 Sorento CUV.[8]

Moving customers through the buyer-readiness stages: Kia used its biggest-ever marketing campaign—centered around a major Super Bowl commercial—to create awareness and knowledge of its redesigned Sorento SUV.

To build early interest and excitement, Kia first ran 15-second teaser ads weeks prior to the game. The commercials featured life-sized versions of Nick Jr.'s *Yo Gabba Gabba* character Muno and In My Own Dream Studio's Sock Monkey character, Mr. X, Teddy Bear, and Robot partying in Las Vegas to the neo soul tune "How You Like Me Now?" by the British Indie rock band The Heavy. The teaser ads never showed or even mentioned the Sorento but closed by inviting viewers to "See us in the third quarter of the Big Game. Kia. The Power to Surprise." The new Sorento was then unveiled in a full one-minute commercial aired during the Super Bowl, which featured the unlikely characters visiting various Vegas venues. In the end, it was all a dream; the toys were back to normal, resting next to a child in the backseat of a new Sorento. The commercial ended with rapid-fire screens reviewing the benefits of the redesigned CUV—technology, built in the United States, fuel efficiency, prices starting at $29K—all wrapped up in the slogan "A departure from the expected."

Assuming that target consumers *know* about the product, how do they *feel* about it? Once potential buyers knew about the redesigned Sorento, Kia's marketers wanted to move them through successively stronger stages of feelings toward the new model. These stages include *liking* (feeling favorable about the CUV), *preference* (preferring the Sorento to other CUVs), and *conviction* (believing that the Sorento is the best vehicle for them).

Kia marketers used a combination of the promotion mix tools to create positive feelings and conviction. The initial commercials helped build anticipation and an emotional brand connection. Print and digital ads illustrated the Sorento's design and features. Press releases and other PR activities helped keep the buzz going about the product. A packed Web site informed potential buyers about technical specifications, features and options, safety ratings, and prices. And dealer salespeople told buyers about options, value for the price, and after-sale service.

A goal of marketing in general, and of marketing communications in particular, is to move target customers through the buying process. Once again, it all starts with understanding customer needs and wants.

Awareness → Knowledge → Liking → Preference → Conviction → **Purchase**

FIGURE | 14.3
Buyer-Readiness Stages

Finally, some members of the target market might be convinced about the product but not quite get around to making the *purchase*. Potential Sorento buyers might have decided to wait for more information or for the economy to improve. The communicator must lead these consumers to take the final step. Actions might include offering special promotional prices, rebates, or premiums. Dealers might call, write, or e-mail selected customers, inviting them to visit the showroom. The Sorento Web site even offers a $25 gift card for simply signing up for a test drive at a local Kia dealership.

Of course, marketing communications alone could not create positive feelings and purchases for the Sorento. The vehicle itself must provide superior value for the customer. In fact, outstanding marketing communications can actually speed the demise of a poor product. The more quickly potential buyers learn about the poor product, the more quickly they become aware of its faults. Thus, good marketing communications call for "good deeds followed by good words."

Designing a Message

Having defined the desired audience response, the communicator then turns to developing an effective message. Ideally, the message should get *attention*, hold *interest*, arouse *desire*, and obtain *action* (a framework known as the *AIDA model*). In practice, few messages take the consumer all the way from awareness to purchase, but the AIDA framework suggests the desirable qualities of a good message.

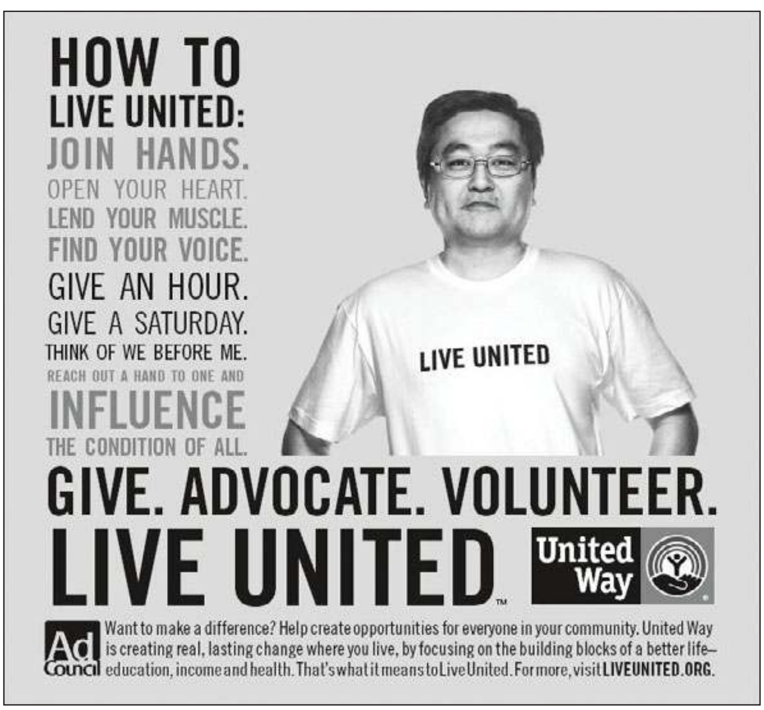
When putting the message together, the marketing communicator must decide what to say (*message content*) and how to say it (*message structure* and *format*).

Message Content

The marketer has to figure out an appeal or theme that will produce the desired response. There are three types of appeals: rational, emotional, and moral. *Rational appeals* relate to the audience's self-interest. They show that the product will produce the desired benefits. Examples are messages showing a product's quality, economy, value, or performance. Thus, in one ad, Quaker states, "You love it. And it *loves* your heart. Quaker Instant Oatmeal. A warm, yummy way to help lower your cholesterol." And a Weight Watchers' ad states this simple fact: "The diet secret to end all diet secrets is that there is no diet secret."

Emotional appeals attempt to stir up either negative or positive emotions that can motivate purchase. Communicators may use emotional appeals ranging from love, joy, and humor to fear and guilt. Advocates of emotional messages claim that they attract more attention and create more belief in the sponsor and the brand. The idea is that consumers often feel before they think, and persuasion is emotional in nature. Thus, Michelin sells tires using mild fear appeals, showing families riding in cars and telling parents "Michelin: Because so much is riding on your tires." And the Diamond Trading Company runs emotional ads showing men surprising the women they love with diamond jewelry. Concludes one commercial, "With every waking moment love grows. A diamond is forever."

Moral appeals are directed to an audience's sense of what is "right" and "proper." They are often used to urge people to support social causes, such as a cleaner environment or aid to the disadvantaged. ● For example, the United Way's Live United campaign urges people to give back to their communities—to "Live United. Make a difference. Help create opportunities for everyone in your community." An EarthShare ad



● **Ad message content: United Way uses moral appeals—urging people to "Live United. Make a difference. Help create opportunities for everyone in your community."**

urges environmental involvement by reminding people that "We live in the house we all build. Every decision we make has consequences. . . . We choose the world we live in, so make the right choices. . . ."

These days, it seems as if every company is using humor in its advertising, from consumer product firms such as Anheuser-Busch to the scholarly *American Heritage Dictionary*. For example, nine of the top 10 most popular ads in *USA Today*'s ad meter consumer rankings of last year's Super Bowl ads used humor. Properly used, humor can capture attention, make people feel good, and give a brand personality. However, advertisers must be careful when using humor. Used poorly, it can detract from comprehension, wear out its welcome fast, overshadow the product, and even irritate consumers.

Message Structure

Marketers must also decide how to handle three message structure issues. The first is whether to draw a conclusion or leave it to the audience. Research suggests that, in many cases, rather than drawing a conclusion, the advertiser is better off asking questions and letting buyers come to their own conclusions.

The second message structure issue is whether to present the strongest arguments first or last. Presenting them first gets strong attention but may lead to an anticlimactic ending.

The third message structure issue is whether to present a one-sided argument (mentioning only the product's strengths) or a two-sided argument (touting the product's strengths while also admitting its shortcomings). Usually, a one-sided argument is more effective in sales presentations—except when audiences are highly educated or likely to hear opposing claims or when the communicator has a negative association to overcome. In this spirit, Heinz ran the message "Heinz Ketchup is slow good," and Listerine ran the message "Listerine tastes bad twice a day." In such cases, two-sided messages can enhance an advertiser's credibility and make buyers more resistant to competitor attacks.

Message format: To attract attention, advertisers can use novelty and contrast, eye-catching pictures and headlines, or distinctive formats, as in this PEDIGREE ad.

