Chapter 11

ADVERTISING AND COMMERCIAL CULTURE
“Dollars always follow eyeballs,” a media forecaster told the Wall Street Journal, predicting that it was a matter of time before mobile became the next major advertising medium.
The First Advertising Agencies

- Earliest ad agencies were newspaper space brokers.
  - Bought newspaper space, sold it to merchants

- Volney Palmer
  - Prototype of the first ad agency in 1841
  - Sold space to advertisers for a 25 percent commission.
ADVERTISING IN THE 1800S

- N.W. Ayer & Son
  - First full-service modern ad agency
  - Worked primarily for advertisers and product companies

- Trademarks and packaging
  - Manufacturers realized consumers would ask for their products specifically if they were distinctive and associated with quality.
Advertising let manufacturers establish special identity for their products.

Nineteenth-century ads created the impression of significant differences among products.

Early and enduring brands

- Smith Brothers (1850s)
- Campbell Soup (1869)
- Quaker Oats (1877)
Patent medicines

- By the end of the 1800s, one-sixth of all print ads came from patent medicine and drug companies.
- Patent medicine ads were often fraudulent.
  - Advertisers developed industry codes.
  - Federal Food and Drug Act was passed in part due to patent medicine claims.
ADVERTISING IN THE 1800S (CONT.)

- Department stores
  - Comprised more than 20 percent of ad space by the early 1890s
  - Frequently criticized for undermining small businesses
- Impact on newspapers
  - Advertising significantly changed the ratio of copy at most papers.
  - Recent recession hit papers hard.
PROMOTING SOCIAL CHANGE AND DICTATING VALUES

- Advertising led to social changes.
  - Transition from producer-directed society to consumer-driven society
  - Promoted new technological advances that made life easier
- Emphasized appeals to women
- Accused of inciting consumer need for unnecessary products
- Formation of the Ad Council
EARLY AD REGULATION

- Advertising regulation entities
  - The Better Business Bureau (BBB)
  - Audit Bureau of Circulation (ABC)
  - Federal Trade Commission (FTC)
  - American Association of Advertising Agencies (AAAA)

- Subliminal advertising
  - Hidden or disguised messages
  - No more effective than regular ads
THE INFLUENCE OF VISUAL DESIGN

1960s
- Ad-rich magazines hired European designers as art directors.

1970s
- Agencies developed teams of writers and artists, granting equal status to images and words.

1980s
- Visual techniques of MTV influenced many ads and agencies.
1990s
+ Advertising mimicked features of the Web, with drop-down menus.

Twenty-first century
+ Ads are more three-dimensional and interactive.
+ Design is simpler as ads and logos need to appear clearly on small screens of smartphones, and more international for global audience.
TYPES OF ADVERTISING AGENCIES

- **Mega-agencies**
  - Provide a full range of services
  - WPP Group, Omnicom, Publicis Groupe, and the Interpublic Group

- **Boutique agencies**
  - Devote talents to select clients
  - Peterson Milla Hooks
FIGURE 11.1: GLOBAL REVENUE FOR THE WORLD'S FOUR LARGEST AGENCIES

<table>
<thead>
<tr>
<th>Agency</th>
<th>World Revenue</th>
<th>U.S. Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>WPP</td>
<td>$16.05</td>
<td>$5.05 (31.5%)</td>
</tr>
<tr>
<td>Omnicom</td>
<td>$13.87</td>
<td>$7.05 (50.8%)</td>
</tr>
<tr>
<td>Publicis</td>
<td>$7.02</td>
<td>$3.89 (55.4%)</td>
</tr>
<tr>
<td>Interpublic</td>
<td>$8.07</td>
<td>$3.78 (46.8%)</td>
</tr>
</tbody>
</table>
FIGURE 11.2: FORECAST FOR 2012: WHERE WILL THE ADVERTISING DOLLARS GO?

