

## Chapter 2

# ADVERTISING'S ROLE IN MARKETING

### LEARNING OBJECTIVES

After reading this chapter, students should be able to:

- Explain how the four functions of marketing give direction to advertising
- Describe the different markets in which marketers may compete
- Identify and explain the seven steps of the marketing process
- Discuss the marketing mix and the principles of a sustainable orientation
- Give an account of types of agencies, their organisation and client–agency relationships.

### CONSIDER THIS (p. 50)

- 1. Experts believe that a successfully branded product can command a premium price. What is the logic behind this notion? Where do you see it working or not working?**

The brand image of a product is the total sum of all communications and your experience with that product. You may not have owned a Ferrari, but it has the image that allows the manufacturer to charge a premium price and have people buy it. Those brands that signal high quality, exclusivity and luxury can therefore charge accordingly and also sell their product. In contrast, a more mundane brand may have a loyal following but would not be able to ask a premium price because the brand position does not allow it.

- 2. Do you buy branded products and, if so, in which categories, and why?**

This could include clothing, footwear, cars, music and so on—things related to image, peer pressure and use. There is also the non-conformist who actively avoids some products.

### A MATTER OF SUSTAINABLE PRINCIPLE—ADVERTISING THE HYBRID CAR (p. 52)

- 1. Who do you think is the target audience for this advertisement?**

The target audience appears to be those who are environmentally conscious of the impact driving has on the environment as a whole.

- 2. What would you change to attract a different or broader market?**

Answers could vary depending on what market the students feel they could be targeting.

**A MATTER OF PRACTICE—WHEN IT'S ON YOUR MIND (p. 57)****1. How has eBay used advertising to build its business?**

The aim of eBay was to enhance its brand and thus the campaign positioned eBay as being the people's brand. The initial campaign in 2005 used nostalgic ads to connect with the audience. By 2008, the advertising strategy changed by adopting a 'hard-sell' coupon incentive to reconnect with its consumer base. eBay also advertised itself as an advertising medium to prospective advertisers. In 2009, the objective of eBay's campaign was 'to shift the buyer perception of what eBay is today'. This was done by advertising in different media that eBay offered a variety of items ranging from fixed price items to out-of-season goods. The advertising campaigns of eBay continued to evolve based on the diversification of the marketplace. In doing so, eBay has strengthened its position in the market by using various advertising strategies that have adapted to the environment and to the evolving consumers.

**2. Do you think that eBay's marketing strategies are faithful to the marketing concept? Why or why not?**

eBay's marketing strategies are faithful to the marketing concept since the strategies employed by eBay over the years have reflected the marketing concept of finding, keeping and gaining profitable consumers. Each campaign implemented by eBay has focused on this particular concept, which has proven to be successful for the business.

**CONSIDER THIS (p. 58)****1. What are the steps in the marketing process and how do they relate to advertising?**

- a. *Researching*: This step provides information that helps to understand the consumers to whom an advertiser will be advertising.
- b. *Segmenting*: This step identifies whether a product is niche or mainstream, thereby distinguishing the type of advertising strategies that will most suit the product.
- c. *Targeting*: This step identifies the segment characteristics of certain audiences that are pivotal in defining advertising messages and media placement. Advertisers examine different target audiences to understand the target group that will become the focus of advertising messages.
- d. *Differentiating*: Marketers assess the competition and decide where their product's point of differentiation lies and then decide how to present the product within this competitive environment. This helps advertisers to devise certain advertising strategies that can communicate the benefits of the product when compared to the competitor's product.
- e. *Positioning*: This step refers to how consumers see a brand relative to the other brands in the category or other alternatives. This step helps advertisers communicate to consumers that the product can satisfy a need or demand that no other product can and therefore is a niche product that makes sense in their world.
- f. *Implementing*: This step involves the implementation of the four Ps—the marketing mix. It helps to integrate each element of the marketing mix so that the product becomes the first choice of some people. Advertising forms part of the four Ps—being part of 'Promotion'.
- g. *Evaluating*: Evaluate the plan to see how well it has met its stated objectives. This step involves the measurement of the marketing and advertising strategies to determine the advertising's contribution on ROI or on winning awards.

**2. Why do marketers consider the competition when making their key marketing strategy decisions?**

Competition helps marketers in segmenting, targeting, differentiating and positioning their products and their advertising. In segmenting marketers have to consider the types of markets that they want to penetrate—whether it is going to be in a homogeneous or in an undifferentiated market. The decision made will depend on the presence and the types and size of competitors. The same applies when targeting a particular market. Competition has to be taken into consideration as advertisers need to assess which group will be most likely to have a high propensity to respond to the marketing communication's efforts. As for differentiating—marketers need to make sure that they are offering a product that will differentiate itself from that of competitors so as to survive in the marketplace. When positioning a product, marketers have to ensure that they have created a sufficient difference in consumers' minds when compared to competitors.