Message Format

The marketing communicator also needs a strong *format* for the message. In a print ad, the communicator has to decide on the headline, copy, illustration, and colors. To attract attention, advertisers can use novelty and contrast; eye-catching pictures and headlines; distinctive formats; message size and position; and color, shape, and movement. If the message is to be carried over the radio, the communicator has to choose words, sounds, and voices. The "sound" of an ad promoting banking services should be different from one promoting an iPod.

If the message is to be carried on television or in person, then all these elements plus body language must be planned. Presenters plan every detail—facial expressions, gestures, dress, posture, and hairstyles. If the message is carried on the product or its package, the communicator must watch texture, scent, color, size, and shape. For example, color alone can enhance message recognition for a brand. One study suggests that color increases brand recognition by up to 80 percent—think about Target (red), McDonald's (yellow and red), John Deere (green and yellow), IBM (blue); or UPS (brown). Thus, in designing effective marketing communications, marketers must consider color and other seemingly unimportant details carefully.[9]

Choosing Media

The communicator must now select the *channels of communication*. There are two broad types of communication channels: *personal* and *nonpersonal*.

Personal Communication Channels

Personal communication channels
Channels through which two or more people communicate directly with each other, including face to face, on the phone, via mail or e-mail, or even through an Internet "chat."

In **personal communication channels**, two or more people communicate directly with each other. They might communicate face to face, on the phone, via mail or e-mail, or even through an Internet "chat." Personal communication channels are effective because they allow for personal addressing and feedback.

Some personal communication channels are controlled directly by the company. For example, company salespeople contact business buyers. But other personal communications about the product may reach buyers through channels not directly controlled by the company. These channels might include independent experts—consumer advocates, online buying guides, and others—making statements to buyers. Or they might be neighbors, friends, family members, and associates talking to target buyers. This last channel, **word-of-mouth influence**, has considerable effect in many product areas.

Word-of-mouth influence
Personal communications about a product between target buyers and neighbors, friends, family members, and associates.

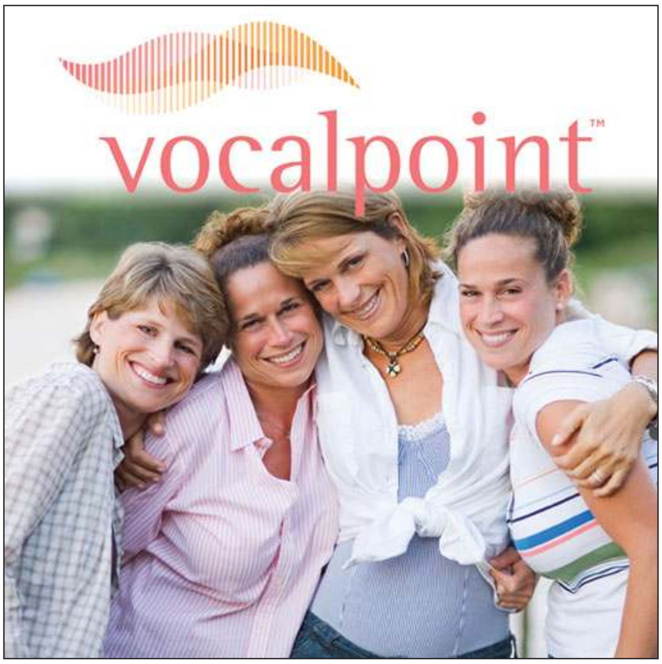
Personal influence carries great weight for products that are expensive, risky, or highly visible. Consider the power of simple customer reviews on Amazon.com:[10]

> It doesn't matter how loud or often you tell consumers your "truth," few today are buying a big-ticket item before they know what existing users have to say about the product. This is a low-trust world. That's why "recommendation by a relative or friend" comes out on top in just about every survey of purchasing influences. One study found that 90 percent of customers trust recommendations from people they know and 70 percent trust consumer opinions posted online, whereas the trust in ads runs from a high of about 62 percent to less than 24 percent, depending on the medium. Customer reviews are also a major reason for Amazon's success in growing sales per customer. Who hasn't made an Amazon purchase based on another customer's review or the "Customers who bought this also bought . . ." section? And it explains what a recent Shop.org survey found—that 96 percent of retailers find ratings and reviews to be an effective tactic in lifting online sales.

Buzz marketing
Cultivating opinion leaders and getting them to spread information about a product or service to others in their communities.

Companies can take steps to put personal communication channels to work for them. For example, as we discussed in Chapter 5, they can create *opinion leaders* for their brands—people whose opinions are sought by others—by supplying influencers with the product on attractive terms or by educating them so that they can inform others. **Buzz marketing** involves cultivating opinion leaders and getting them to spread information about a product or service to others in their communities.

P&G has created a huge word-of-mouth marketing arm—Vocalpoint—consisting of 500,000 moms. Vocalpoint recruits "connectors"—natural-born buzzers with vast networks of friends and a gift for gab. They create buzz not only for P&G brands but also for those of other client companies as well. P&G recently used the Vocalpoint network in the launch of its new Crest Weekly Clean teeth cleaning paste. P&G didn't pay the moms or coach them on what to say. It simply educated the Vocalpointers about the product, armed them with free samples and coupons for friends, and then asked them to share their "honest opinions with us and with other real women." In turn, the Vocalpoint moms created hundreds of thousands of personal recommendations for the new product.[11]



Buzz marketing: The Vocalpoint marketing arm of P&G has enlisted an army of buzzers to create word-of-mouth for P&G and other company brands.

Nonpersonal Communication Channels

Nonpersonal communication channels
Media that carry messages without personal contact or feedback, including major media, atmospheres, and events.

Nonpersonal communication channels are media that carry messages without personal contact or feedback. They include major media, atmospheres, and events. Major *media* include print media (newspapers, magazines, direct-mail), broadcast media (television, radio), display media (billboards, signs, posters), and online media (e-mail, company Web sites, and online social and sharing networks). *Atmospheres* are designed environments that create or reinforce the buyer's leanings toward buying a product. Thus, lawyers' offices and banks are designed to communicate confidence and other qualities that might be valued by clients. *Events* are staged occurrences that communicate messages to target audiences. For example, PR departments arrange grand openings, shows and exhibits, public tours, and other events.

Nonpersonal communication affects buyers directly. In addition, using mass media often affects buyers indirectly by causing more personal communication. For example, communications might first flow from television, magazines, and other mass media to opinion leaders and then from these opinion leaders to others. Thus, opinion leaders step between the mass media and their audiences and carry messages to people who are less exposed to media. Interestingly, marketers often use nonpersonal communications channels to replace or stimulate personal communications by embedding consumer endorsements or word-of-mouth testimonials in their ads and other promotions.

Selecting the Message Source

In either personal or nonpersonal communication, the message's impact also depends on how the target audience views the communicator. Messages delivered by highly credible sources are more persuasive. Thus, many food companies promote to doctors, dentists, and other health-care providers to motivate these professionals to recommend specific food products to their patients. And marketers hire celebrity endorsers—well-known athletes, actors, musicians, and even cartoon characters—to deliver their messages. Sarah Jessica Parker speaks for Garnier and Keith Richards endorses Louis Vuitton.[12] A host of NBA superstars lend their images to brands such as Nike, McDonald's, and Coca-Cola.

Celebrity endorsers: LeBron James, Kobe Bryant, and a host of other NBA superstars lend their images to Nike brands.

But companies must be careful when selecting celebrities to represent their brands. Picking the wrong spokesperson can result in embarrassment and a tarnished image. For example, the Kellogg Company dismissed Olympic swimmer Michael Phelps after he was caught on video smoking marijuana. And more than a dozen big brands faced embarrassment when golfer Tiger Woods' personal problems were publically exposed, tarnishing his previously pristine image. Gatorade, AT&T, and Accenture abruptly ended their associations with Woods; Nike, Gillette, EA Sports, and others stayed with the troubled golf superstar in hopes that the public would forgive his indiscretions. "Arranged marriages between brands and celebrities are inherently risky," notes one expert. "Ninety-nine percent of celebrities do a strong job for their brand partners," says another, "and 1 percent goes off the rails."[13] (See Real Marketing 14.2.)

Collecting Feedback

After sending the message, the communicator must research its effect on the target audience. This involves asking the target audience members whether they remember the message, how many times they saw it, what points they recall, how they felt about the message, and their past and present attitudes toward the product and company. The communicator would also like to measure behavior resulting from the message—how many people bought the product, talked to others about it, or visited the store.

Feedback on marketing communications may suggest changes in the promotion program or in the product offer itself. For example, Macy's uses television and newspaper advertising to inform area consumers about its stores, services, and merchandising events.