Total advertising: $160.73 billion

- Outdoor: $7.62 billion, 4.7%
- Radio: $17.02 billion, 10.6%
- Internet: $30.03 billion, 18.7%
- Newspapers: $24.98 billion, 15.5%
- Cinema: $18.07 billion, 11.2%
- TV: $62.27 billion, 38.7%
- Magazines: $0.75 billion, 0.5%
THE STRUCTURE OF ADVERTISING AGENCIES

- Account planner
  - Develops the advertising strategy
  - Coordinates market research
    - Used to assess the behaviors and attitudes of consumers toward particular products
    - Methods include demographics, psychographics, focus groups, and the Values and Lifestyles (VALS) strategy.
  - Market Research, and VALS. Account planning combines the views of the client, the creative team, and consumers to plan an effective advertising strategy.
  - Market research assesses the behaviors and attitudes of consumers toward particular products before any ads are created.
  - The Values and Lifestyles (VALS) strategy divides consumers into various psychographic profiles.
Values and Lifestyles (VALS) strategy.
Creative development

- Writers and artists outline rough sketch of ads.
  - Storyboard (TV)
  - Web sites, flash games, downloads, and viral marketing (digital)
- Neither creative nor strategic sides of the business can predict with any certainty which ads and which campaigns will succeed.
The Structure of Advertising Agencies (Cont.)

- Media coordination
  - Media buyers
    - Choose and purchase media based on suitability, target audience, and effectiveness of ads
    - Incentive clauses encourage saturation advertising.

- Account and client management
  - Account executives
    - Bring in new business, manage accounts, and perform account reviews
TRENDS IN ONLINE ADVERTISING

- Types of online ads
  - Video ads, sponsorships, and “rich media” (pop-ups, interstitials, etc.)
  - Classified ads and e-mail ads
  - Spam
  - Paid search advertising

- Leading advertisers are moving more of their ad campaigns and budget dollars to digital media.
TRENDS IN ONLINE ADVERTISING (CONT.)

- Targeting individuals
  - Collect information through cookies and online surveys
  - Track ad impressions and click-throughs
  - Build profiles for consumers based on this information
  - Use smartphone technology to tailor ads by geographic location or user demographic

**Majority of Smartphone Shoppers Purchase**

*Ever Made A Purchase (As A Result Of Using A Smartphone)?*

- In-store: 76%
- Online using a computer: 59%
- Smartphone: 35%

Base: Smartphone Users Who Have Made Purchase As a Result of Using Phone While Shopping (3/10). Q: As a result of using your smartphone, have you ever purchased products or services?
Social media

- Social networking sites provide advertisers with a wealth of data.
- Some sites ask whether users liked each ad.
- Companies buy traditional paid ads on social networking sites.
- Controversy over whether people must disclose if they are paid to promote a product.
CONVENTIONAL PERSUASIVE STRATEGIES

- Famous-person testimonial
- Plain-folks pitch
- Snob-appeal approach
- Bandwagon effect
- Hidden-fear appeal
- Irritation advertising
Association principle
- Association of a product with a positive cultural value or image even if it has little connection
- Used in most consumer ads

Disassociation
- Responding to consumer backlash, major corporations present products as though from smaller, independent companies.
ADVERTISING AS MYTH

- Myth analysis
  - Most ads are narratives with stories to tell and social conflicts to resolve.
  - Three common mythical elements found in ads
    - Mini-stories
    - Stories involving conflicts
    - Conflicts are negotiated or resolved, usually through the use of the product.
PRODUCT PLACEMENT

- Placing ads in movies, TV shows, comic books, video games, etc.
  - Starbucks on *Morning Joe* (MSNBC)
  - 69 placements in *Transformers: Dark Side of the Moon*
- FTC and FCC
  - Petitioned to mandate warnings
  - Mandates rejected by the FTC
  - FCC proposed placement rules
CRITICAL ISSUES IN ADVERTISING

- Advertising toys and sugary cereals to children
- Advertising in schools
- Impact on health
  - Eating disorders
  - Tobacco
  - Alcohol
  - Prescription drugs
WATCHING OVER ADVERTISING

- Watchdog/advocacy organizations
  + Commercial Alert
  + Better Business Bureau
  + National Consumers League

- Concerns
  + Excessive commercialism
  + Difference between puffery and deception
“Truth” campaign
- National youth smoking prevention campaign works to deconstruct the images that have long been associated with cigarette ads.
- Recognized by 80% of teens
- By 2007, ranked in the Top 10 “most memorable teen brands”
ADVERTISING’S ROLE IN POLITICS

- Political advertising
  - Use of ad techniques to promote a candidate’s image and persuade the public to adopt a viewpoint
  - Can serious information be conveyed in 30-second spots?

- Free air time for politicians
  - Opposed by broadcasters as political advertising is big business for television stations
THE FUTURE OF ADVERTISING

- Commercialism
  - Generated cultural feedback that is often critical of advertising’s pervasiveness
  - Growth of the industry has not diminished.
- Public maintains an uneasy relationship with advertising.