## **ADS TO APPS—MULTIMEDIA ADVERTISING PRACTICE (p. 70)**

**Review the chapter-opening case on NAB.**

### **1. Which advertising formats did NAB use?**

NAB used a variety of advertising formats to communicate with its audience. These include social media (Twitter), PR (public break ups), newspapers, TV, outdoor (billboards, bus shelters), aerial advertising and online.

### **2. Do you agree that it's necessary for NAB to use traditional media and, if so, why?**

NAB's purpose was to let the general public know that it has made significant strategic changes to its products and services for the benefit of consumers. In order to be visible to everyone (not only to a particular segment), the NAB team has opted to mass communicate so as to reach as many people as possible to impart the required message. Thus, it was an advantage that NAB used traditional media to communicate to people.

### **3. What other formats might be relevant to help NAB attract new audiences?**

Answers could vary depending on what market the students feel they could be targeting.

## **CONSIDER THIS (p. 76)**

### **1. What are the major areas in an agency? Explain their work responsibilities.**

- ❑ Account management—liaise between client and agency, establish guidelines, and supervise day-to-day development.
- ❑ Creative department—creative directors, copywriters and art directors—provide the creative difference to the agency.
- ❑ Media planning and buying—develop a media plan and buy the appropriate time/media at the best price and conditions.
- ❑ Account planning and research—gather all the available information on the market and act as the voice of the consumer, prepare comprehensive recommendations about the consumer's wants, needs, preferences and relationship to the brand, in regard to the client's needs.
- ❑ Traffic and production—responsible for internal quality control, tracking and deadlines, and for production scheduling.
- ❑ Finance—involves everything concerned with billing and payment necessary to run the agency.

**2. If you were to apply for an internship in an agency, in which area would you want to work, and why? Which of your own skills would be relevant to that area?**

Some of the things to consider would include 'creativity', attention to detail, other studies, communication skills, presentation, personality, and so on.

**REVIEW QUESTIONS (p. 78)**

**1. What are the four functions of marketing, which give direction to advertising?**

- Marketing concept
- Concept of exchange
- Concept of added value
- Concept of branding.

**2. How do consumer, business, institutional and intermediary markets differ?**

The consumer market focuses on the user, and can be grouped by means of demographic, psychographic data or by virtue of benefits, lifestyle and so on. The business market consists of companies that buy products or services to use in their own businesses or in making other products. Ads in this category are usually heavier on factual content than on emotional appeals.

Institutional markets include a wide variety of profit and not-for-profit organisations. Ads for this category are very similar to business-to-business ads in that they are heavy on copy and light on visuals and emotional appeals.

Intermediaries are members of the distribution chain, or resellers. Manufacturers consider their distributors to be important partners in their marketing programs. Large retailers, such as Woolworths, are becoming more powerful and can even dictate to manufacturers what products their customers want to buy and how much they are willing to pay for them.

**3. What steps are involved in the marketing process?**

- Step 1: **Researching** the consumer market and the competitive marketplace and developing a situation analysis.
- Step 2: **Segmenting** the market.
- Step 3: **Targeting**. Assess consumer needs and wants relative to the product.
- Step 4: **Differentiating** and positioning the product relative to the competition.
- Step 5: **Positioning**. Develop the marketing mix strategy: select product design and performance criteria, pricing, distribution and marketing communication.
- Step 6: **Implementing**. Preparation of the marketing plan.
- Step 7: **Evaluating** the effectiveness of the strategy.

**4. What principles can help develop a sustainable marketing mix?**

Marketers use the four main elements of the marketing mix to achieve their objectives. All four elements are equal in importance. They are: product, place, price and promotion. From the consumer's viewpoint the elements are: customer value, cost, convenience and communication. Advertising forms part of promotion, often the most visible part. In a sustainable marketing mix, marketers can add three additional elements—that of planet, people and profits—encompassing ecology, viability, ethics and social responsibility.

## 5. How do the primary functions of the agency types differ?

If the agency is large enough, it usually has a chief executive officer, perhaps one or two directors, and several different functional areas.

The account management department acts as a liaison between the client and the agency. It ensures the agency will focus its resources on the client's needs and develops a point of view regarding the research and strategy. The account manager is responsible for interpreting the client's marketing strategy for the rest of the agency, and supervises the day-to-day development of the campaign or ad.

Account management typically has three levels: group/board account director or client services director, who provides leadership on strategic issues and looks for new business opportunities; account director, who is the key executive working on a client's business and the primary liaison between the client and the agency; and the account manager (and account executives), who is responsible for day-to-day activities and operates like a project manager. Most graduates start as a graduate trainee or trainee account executive.