Real Marketing 14.2

Celebrity Endorsers:
The Good, the Bad, and the Ugly

Companies often invest large amounts of money, time, and other resources to nurture celebrities as spokespersons for their brands. Sometimes, they even build entire product lines and positions around well-known superstars—for example, Nike's Air Jordan line or Accenture's long-running but since abandoned "Go on. Be a Tiger." corporate campaign. Linking up with a major celebrity can add substantial interest and appeal to a brand. However, as the spectacular 2009 tumble of pitchman extraordinaire Tiger Woods demonstrated, such partnerships can also create difficulties. Endorsers are people, and people often make poor choices. When a scandal strikes, brand-celebrity relationships can sour quickly.

Tiger Woods wasn't the first celebrity pitchman to fall from grace. But the Tiger tale may be the best recent example of the good, the bad, and the ugly of celebrity endorsement deals. First, the good: In 1996, just after going pro, the 21-year-old Woods signed deals with Nike, Accenture, GM, Titleist, and American Express. Four years later, Nike renegotiated Woods' contract, signing him to a 5-year, $105 million agreement, one of its biggest ever. Many questioned Nike's investment—golf was only a niche sport, and Nike had little presence in golf apparel and equipment. But less than a decade later, few would question the genius of Nike's deal with Tiger. Nike is now one of the fastest growing brands in golf. And Wood's incredible performance on the links not only boosted the Nike brand but also grew the entire sport.

Along the way, Tiger Woods became an official endorser for more than a dozen big brands, including Nike, Accenture, Gatorade, Buick, Gillette, AT&T, EA Sports, and Tag Heuer. In 2009, at age 34, Woods earned more than $100 million in endorsement income and became the first athlete ever to make more than $1 billion dollars in career earnings. Estimates were that Woods' lifetime endorsement earnings would top $6 billion. He was considered by many as the world's most marketable athlete, the perfect picture of a winner—good looking, clean-cut, scandal-free, and the epitome of discipline and focus—both on and off the course.

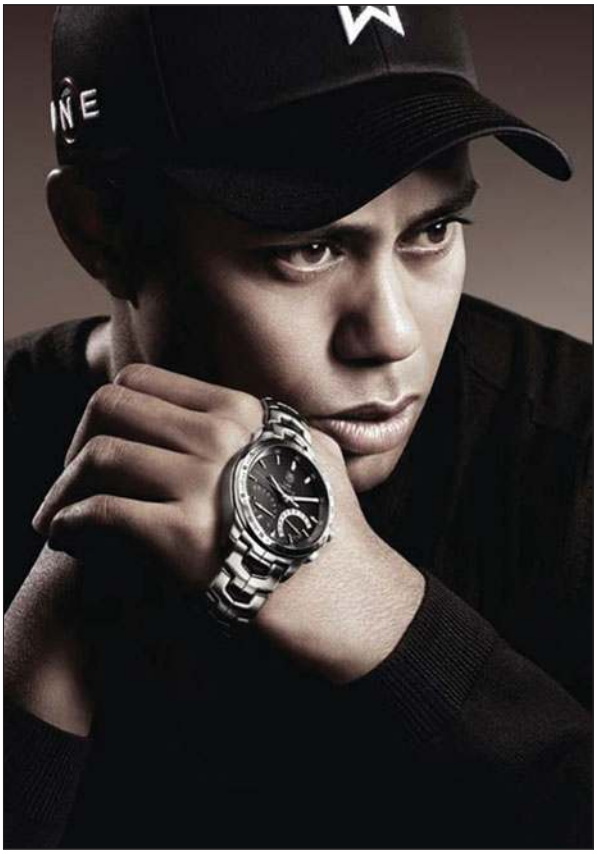
No company capitalized more on Tiger's image than Nike. With its contract, Nike purchased nearly every aspect of the golf star's public persona. Anywhere and everywhere that Woods appears, even in ads for other brands, the Nike Swoosh is plainly visible somewhere on his person. As one branding expert notes, "Tiger is so closely associated with Nike that whether you see [other] brands or not, you think of Nike."

But then came the bad and the ugly. In late 2009, following a bizarre late-night auto collision with a tree, a shocked public learned that the squeaky-clean Woods had been living a lie, in the form of years of extramarital affairs with more than a dozen women. As news of Woods' indiscretions and marital problems spread, Tiger went silent and took a hiatus from golf. Fans didn't react well to his infidelities. Woods' appeal ranking on the Davie Brown Index, the standard gauge of a celebrity's ability to influence consumers, dropped from 11th to 2,258th, placing him alongside the likes of sensationalist reporter Geraldo Rivera, quirky television talk-show host Kathy Lee Gifford, and exercise guru Richard Simmons. "We have never seen an athlete's score drop like this," said a Davie Brown executive.

Stunned sponsors reacted quickly to limit the damage to their own images. Three major sponsors—Gatorade, Accenture, and AT&T—dropped Woods altogether, costing him more than $25 million in endorsement contracts. Other sponsors, such as Gillette and Tag Heuer, distanced themselves but took a wait-and-see approach. Only Nike and EA Sports stood by Woods, stating that they would retain and support the golf superstar as he worked through his personal problems.

Whatever a given sponsor's decision, it was not an easy one. "Those companies have already made a significant investment in Tiger," says the president of a sports PR firm. "You walk away now, you lose that investment. And do you have a strategy to replace Tiger, another ad campaign ready to go?" There's also a risk of backlash. Celebrities often become so strongly linked to a brand that dropping them might do more damage than the celebrity's errant behaviors.

The wait-and-see approach might make more sense—lay low and keep an eye on consumer attitudes. History has shown that the public can be very forgiving. Take the case of NBA superstar Kobe Bryant, another major Nike endorser. In 2003, a Colorado hotel concierge accused Bryant of sexual assault. Bryant admitted to having an extramarital



Celebrity endorsers can be risky: Tag Heuer and a dozen other big brands faced embarrassment when golfer Tiger Woods' personal problems were publicly exposed, tarnishing his previously pristine image.

Continued on next page

sexual encounter with the woman but denied the assault. The charges against Bryant were eventually dropped. So were endorsement contracts with McDonald's, Nutella, and Sprite. But as it has with Woods, Nike stood by Bryant. Nike was rewarded for that loyalty as Bryant's on-court performance and subsequent Boy Scout–like personal behavior overpowered the memories of his scandalous past. "Kobe is bigger than ever," notes one sports marketer. "Success makes people forget," concludes another.

By staying with Woods, Nike is betting that the golfer's image will be rehabilitated. Tiger Woods seems almost too big to fail. His participation in the 2010 Masters tournament—his first public appearance after the scandal—seemed to bear this out. Wood's presence at the tournament resulted in a 47 percent increase in television viewer ratings and almost doubled Web traffic to sports sites over the previous year, suggesting that the public is eager for him to play and succeed. Companies that kept Woods as an endorser reaped a windfall of exposure.

As long as he keeps his nose clean and plays well, Woods will probably regain most of his endorsement potential. Says Peter Moore, president of EA Sports, "Regardless of what's going on in his personal life, when you talk tennis, you talk Roger Federer, and if you talk cycling, you talk Lance Armstrong, and when you talk golf, boy, you'd better be talking Tiger Woods."

More broadly, despite the difficulties, celebrity endorsements are bigger than ever. "Life goes on," concludes one observer. "Right or wrong, people have short-term memories. Meanwhile, brands need to compete, grow awareness, increase market share. That's what celebrity deals can do." Although we live in "a media-saturated society where paparazzi, flip cams, cell phones, and bloggers are ready to catch stars bathed in an unflattering light, there's a thriving market for these matchups. It's clear we live in a celebrity-crazed culture. Advertisers will never abandon them."

Sources: Extracts, quotes, and other information from T. L. Stanley, "Dancing with the Stars," *Brandweek*, March 8, 2010, pp. 10–12; Robert Klara, "I'm with a Celebrity, Get Me Out of Here!" *Brandweek*, March 8, 2010, p. 13; Yukari Iwatani Kane, "EA Firmly Committed to Tiger Woods," *Wall Street Journal*, January 22, 2010, accessed at www.wsj.com; Diane Pucin, "And Now, for a Short Commercial Break," *Los Angeles Times*, December 10, 2009, p. C1; Ben Klayman, "Woods' Financial Losses May Be Short Lived," *Reuters*, April 6, 2010, accessed at www.reuters.com; and Suzanne Vranica, "Nike to Air New Ad Featuring Tiger Woods," *Wall Street Journal*, April 7, 2010, accessed online at www.wsj.com.

