Chapter Objectives

1. To examine the marketing communication function and the growing importance of advertising and other promotional elements in the marketing programs of domestic and foreign companies.

2. To introduce the concept of integrated marketing communications (IMC) and consider how it has evolved.

3. To examine reasons for the increasing importance of the IMC perspective in planning and executing advertising and promotional programs.

4. To introduce the various elements of the promotional mix and consider their roles in an IMC program.

5. To examine how various marketing and promotional elements must be coordinated to communicate effectively.

6. To introduce a model of the IMC planning process and examine the steps in developing a marketing communications program.
What Happens in Las Vegas, Stays in Las Vegas

Las Vegas is one of the most popular destinations in the world. More than 37 million people visit the entertainment and gambling mecca each year including tourists from around the globe, business people attending trade shows and conventions, and weekend visitors who come for three days of partying. The daunting task of filling the city’s nearly 130,000 hotel rooms each night and attracting new, as well as repeat visitors to the city lies primarily with the Las Vegas Convention and Visitors Authority (LVCVA), which represents hotels, county, municipal, and private business association interests in the area. And for the past 25 years the LVCVA has worked closely with the advertising agency R & R Partners to help in the marketing of the city and to guide the branding of Las Vegas through its many incarnations.

While most people are aware of Las Vegas and its gaming heritage, the LVCVA and R & R Partners have been constantly challenged to position the city as a vibrant and contemporary player in the resort industry. Once known mainly for 24-hour gambling, all-you-can-eat buffets, and lounge shows, the new Las Vegas has evolved into a world-class shopping, dining, and entertainment destination. However, the city has also been facing greater competition as gambling and shows are now readily available in Atlantic City as well as in a myriad of riverboat and Native American gaming casinos that are only a few hours’ drive or less from hundreds of cities across the country. Travelers and conventioneers interested in great dining and shopping could find these attractions in a variety of cities such as San Francisco, New Orleans, or New York.

In early 2000, Billy Vassiliadias, the CEO of R & R Partners and Rossi Ralenkotter, the LVCVA president and CEO, reviewed agency research studies and came to the same conclusion. Las Vegas was losing its exclusivity, and the branding campaign for the city lacked a unifying idea that could break through all the clutter. They felt that they had done a good job of educating consumers about the new megaresorts and other attractions that had been built and helped transform Vegas from a gaming destination to an international gateway. However, the challenge was to find a unified way of marketing the city that would create a unique brand identity for Vegas that would resonate with and motivate a wide range of people.

R & R Partners approached the challenge by going back to basics and talking to consumers. The agency conducted qualitative account planning expeditions to Los Angeles, Las Vegas’s primary feeder market, as well as major cities such as
New York, Dallas, Miami, and Chicago. The research revealed that the biggest differentiator for Las Vegas was not the lavish hotels, casinos, restaurants, and night clubs. Vassiliadias noted that “The product, whether it was great dining or great properties, was this great canvas on which they paint their experience and that was truly the differentiator.” From focus groups and other research, R & R learned that people love to come to Las Vegas to cut loose, have fun, and do things they wouldn’t do back home—from overindulging in bars, restaurants, and casinos to staying out all night, everyone’s expectations and experience is different.

The first campaign that R & R developed to appeal to these desires was called the Las Vegas Freedom party, which consisted of a series of spots encouraging people to escape the drudgery of everyday life and start their own party with a trip to Las Vegas. Several other campaign themes followed, including “What you want, when you want” and “Open 24 hours.” While these campaigns circled and nibbled at the edges of the big idea, the real breakthrough came in 2003 when two of the agency’s copywriters came up with the now famous tagline, “What happens here, stays here.” This was a derivative of the traveling salesman’s mantra, “What happens on the road, stays on the road.” The next step was to decide how this slogan could be integrated with the “Only Vegas” umbrella theme that was being used to pitch convention and business travel.

R & R’s creative department developed a series of commercials that used provocative “Only in Vegas” stories. The ads show situations that are unlikely to happen elsewhere and in ways that are open to several interpretations, from the mildly hedonistic to the downright sinful. Each commercial implies that something has happened to the character in Las Vegas that he or she may or may not want friends or family back home to know about. However, the commercials let the viewer project his or her own fantasy about Las Vegas and fill in the blanks. The story lines have included a nervous woman who blots out embarrassing portions of a postcard before mailing it; a newlywed who leaves her new husband in a wedding chapel to rush back to her convention; and a guy who requests a wake-up call to his cell phone because he doesn’t know where he will be sleeping.

The first phase of the campaign began in January 2003 with a healthy dose of free publicity when the National Football League rejected the LVCVA’s bid to buy a spot on the Super Bowl on the grounds that it did not want to be associated with gambling. From there, the edgy, sexy commercials took off and the campaign has become one of the most popular on television. USA TODAY’s consumer weekly Ad Track survey ranked the ads as the most effective campaign of the year in 2003. The campaign tagline, “What happens here, stays here,” has achieved a pop culture status on par with Wendy’s classic “Where’s the beef?” and Budweiser’s “Whassup?” The line has been used by Billy Crystal to close the Oscar’s, in Jay Leno monologues, and was even used by First Lady Laura Bush as a retort to Leno’s question about whether she saw the Chippendale dancers during a campaign visit to Vegas.