The creative members of the agency are the creative directors, creative department managers, copywriters, art directors and producers. The creative group includes people who write (copywriters), people who design ideas for print ads or television commercials (art directors), and people who convert these ideas into television or radio commercials (producers).

The media function typically involves a *media researcher*, who undertakes primary and secondary research about media consumption and target market behaviours; a *media executive* or *director*, who is the key liaison between the client and the agency and briefs *media planners* to develop a plan in response to a client brief for a specific target market; and a *media buyer*, who books the time and space briefed in the media plan and evaluates the plan's achievements as they occur and on completion.

An account planner gathers all available intelligence on the market and consumers, and acts as the voice of the consumer, making recommendations based on the consumer's wants, needs and relationship to the client's brand.

The traffic department is responsible for internal control and tracking of projects to meet deadlines. The personnel keep track of everything happening within the agency.

The print production department takes a layout, a visual and the pages of copy, and turns them into the completed advertising piece.

The finance department deals with the revenue of the agency. The revenues come from two sources—commissions and fees. Both concepts differ based on the advertising service that agencies offer.

## DISCUSSION QUESTIONS (p. 79)

- 1. Find examples of advertisements that you think demonstrate each of the four functions of marketing. How do they differ? How do ads that aim to build a brand differ from those that aim to facilitate exchange? Which of your examples do you find most original? Which might you respond to best? What have you learned from this exercise?**

Students will have a variety of examples and opinions. Some of the questions that can be asked and answered from the consumer's perspective include: What product attributes and benefits are important? Does the product meet consumer needs and wants? Is the ad geared to the appropriate target market? How is the product perceived relative to competitive offerings? Does the product provide a 'bundle of satisfaction'? Does the price match the product and promotion? Is the exchange equitable and appropriate?

- 2. Imagine that you are briefed to consider the marketing of a hotel. How might you advertise effectively in the consumer and business markets? Which elements of the marketing mix would be most important to the hotel? Which particular tools of promotion would you recommend for the business market, but not necessarily for the consumer market, and why?**

The marketing mix must include plans for product development, establishing a price, how and where the product will be made available, and suggestions for what message will be constructed and how it will be presented to the target markets.

Students may recommend traditional retail (travel agents), a direct marketing effort or online selling. They will have different marketing communication mixes, depending on the type of hotel they are promoting, but they should consider how they will use advertising, sales promotion, direct response advertising, personal selling, public relations, event sponsorships and merchandising. The business market may respond to sales promotion in a different way to consumers.

- 3. Advertising's relationship with marketing could be described as being like the tip of an iceberg because most, perhaps as much as 80%, of the iceberg cannot be seen. How does the iceberg analogy relate to the consumer's perception of how much of marketing is advertising-related?**

Advertising is that part of the marketing process that is visible to the public, the perceptible 20% of the iceberg. A great deal of marketing activity, however, takes place outside of public view. Who among the public witnesses the development of products or is aware of issues surrounding pricing? The point of advertising is to let the public know about products and services, so it tends to be that part of marketing that the public equates with the whole process itself.

- 4. This chapter stresses the integration of advertising with other components of the marketing mix. If you worked in marketing management for Sanitarium health foods, how might advertising add value or enhance the brand's aura? What might be the benefits of advertising the Sanitarium brand, rather than its individual products, such as cereals? Explain your answer.**

It is through advertising that consumers first learn about new products or improvements to old ones, the qualities products offer, and the consumer needs that can be met. Advertising often states prices clearly and alerts consumers to price reductions or promotional deals. Ads that tell where products are available assist with the place functions of marketing. Advertising, when done well, improves all of the other marketing functions, but if poorly executed can damage the rest of a plan. Well-done advertising, on the other hand, can't salvage an inherently poor product, nor move one that is overpriced. Sanitarium must see the interconnectedness of marketing and advertising in order for advertising to improve the marketing functions.

- 5. Coca-Cola is the most recognised brand in the world. How did the company achieve this? What has the company done in its marketing mix, in terms of product, price,**

**distribution and marketing communications, to create such tremendous brand equity and loyalty? How has advertising helped in building the brand? You may wish to visit Coca-Cola's website at <<http://www.coca-cola.com>>.**

Coca-Cola used to sustain itself with an undifferentiated strategy, viewing all of the United States as a homogenous market. But few products have been able to survive with that strategy, and Coca-Cola grasped the need for adaptation. Its product lines expanded to include diet drinks and flavoured formulas, and it also diversified into music, collectibles and other product lines. It read consumer needs and offered products to satisfy them. Many of its products are available only in specific segments of the world. Advertising surgically reaches precisely defined audiences. Coca-Cola's marketing strategies have made it one of the most recognised brands in the world, with more than 300 brands and 230 beverages in 200 countries.