Suppose feedback research shows that 80 percent of all shoppers in an area recall seeing the store's ads and are aware of its merchandise and sales. Sixty percent of these aware shoppers have visited a Macy's store in the past month, but only 20 percent of those who visited were satisfied with the shopping experience. These results suggest that although promotion is creating *awareness*, Macy's stores aren't giving consumers the *satisfaction* they expect. Therefore, Macy's needs to improve the shopping experience while staying with the successful communications program. In contrast, suppose research shows that only 40 percent of area consumers are aware of the store's merchandise and events, only 30 percent of those aware have shopped recently, but 80 percent of those who have shopped return soon to shop again. In this case, Macy's needs to strengthen its promotion program to take advantage of its power to create customer satisfaction.

Author Comment | In this section, we'll look at the promotion budget-setting process and how marketers blend the various marketing communication tools into a smooth-functioning integrated promotion mix.

Setting the Total Promotion Budget and Mix (pp 422–427)

We have looked at the steps in planning and sending communications to a target audience. But how does the company determine its total *promotion budget* and the division among the major promotional tools to create the *promotion mix*? By what process does it blend the tools to create integrated marketing communications? We now look at these questions.

Setting the Total Promotion Budget

One of the hardest marketing decisions facing a company is how much to spend on promotion. John Wanamaker, the department store magnate, once said, "I know that half of my advertising is wasted, but I don't know which half. I spent $2 million for advertising, and I don't know if that is half enough or twice too much." Thus, it is not surprising that industries and companies vary widely in how much they spend on promotion. Promotion spending may be 10–12 percent of sales for consumer packaged goods, 14 percent for cosmetics,

Setting the promotion budget is one of the hardest decisions facing the company. Disney spends hundreds of millions annually on advertising, but is that "half enough or twice too much"?

and only 1 percent for industrial machinery products. Within a given industry, both low and high spenders can be found.[14]

How does a company determine its promotion budget? Here, we look at four common methods used to set the total budget for advertising: the *affordable method*, the *percentage-of-sales method*, the *competitive-parity method*, and the *objective-and-task method*.[15]

Affordable Method

Affordable method
Setting the promotion budget at the level management thinks the company can afford.

Some companies use the **affordable method**: They set the promotion budget at the level they think the company can afford. Small businesses often use this method, reasoning that the company cannot spend more on advertising than it has. They start with total revenues, deduct operating expenses and capital outlays, and then devote some portion of the remaining funds to advertising.

Unfortunately, this method of setting budgets completely ignores the effects of promotion on sales. It tends to place promotion last among spending priorities, even in situations in which advertising is critical to the firm's success. It leads to an uncertain annual promotion budget, which makes long-range market planning difficult. Although the affordable method can result in overspending on advertising, it more often results in underspending.

Percentage-of-Sales Method

Percentage-of-sales method
Setting the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the unit sales price.

Other companies use the **percentage-of-sales method**, setting their promotion budget at a certain percentage of current or forecasted sales. Or they budget a percentage of the unit sales price. The percentage-of-sales method is simple to use and helps management think about the relationships between promotion spending, selling price, and profit per unit.

Despite these claimed advantages, however, the percentage-of-sales method has little to justify it. It wrongly views sales as the *cause* of promotion rather than as the *result*. Although studies have found a positive correlation between promotional spending and brand strength, this relationship often turns out to be effect and cause, not cause and effect. Stronger brands with higher sales can afford the biggest ad budgets.

Thus, the percentage-of-sales budget is based on the availability of funds rather than on opportunities. It may prevent the increased spending sometimes needed to turn around falling sales. Because the budget varies with year-to-year sales, long-range planning is difficult. Finally, the method does not provide any basis for choosing a *specific* percentage, except what has been done in the past or what competitors are doing.

Competitive-Parity Method

Competitive-parity method
Setting the promotion budget to match competitors' outlays.

Still other companies use the **competitive-parity method**, setting their promotion budgets to match competitors' outlays. They monitor competitors' advertising or get industry promotion spending estimates from publications or trade associations and then set their budgets based on the industry average.

Two arguments support this method. First, competitors' budgets represent the collective wisdom of the industry. Second, spending what competitors spend helps prevent promotion wars. Unfortunately, neither argument is valid. There are no grounds for believing that the competition has a better idea of what a company should be spending on promotion than does the company itself. Companies differ greatly, and each has its own special promotion needs. Finally, there is no evidence that budgets based on competitive parity prevent promotion wars.

Objective-and-Task Method

Objective-and-task method
Developing the promotion budget by (1) defining specific promotion objectives, (2) determining the tasks needed to achieve these objectives, and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

The most logical budget-setting method is the **objective-and-task method**, whereby the company sets its promotion budget based on what it wants to accomplish with promotion. This budgeting method entails (1) defining specific promotion objectives, (2) determining the tasks needed to achieve these objectives, and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

The advantage of the objective-and-task method is that it forces management to spell out its assumptions about the relationship between dollars spent and promotion results. But it is also the most difficult method to use. Often, it is hard to figure out which specific tasks will achieve the stated objectives. For example, suppose Sony wants a 95-percent awareness for its latest camcorder model during the six-month introductory period. What specific advertising messages and media schedules should Sony use to attain this objective? How much would these messages and media schedules cost? Sony management must consider such questions, even though they are hard to answer.

Shaping the Overall Promotion Mix

The concept of integrated marketing communications suggests that the company must blend the promotion tools carefully into a coordinated *promotion mix*. But how does it determine what mix of promotion tools to use? Companies within the same industry differ greatly in the design of their promotion mixes. For example, Mary Kay spends most of its promotion funds on personal selling and direct marketing, whereas competitor CoverGirl spends heavily on consumer advertising. We now look at factors that influence the marketer's choice of promotion tools.

The Nature of Each Promotion Tool

Each promotion tool has unique characteristics and costs. Marketers must understand these characteristics in shaping the promotion mix.

Advertising. Advertising can reach masses of geographically dispersed buyers at a low cost per exposure, and it enables the seller to repeat a message many times. For example, television advertising can reach huge audiences. An estimated 106 million Americans watched the most recent Super Bowl, about 41 million people watched at least part of the last Academy Awards broadcast, and 30 million fans tuned in for the debut episode of the ninth season of American Idol. For companies that want to reach a mass audience, TV is the place to be.[16]

Beyond its reach, large-scale advertising says something positive about the seller's size, popularity, and success. Because of advertising's public nature, consumers tend to view advertised products as more legitimate. Advertising is also very expressive; it allows the company to dramatize its products through the artful use of visuals, print, sound, and color. On the one hand, advertising can be used to build up a long-term image for a product (such as Coca-Cola ads). On the other hand, advertising can trigger quick sales (as when Kohl's advertises weekend specials).

Advertising also has some shortcomings. Although it reaches many people quickly, advertising is impersonal and cannot be as directly persuasive as can company salespeople. For the most part, advertising can carry on only a one-way communication with an audience, and the audience does not feel that it has to pay attention or respond. In addition, advertising can be very costly. Although some advertising forms, such as newspaper and radio advertising, can be done on smaller budgets, other forms, such as network TV advertising, require very large budgets.

Personal Selling. Personal selling is the most effective tool at certain stages of the buying process, particularly in building up buyers' preferences, convictions, and actions. It involves personal interaction between two or more people, so each person can observe the other's needs and characteristics and make quick adjustments. Personal selling also allows all kinds of customer relationships to spring up, ranging from matter-of-fact selling relationships to personal friendships. An effective salesperson keeps the customer's interests at heart to

With personal selling, the customer feels a greater need to listen and respond, even if the response is a polite "No thank-you."

build a long-term relationship by solving a customer's problems. Finally, with personal selling, the buyer usually feels a greater need to listen and respond, even if the response is a polite "No thank-you."

These unique qualities come at a cost, however. A sales force requires a longer-term commitment than does advertising—advertising can be turned up or down, but the size of a sales force is harder to change. Personal selling is also the company's most expensive promotion tool, costing companies on average $350 or more per sales call, depending on the industry.[17] U.S. firms spend up to three times as much on personal selling as they do on advertising.

Sales Promotion. Sales promotion includes a wide assortment of tools—coupons, contests, cents-off deals, premiums, and others—all of which have many unique qualities. They attract consumer attention, offer strong incentives to purchase, and can be used to dramatize product offers and boost sagging sales. Sales promotions invite and reward quick response. Whereas advertising says, "Buy our product," sales promotion says, "Buy it now." Sales promotion effects are often short lived, however, and often are not as effective as advertising or personal selling in building long-run brand preference and customer relationships.

Public Relations. PR is very believable—news stories, features, sponsorships, and events seem more real and believable to readers than ads do. PR can also reach many prospects who avoid salespeople and advertisements—the message gets to buyers as "news" rather than as a sales-directed communication. And, as with advertising, PR can dramatize a company or product. Marketers tend to underuse PR or use it as an afterthought. Yet a well-thought-out PR campaign used with other promotion mix elements can be very effective and economical.

Direct Marketing. Although there are many forms of direct marketing—direct mail and catalogs, online marketing, telephone marketing, and others—they all share four distinctive characteristics. Direct marketing is less public: The message is normally directed to a specific person. Direct marketing is immediate and customized: Messages can be prepared very quickly and can be tailored to appeal to specific consumers. Finally, direct marketing is interactive: It allows a dialogue between the marketing team and the consumer, and messages can be altered depending on the consumer's response. Thus, direct marketing is well suited to highly targeted marketing efforts and building one-to-one customer relationships.

Promotion Mix Strategies

Marketers can choose from two basic promotion mix strategies: *push* promotion or *pull* promotion. **Figure 14.4** contrasts the two strategies. The relative emphasis given to the specific promotion tools differs for push and pull strategies. A **push strategy** involves "pushing" the product through marketing channels to final consumers. The producer directs its marketing activities (primarily personal selling and trade promotion) toward channel members to induce them to carry the product and promote it to final consumers. For example, John Deere does very little promoting of its lawn mowers, garden tractors, and other residential consumer products to final consumers. Instead, John Deere's sales force works with Lowe's, Home Depot, independent dealers, and other channel members, who in turn push John Deere products to final consumers.

Push strategy
A promotion strategy that calls for using the sales force and trade promotion to push the product through channels. The producer promotes the product to channel members who in turn promote it to final consumers.

Using a **pull strategy**, the producer directs its marketing activities (primarily advertising and consumer promotion) toward final consumers to induce them to buy the product. For example, Unilever promotes its Axe grooming products directly to its young male target market using TV and print ads, a brand Web site, its YouTube channel, and other channels. If the pull strategy is effective, consumers will then demand the brand from retailers, such as CVS, Walgreens, or Walmart, who will in turn demand it from Unilever. Thus, under a pull strategy, consumer demand "pulls" the product through the channels.

Pull strategy
A promotion strategy that calls for spending a lot on consumer advertising and promotion to induce final consumers to buy the product, creating a demand vacuum that "pulls" the product through the channel.

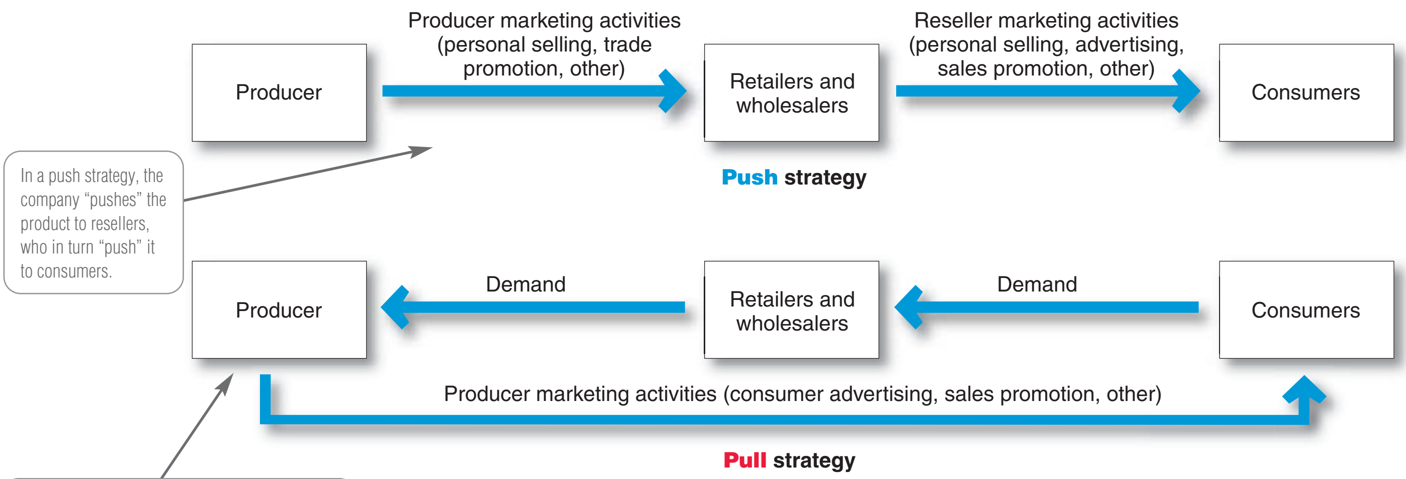


FIGURE | 14.4
Push versus Pull Promotion Strategy

Some industrial-goods companies use only push strategies; some direct-marketing companies use only pull strategies. However, most large companies use some combination of both. For example, Unilever spends $2.4 billion on U.S. media advertising and consumer sales promotions to create brand preference and pull customers into stores that carry its products. At the same time, it uses its own and distributors' sales forces and trade promotions to push its brands through the channels, so that they will be available on store shelves when consumers come calling. In recent years, facing a tight economy and slumping sales, many consumer-goods companies have been decreasing the brand-building pull portions of their mixes in favor of more push. This has caused concern that they may be driving short-run sales at the expense of long-term brand equity.

Companies consider many factors when designing their promotion mix strategies, including the *type of product/market* and the *product life-cycle stage*. For example, the importance of different promotion tools varies between consumer and business markets. Business-to-consumer (B-to-C) companies usually pull more, putting more of their funds into advertising, followed by sales promotion, personal selling, and then PR. In contrast, business-to-business marketers tend to push more, putting more of their funds into personal selling, followed by sales promotion, advertising, and PR. In general, personal selling is used more heavily with expensive and risky goods and in markets with fewer and larger sellers.

The effects of different promotion tools also vary with stages of the product life cycle. In the introduction stage, advertising and PR are good for producing high awareness, and sales promotion is useful in promoting early trial. Personal selling must be used to get the trade to carry the product. In the growth stage, advertising and PR continue to be powerful influences, whereas sales promotion can be reduced because fewer incentives are needed. In the mature stage, sales promotion again becomes important relative to advertising. Buyers know the brands, and advertising is needed only to remind them of the product. In the decline stage, advertising is kept at a reminder level, PR is dropped, and salespeople give the product only a little attention. Sales promotion, however, might continue to be strong.

Integrating the Promotion Mix

Having set the promotion budget and mix, the company must now take steps to see that each promotion mix element is smoothly integrated. Guided by its overall communications strategy, the various promotion elements should work together to carry the firm's unique brand messages and selling points. Integrating the promotion mix starts with customers. Whether it's advertising, personal selling, sales promotion, PR, or direct marketing, communications at each customer touchpoint must deliver consistent messages and positioning. An integrated promotion mix ensures that communications efforts occur when, where, and how *customers* need them.

To achieve an integrated promotion mix, all of the firm's functions must cooperate to jointly plan communications efforts. Many companies even include customers, suppliers, and other stakeholders at various stages of communications planning. Scattered or disjointed promotional activities across the company can result in diluted marketing communications impact and confused positioning. By contrast, an integrated promotion mix maximizes the combined effects of all a firm's promotional efforts.

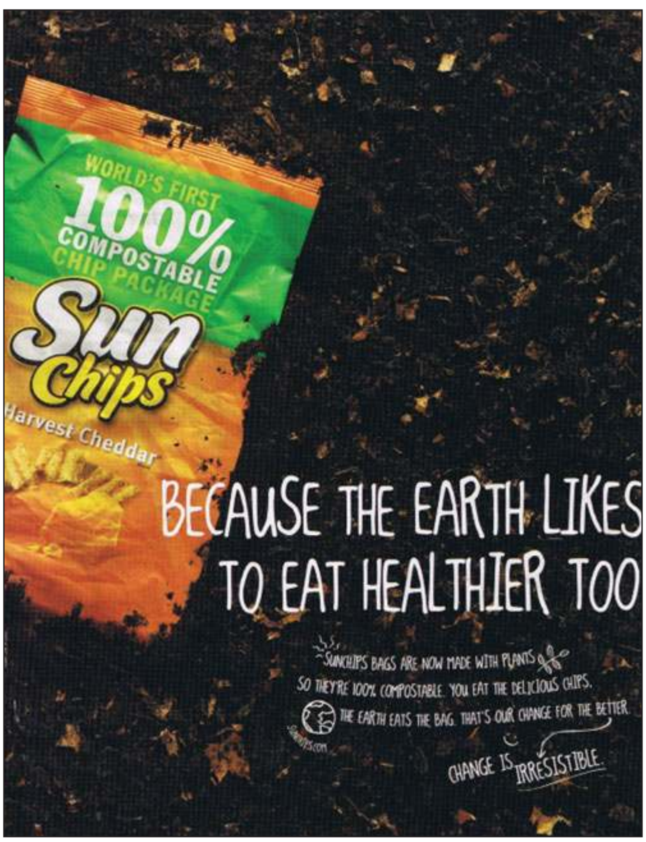
Author Comment | Marketers should go beyond what's "legal" and communicate openly and responsibly with customers. Good customer relationships are built on honesty and trust.

Socially Responsible Marketing Communication (pp 427–428)

In shaping its promotion mix, a company must be aware of the large body of legal and ethical issues surrounding marketing communications. Most marketers work hard to communicate openly and honestly with consumers and resellers. Still, abuses may occur, and public policy makers have developed a substantial body of laws and regulations to govern advertising, sales promotion, personal selling, and direct marketing. In this section, we discuss issues regarding advertising, sales promotion, and personal selling. We discuss issues regarding direct marketing in Chapter 17.

Advertising and Sales Promotion

By law, companies must avoid false or deceptive advertising. Advertisers must not make false claims, such as suggesting that a product cures something when it does not. They must avoid ads that have the capacity to deceive, even though no one actually may be deceived. An automobile cannot be advertised as getting 32 miles per gallon unless it does so under typical conditions, and a diet bread cannot be advertised as having fewer calories simply because its slices are thinner.



● **Promoting socially responsible actions: Frito-Lay ran ads promoting the compostable packaging for its SunChips brand. It also promoted a program challenging consumers to create their own videos encouraging positive change in the world, which it ran on national TV.**

Sellers must avoid bait-and-switch advertising that attracts buyers under false pretenses. For example, a large retailer advertised a sewing machine at $179. However, when consumers tried to buy the advertised machine, the seller downplayed its features, placed faulty machines on showroom floors, understated the machine's performance, and took other actions in an attempt to switch buyers to a more expensive machine. Such actions are both unethical and illegal.

A company's trade promotion activities also are closely regulated. For example, under the Robinson-Patman Act, sellers cannot favor certain customers through their use of trade promotions. They must make promotional allowances and services available to all resellers on proportionately equal terms.

Beyond simply avoiding legal pitfalls, such as deceptive or bait-and-switch advertising, companies can use advertising and other forms of promotion to encourage and promote socially responsible programs and actions. ● For example, Frito-Lay ran TV, print, and online ads promoting the new compostable packaging for its SunChips brand. "They're 100% compostable," said one print ad. "You eat the delicious chips. The earth eats the bag." Frito-Lay also used advertising to promote a program challenging consumers to create videos encouraging positive change in the world. Former vice president Al Gore selected the winner, which Frito-Lay aired on national television during Earth Week.[18]

Personal Selling

A company's salespeople must follow the rules of "fair competition." Most states have enacted deceptive sales acts that spell out what is not allowed. For example, salespeople may not lie to consumers or mislead them about the advantages of buying a particular product. To avoid bait-and-switch practices, salespeople's statements must match advertising claims.

Different rules apply to consumers who are called on at home or who buy at a location that is not the seller's permanent place of business versus those who go to a store in search of a product. Because people who are called on may be taken by surprise and may be especially vulnerable to high-pressure selling techniques, the Federal Trade Commission (FTC) has adopted a *three-day cooling-off rule* to give special protection to customers who are not seeking products. Under this rule, customers who agree in their own homes, workplace, dormitory, or facilities rented by the seller on a temporary basis—such as hotel rooms, convention centers, and restaurants—to buy something costing more than $25 have 72 hours in which to cancel a contract or return merchandise and get their money back—no questions asked.

Much personal selling involves business-to-business trade. In selling to businesses, salespeople may not offer bribes to purchasing agents or others who can influence a sale. They may not obtain or use technical or trade secrets of competitors through bribery or industrial espionage. Finally, salespeople must not disparage competitors or competing products by suggesting things that are not true.[19]

REVIEWING Objectives AND KEY Terms

In this chapter, you learned how companies use integrated marketing communications (IMC) to communicate customer value. Modern marketing calls for more than just creating customer value by developing a good product, pricing it attractively, and making it available to target customers. Companies also must clearly and persuasively *communicate* that value to current and prospective customers. To do this, they must blend five promotion mix tools, guided by a well-designed and implemented IMC strategy.

Objective 1 Define the five promotion mix tools for communicating customer value. (p 408)

A company's total *promotion mix*—also called its *marketing communications mix*—consists of the specific blend of *advertising*, *personal selling*, *sales promotion, public relations,* and *direct-marketing* tools that the company uses to persuasively communicate customer value and build customer relationships. Advertising includes any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor. In contrast, PR focuses on building good relations with the company's various publics by obtaining favorable, unpaid publicity.

Personal selling is any form of personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. Firms use sales promotion to provide short-term incentives to encourage the purchase or sale of a product or service. Finally, firms seeking immediate response from targeted individual customers use nonpersonal direct-marketing tools to communicate with customers and cultivate relationships with them.

Objective 2 Discuss the changing communications landscape and the need for integrated marketing communications. (pp 409–414)

Recent shifts toward targeted or one-to-one marketing, coupled with advances in information and communications technology, have had a dramatic impact on marketing communications. As marketing communicators adopt richer but more fragmented media and promotion mixes to reach their diverse markets, they risk creating a communications hodgepodge for consumers. To prevent this, more companies are adopting the concept of *integrated marketing communications* (*IMC*). Guided by an overall IMC strategy, the company works out the roles that the various promotional tools will play and the extent to which each will be used. It carefully coordinates the promotional activities and the timing of when major campaigns take place. Finally, to help implement its integrated marketing strategy, the company can appoint a marketing communications director who has overall responsibility for the company's communications efforts.

Objective 3 **Outline the communication process and the steps in developing effective marketing communications.** **(pp 414–422)**

The communication process involves nine elements: two major parties (sender, receiver), two communication tools (message, media), four communication functions (encoding, decoding, response, and feedback), and noise. To communicate effectively, marketers must understand how these elements combine to communicate value to target customers.

In preparing marketing communications, the communicator's first task is to *identify the target audience* and its characteristics. Next, the communicator has to determine the *communication objectives* and define the response sought, whether it be *awareness*, *knowledge*, *liking*, *preference*, *conviction*, or *purchase*. Then a *message* should be constructed with an effective content and structure. *Media* must be selected, both for personal and nonpersonal communication. The communicator must find highly credible sources to deliver messages. Finally, the communicator must collect *feedback* by watching how much of the market becomes aware, tries the product, and is satisfied in the process.

Objective 4 **Explain the methods for setting the promotion budget and factors that affect the design of the promotion mix.** **(pp 422–428)**

The company must determine how much to spend for promotion. The most popular approaches are to spend what the company can afford, use a percentage of sales, base promotion on competitors' spending, or base it on an analysis and costing of the communication objectives and tasks. The company has to divide the *promotion budget* among the major tools to create the *promotion mix*. Companies can pursue a *push* or a *pull* promotional strategy—or a combination of the two. The best specific blend of promotion tools depends on the type of product/market, the buyer's readiness stage, and the PLC stage. People at all levels of the organization must be aware of the many legal and ethical issues surrounding marketing communications. Companies must work hard and proactively at communicating openly, honestly, and agreeably with their customers and resellers.

KEY Terms

OBJECTIVE 1

Promotion mix (marketing communications mix) (p 408)
Advertising (p 408)
Sales promotion (p 408)
Personal selling (p 408)
Public relations (PR) (p 408)
Direct marketing (p 408)

OBJECTIVE 2

Integrated marketing communications (IMC) (p 412)

OBJECTIVE 3

Buyer-readiness stages (p 416)
Personal communication channels (p 419)
Word-of-mouth influence (p 419)
Buzz marketing (p 419)
Nonpersonal communication channels (p 419)

OBJECTIVE 4

Affordable method (p 423)
Percentage-of-sales method (p 423)
Competitive-parity method (p 423)
Objective-and-task method (p 424)
Push strategy (p 425)
Pull strategy (p 425)

PEARSON mymarketinglab

- Check your understanding of the concepts and key terms using the mypearsonmarketinglab study plan for this chapter.
- Apply the concepts in a business context using the simulation entitled **Integrated Marketing Communication**.

DISCUSSING & APPLYING THE Concepts

Discussing the Concepts

1. List and briefly describe the five major promotion mix tools. (AASCB: Communication)
2. Define IMC and discuss how marketers implement it. (AACSB: Communication)
3. Name and briefly describe the nine elements of the communications process. Why do marketers need to understand these elements? (AACSB: Communication; Reflective Thinking)
4. Name and describe the six buyer-readiness stages. Discuss why it is important for a marketing communicator to know where the target audience stands and to what stage it needs to be moved. (AACSB: Communication)
5. Discuss the factors to consider with regard to message structure when designing a message. (AACSB: Communication)
6. Compare and contrast personal and nonpersonal communication channels. (AACSB: Communication)

Applying the Concepts

1. Describe the three types of appeals used in marketing communications messages and develop three different ads for the same brand of a product of your choice, each using a different appeal. (AACSB: Communication; Reflective Thinking)
2. Discuss the two basic promotion mix strategies. Form a small group and recommend a promotion mix for a brand of peanut butter implementing primarily a push promotion strategy. Then recommend a promotion mix for the same brand implementing primarily a pull promotion strategy. Explain how your two recommendations differ. (AACSB: Communication; Reflective Thinking)
3. Brands are now starring in movies, television shows, video games, and books. Select three different television programs and identify the brands shown or mentioned in an episode of each program. What product categories seem to be more prevalent? How were the brands presented? Write a report on what you find. (AACSB: Communication; Reflective Thinking)

FOCUS ON Technology

Small businesses account for 90 percent of all companies in the United States, and many do not have resources to spare for promoting their businesses. Newspaper, radio, and the yellow pages have been the mainstay mediums for local businesses, but they can be expensive. As a result, many businesses are turning to the Internet. One survey found that over one-half of small businesses using the Internet are creating or maintaining a social-networking presence on sites such as Facebook, Twitter, and Foursquare. However, social-networking media can be daunting to a small business owner, so MerchantCircle offers a network that brings customers and local businesses together. Founded in 2005, MerchantCircle is now the largest online network of local business owners, with 1.3 million members. Consumers can go to the site to search for local businesses or ask questions and get input from any of MerchantCircle's business members. MerchantCircle business members can interact with each other to help grow their businesses.

1. Visit www.MerchantCircle.com/corporate and search for a jeweler in your city or some other city. What information is provided? Are any jewelers in your city members of MerchantCircle? Search for other products and services and describe the benefits this network provides to the consumer. (AACSB: Communication; Use of IT; Reflective Thinking)
2. Explore the MerchantCircle Web site to learn the benefits and costs for local businesses. Write a brief report of what you learn. (AACSB: Communication; Use of IT; Reflective Thinking)

FOCUS ON Ethics

Imagine a young family driving to Disney World. Along the route, the children see billboards with Mickey, Donald, Kermit the Frog, and other Disney characters. Cinderella, Ariel, and the other princesses are so beautiful. Then come billboards with other beautiful women—only they are scantily clothed and in sexually suggestive poses. These are ads for businesses such as strip clubs, adult bookstores, and other seedy businesses. "There ought to be a law against that," claims the horrified mother of the two young children in the car. In fact, several states have banned such billboards. But in Missouri, South Carolina, and Kansas, federal courts have overturned these laws. Cash-strapped states cannot afford the legal battles and seem to have little chance of winning because of First Amendment protection. The states are losing because they must prove that the purpose of their laws is to prevent "secondary effects," which might include decreased property values or increased crime. Thus, a law recently introduced in Michigan is not attempting to ban the advertising but is instead attempting to restrict the content of ads to list only a business's name, location, and hours of operation.

1. Should these types of ads have the same protection that individual citizens have under the First Amendment? (AACSB: Communication; Ethical Reasoning)
2. Sex sells, and a lot of advertising uses it, even for products or services that are not sexually oriented. Why are lawmakers more concerned with sexually explicit ads on billboards than such ads in other media? (AACSB: Communication; Ethical Reasoning)

MARKETING & THE Economy

Miller Lite

For years, Miller Lite achieved tremendous success with its "Great Taste . . . Less Filling" campaign, which *Advertising Age* ranked as the eighth best campaign in history. But when the recent joint venture MillerCoors took over the Miller Lite brand, it decided to focus exclusively on the "great taste" part, a positioning formula credited for 16 consecutive quarters of growth for competitor Coors Light. Unfortunately, the change in the Miller Lite branding strategy occurred as consumers began to count every penny and demand greater value in the face of new economic realities. In the new economic environment, the single-feature message didn't deliver. Miller Lite immediately began losing sales, posting its worst quarter in more than a decade. With more choices than ever in a beer market flooded with full-flavored crafts, imports, and microbrews, industry insiders have questioned MillerCoors' taste-only focus. To muddy the waters even further, MillerCoors halted the brand's regular pattern of price cuts and discounts. It has also increased the Miller Lite advertising budget and added some packaging innovations, such as a "Taste-Protector Cap" and a "Taste Activated Bottle." Andy England, chief marketing officer of MillerCoors, is convinced that the company has Miller Lite on the right track. Given that Miller Lite's sales have yet to turn around, observers are not convinced.

1. In your opinion, which factor has had the biggest impact on Miller Lite's sagging sales?
2. Is a single product benefit enough reason to buy in a weak economy?
3. If MillerCoors had retained Miller Lite's previous brand message, would it have suffered a sales decline?

MARKETING BY THE Numbers

Using the percent of sales method, an advertiser sets its budget at a certain percentage of current or forecasted sales. However, determining what percentage to use is not always clear. Many marketers look at industry averages and competitor spending for comparisons. Web sites and trade publications, such as *Advertising Age*, publish data about industry averages and advertising-to-sales ratios for top advertisers.

1. Using information regarding industry advertising-to-sales ratios (see http://company.news-record.com/advertising/advertising/ratio.html), recommend percentages of sales that advertisers in the following industries should use to set next year's advertising budget: a grocery store, a physician, a cosmetic brand, and malt beverages. (AACSB: Communication; Use of IT)
2. Explain why there is variation in the percentage of sales spent on advertising among the four industries in the previous question. (AACSB: Communication; Reflective Thinking)

VIDEO Case

CP+B

Crispin Porter + Bogusky (Crispin) may not be the oldest advertising agency in the world. It isn't the biggest either. But it has been working over time to prove that it is the most innovative firm at integrating marketing promotions. In fact, Crispin relies very little on the king of all advertising channels, broadcast TV. Instead, Crispin has worked miracles for companies such as Virgin Atlantic Airways, BMW's MINI Cooper, and Burger King by employing non-traditional campaigns on limited budgets.

Crispin attributes its success to the fact that it redefined what an advertisement is. Customer appropriate messages, Crispin discovered, could be delivered in many different ways. So its realm of "ad space" includes things as obscure as the side of a mailbox or an oversized phone booth in an airport. By communicating a message in many different ways, Crispin has developed a reputation for truly integrating marketing communications.

After viewing the video featuring Crispin, answer the following questions about advertising and promotions:

1. Alex Bogusky once said, "Anything and everything is an ad." What does this mean? How is Crispin demonstrating this mantra?
2. In what ways has Crispin differentiated itself from other advertising agencies?
3. Give some examples as to how Crispin balances strategy with creativity.

COMPANY Case

Pepsi: Can a Soda Really Make the World a Better Place?

This year, PepsiCo did something that shocked the advertising world. After 23 straight years of running ads for its flagship brand on the Super Bowl, it announced that the number-two soft drink maker would be absent from the Big Game. But in the weeks leading up to Super Bowl XLIV, Pepsi was still the second-most discussed advertiser associated with the event. It wasn't so much what Pepsi wasn't doing that created such a stir as much as what it was doing.

Rather than continuing with the same old messages of the past, focusing on the youthful nature of the Pepsi Generation, and using the same old mass-media channels, Pepsi is taking a major gamble by breaking new ground with its advertising program. Its latest campaign, called Pepsi Refresh, represents a major departure from its old promotion efforts in two ways: (1) The message centers on a theme of social responsibility, and (2) the message is being delivered with a fat dose of social media.

At the center of the campaign is the Pepsi Refresh Project. PepsiCo has committed to award $20 million in grants ranging from $5,000 to $250,000 to organizations and individuals with ideas that will make the world a better place. The refresheverything.com Web site greets visitors with the headline, "What do you care about?" PepsiCo accepts up to 1,000 proposals each month in each of six different areas: health, arts and culture, food and shelter, the planet, neighborhoods, and education. Then crowdsourcing takes over, as consumers vote for their favorites. Pepsi awards the grants each month. One-third of the way through its one-year run, the company had funded more than 100 projects, giving approximately $5 million back to local communities. The company stated that the project was right on target to award the full $20 million by the end of the yearlong effort.

INTEGRATING DIGITAL THROUGHOUT THE PROMOTIONAL MIX

The Pepsi Refresh campaign has been a groundbreaking effort, in part because of its heavy use of social media. PepsiCo is capitalizing on a growing trend in a way that no other major brand has done so far. The company is quick to point out that Pepsi Refresh is not a social media add-on like almost others, where an ad simply directs people to a Web site for reasons that may or may not be relevant to the message. Nor is it a social media campaign as such, where the entire campaign takes place through social media. Rather, social media are the glue that holds together a truly integrated marketing communications effort. "It's not about digital as its own channel anymore," says Bonin Bough, director of digital and social media for PepsiCo. "It's how do we infuse digital across all of our marketing programs?"

For starters, although PepsiCo bypassed the Super Bowl, it is not ditching broadcast media. To the contrary, Pepsi is running spot ads on the main networks as well as 30 different cable channels. The ads initially informed people about the Pepsi Refresh campaign, directing them to the refresheverything.com site. But shortly after the first grants were awarded, ads began highlighting projects that had been funded. Traditional media efforts extend to 10 print publications as well. And PR plays a role through agreements such as the one with NBC Universal for paid pitches on the "Today" show.

But this campaign underscores a shift in how PepsiCo is spending its advertising dollars. According to CEO Indra Nooyi, the world's number two soft drink seller is shifting as much as one-third of its marketing budget to interactive and social media. This move involves not only the Pepsi brand but also Mountain Dew, Doritos, Sobe, and PepsiCo's other brands. Certainly, PepsiCo is not alone in the trend toward digital and social media marketing. But analysts point out that its approach, moving away from high-profile spots in favor of heavy spending on a digitally focused social responsibility campaign, is both compelling and risky. "I applaud Pepsi for embracing social media and technology," said Marc Lucas, an advertising executive. "On the flip side, I think it's very bold to not be in a place where you know you're going to have an audience."

The refresheverything.com Web site is just one component of the brand's online efforts. PepsiCo is spreading the message through the big networks, such as Facebook and Twitter, and even partnering with them for advertising opportunities. For example, Pepsi Refresh held the lead ad position on Facebook during the Super Bowl. Pepsi has also partnered with Hulu to sponsor its first original series, the reality show *If I Can Dream*. "It amplifies an advertising campaign by making it something people talk about, more of a social conversation," said Jean-Paul Colaco, senior vice president for advertising at Hulu. PepsiCo even partnered with Spin magazine, music festival South by Southwest, and two Indie bands in a Web-based contest where music lovers could vote for their favorite. Metric beat out Broken Social Scene for a $100,000 grant that it gave to the Women's Funding Network.

As another component of the integrated campaign, the company has not shied away from using celebrity endorsers. Through clever network spot ads that place celebrities inside a life-sized, three-dimensional laptop made of tagboard, Kevin Bacon appeals to people to vote for his cause, SixDegrees.org. He is quick to point out that this has nothing to do with the cult trivia game, Six Degrees of Kevin Bacon. Rather, he proposes using a $250,000 grant to hand out "good cards" that people can use to donate to any of more than a million different charities. But Bacon goes on to explain that the power of SixDegrees comes from the social networks of good card recipients. They buy more good cards and pass them on to others, and as social networking works its magic, that $250,000 grows into millions.

Among various other celebrities, Pepsi has also recruited Demi Moore; NFL players Mark Sanchez, DeMarcus Ware, and Drew Brees; and NASCAR veterans Jeff Gordon, Dale Earnhardt Jr., and Jimmie Johnson to apply for grants and act as spokespersons for the project. These celebrities are vying for votes to award grants to such organizations as the Girls Education and Mentoring Service, the American Cancer Society, and the Brain Aneurysm Foundation.

PepsiCo is also getting its message out to consumers at the point of purchase. Cans, bottles, and multipacks feature updated graphics that minimize an all lowercase Pepsi logo written vertically and highlights a new Pepsi brand mark: a large circle with swaths of red, white, and blue. That symbol replaces any "o" in Pepsi's packaging and promotional materials. Thus, both "Do Some Good" and "Doing Good 101" each carry four of the new Pepsi circles. To draw people into retailer outlets to see the point-of-purchase (POP) materials and hopefully buy its soft drinks, Pepsi has partnered with Foursquare, the social network that connects people through GPS in real time. Foursquare members are directed to Pepsi retailers and given offers as an incentive for them to visit.

DOING WELL BY DOING GOOD

Despite the growth of cause-related marketing, PepsiCo's effort is perhaps the first example of a major brand making social responsibility the main theme of its campaign, rather than an add-on. This does not downplay the efforts of companies like Target, which has given $273 million to local schools since 1997 through its RedCard program. But PepsiCo's effort is built around a theme that drives the concept of "doing good" as much as it drives the brand. Coca-Cola's response to Pepsi Refresh, donating a dollar to Boys and Girls Clubs of America each time a visitor to Coke's Facebook page shares a virtual Coke gift, illustrates how most advertiser's cause-related marketing efforts are peripheral to other advertising activities.

Nooyi brings the centrality of Pepsi's socially responsible message into perspective.

> The Pepsi Refresh Project is a platform, but at the end of the day, what we are doing is awarding the grants, we are enabling connections. It's having a catalytic effect on people who are actually embracing these organizations. So, we're not only benefiting the person who received the grant, we're benefiting the people who are the recipients of the outcome of that idea. With schools, for instance, it's not just one classroom that's benefited. It's all the kids who will be able to go to that classroom. And there have been people who have worked so hard to get this money that others have stepped in and matched the money they receive.

Projects funded thus far are too numerous to list. But they include more than high-profile efforts like the celebrity campaigns. Many awards are being given to everyday people just trying to improve their own little corners of the world. Calvin Cannon received $5,000 for Clothe the N.A.K.E.D. Prom Date, his venture to sponsor low-income, upstanding dudes in Shelbyville, Tennessee, by paying for their tuxedo rentals for the prom. Jeanne Acutanza from Kirkland, Washington, got $5,000 for her children's school so that it could manage a sustainable garden and give the harvest to local food banks. And the Associates of Redlands Bowl received $25,000 to support performing arts in the community of Redlands, California. "I'm proud of every idea we're supporting, but it's the simplicity of [these ideas that is] so innovative," says Nooyi. "You would never have thought that one simple thing could bring about a big change in the community."

IN SEARCH OF THE HOLY GRAIL

All this cutting edge promotion and the effort to change the world are wonderful. But at the end of the day, PepsiCo has to sell soft drinks. After all, it is the fiftieth largest publicly held corporation in the Fortune 500. Pepsi is also the 23rd most valuable brand in the world according to Interbrand. If this experiment fails to support sales of its core brand, PepsiCo will no doubt abandon its innovative promotion efforts and return to its old ways. As one social marketer states, "This is big, new, getting a lot of attention. It's impactful; it's innovative. What the industry is talking about now is, is this a gamble that was worth taking, in terms of a lift in sales? That's the holy grail."

But PepsiCo remains extremely optimistic. In the first few months of the campaign, the number of Facebook fans doubled. The company formerly got a Twitter tweet every five minutes or so. Now, it receives more tweets per minute than a person can read. But just what is the value of a Facebook or a Twitter fan? Although many advocates of social networking say questions like that are irrelevant, budget-strapped chief marketing officers want to see return on investment. That's why Bough and his team have developed a scorecard that ties different elements of the Pepsi Refresh campaign back to the health of the brand. Using standard research methods, PepsiCo will be measuring whether or not this campaign merits the expense.

Pass or fail, many observers inside and outside PepsiCo will learn much from this first-of-its-kind social media and social responsibility campaign. Ana Maria Irazabal, director of marketing for PepsiCo, wants this campaign to become the model of the future. "We want people to be aware that every time you drink a Pepsi you are actually supporting the Pepsi Refresh Project and ideas that are going to move this country forward. We may be the first to do something like this, but hopefully, we're not the last."

Questions for Discussion

1. Consider PepsiCo's advertising throughout its history. (For a list of Pepsi slogans over the years, visit http://en.wikipedia.org/wiki/Pepsi#Slogans.) Identify as many commonalities as possible across its various ad campaigns. How is this campaign consistent with PepsiCo's brand image?
2. List all the promotional mix elements used in the Pepsi Refresh campaign. What grade would you give PepsiCo on integrating these elements into an integration marketing communications campaign?
3. Describe PepsiCo's target audience. Is the Pepsi Refresh campaign consistent with that audience?
4. As completely as possible, analyze the campaign according to the steps listed in the chapter for developing effective marketing communication.
5. Will the Pepsi Refresh campaign be successful? Why or why not?

Sources: Natalie Zmuda, "Pass or Fail, Pepsi's Refresh Will Be Case for Marketing Textbooks," *Advertising Age*, February 8, 2010, p. 1; Stuart Elliott, "Pepsi Invites the Public to Do Good," *New York Times*, January 31, 2010, p. B6; Elaine Wong, "Pepsi Community Effort Finds Fans on Social Nets," *Brandweek*, June 8, 2010, accessed at www.brandweek.com.