R & R Partners has leveraged the popular commercials into a fully integrated campaign that has included guerrilla marketing efforts around the Oscar and Grammy Awards, sponsorships, and public relations activities that have produced feature stories in a variety of popular media including CNN, National Public Radio, USA TODAY, the New York Times, and Wall Street Journal as well as a cover story in Time magazine. The campaign has also been recognized by the advertising and marketing industry as Billy Vassiliadias and Rossi Ralenkotter shared the 2004 Grand Marketer of the Year award, which is given by BrandWeek magazine. However, most important to the LVCVA is the impact the campaign has had on the number of visitors to the city. In 2004, Las Vegas hosted a record-breaking 37.4 million visitors and the hotel occupancy rate averaged 89 percent. It appears that a lot is happening in Vegas, indeed.

The opening vignette illustrates how the roles of advertising and other forms of promotion are changing in the modern world of marketing. In the past, marketers such as the Las Vegas Convention and Visitors Authority (LVCCVA) relied primarily on media advertising to tourists, travel agents, and convention planners to attract visitors to the city. However, today many companies are taking a different approach in developing their marketing communication programs. They integrate their advertising efforts with a variety of other communication tools such as websites on the Internet, direct marketing, sales promotion, publicity and public relations, entertainment marketing, and sponsorship of events. These companies recognize that there are many ways to reach their current and prospective customers and bring them into contact with their products and services. They also know that it is becoming increasingly difficult to reach their target audiences and communicate effectively with them. To deal with this challenge they are using a variety of communication tools and coordinating them to deliver a consistent message to their customers.

The various marketing communication tools developed by R & R Partners to promote Las Vegas exemplifies how marketers are using an integrated marketing communications approach to reach their target audiences. The LVCCVA runs ads in a variety of media including television, radio, magazines, newspapers, and billboards. Banner ads are run on various travel and entertainment-related websites on the Internet and linked to various search engines such as Google and Yahoo. The LVCCVA has two distinct websites: one is designed to serve as a Vegas-branded consumer site that is experiential and entertaining while the other is more information-based and targets business audiences (Exhibit 1-1). Publicity is generated through press releases and public relations activities that have resulted in feature stories on Las Vegas in many magazines and television news and entertainment shows. The phrase “what happens here, stays here” has become part of popular culture and continually generates publicity for the city and reinforces the branding message. Using entertainment marketing is also a way the LVCCVA promotes Las Vegas as various TV events have been broadcast from the city such as a live Fox TV New Year’s Eve show and a Carson Daly MTV special. Direct marketing efforts are used to reach various audiences such as convention planners as well as several hundred thousand consumers in online and traditional databases. The LVCCVA also maintains a staff of sales representatives who work to sell the city as a site for conventions, conferences, and other groups, as well as to travel agents.

Marketing communications is an integral part of the overall marketing program for most companies and organizations. However, these firms recognize that the way they must communicate with consumers and other relevant audiences to promote their products and services is changing rapidly. The fragmentation of mass markets, the rapid growth of the Internet and other new digital media, the emergence of global markets, economic uncertainties, and the changing lifestyles of consumers are all changing the way companies approach marketing as well as advertising and promotion. Developing marketing communication programs that are responsive to these changes is critical to the success of every company.

Advertising and promotion are an integral part of our social and economic systems. In our complex society, advertising has evolved into a vital communications system for both consumers and businesses. The ability of advertising and other promotional methods to deliver carefully prepared...
As suddenly as my law career died, my career in advertising began at the CBS affiliate in Reno where I joined the sales department... and failed miserably. However, while discovering that I would never make it as a media salesperson, I did find great enjoyment in writing and producing the ads I managed to sell. From there, my circuitous route to the present began. First, a position at a small, five-person agency in Reno where I did literally everything, including servicing the clients, planning and buying media, writing and producing the ads, and even collecting the bills. I made almost no money, but the experience was invaluable. Having a working knowledge of every aspect of the advertising business has served me well ever since.

After that, it was on to the client side and a two-year stint in the advertising and public relations department of a major hotel-casino. I learned public relations, dealing with celebrities, writers, and designers on my staff. I had no business being there. It seemed inevitable that I would eventually get on the creative highway. Since then, it's been a slow, but steady move up the creative ladder. It began with a job as creative director at a Reno-based firm called DRGM, followed by a move to Las Vegas in 1989 (still with DRGM), followed by a move to R&R Partners in 1993 and my first introduction to the Las Vegas Convention and Visitors Authority (LVCA) account.

Since then, it's been almost 13 years of writing, producing, and nurturing along a lot of work for a wide variety of clients. Chief among them has been the LVCA. Although I have had the opportunity to work with a variety of clients in a number of fields, there has never been a day when the LVCA is far from my mind. They have been, and continue to be, our agency's biggest client, as well as our best. There is an old saying that "every client gets the advertising they deserve." In the case of the LVCA, that is absolutely true. They have pushed us to our greatest heights through a desire to break the mold and a willingness to trust the advertising we create for them.

For me, the culmination of that desire and trust came with the creation of our current television campaign for the brand featuring the tagline, "What happens here, stays here." Today, the campaign slogan has become part of popular culture and is quoted by celebrities, politicians, broadcasters, and ordinary people all over the world. It may seem as though it would have been an easy line to approve. However, at the time, no destination or travel client had done advertising so provocative and honest. Although I did not personally come up with the line, I will always be proud that I was the creative director who approved it, honed it, and helped shepherd it through the process of approval and execution.

My only disappointment lies in the irony that the further I move up the ladder in the agency's creative hierarchy, the less creative work I actually do. Today, I spend a lot of my time managing, guiding, nurturing, cajoling, poking, and prodding the creative directors, writers, art directors, and designers on my staff. I have no compunctions about that, but my first true love will always be found in the writing, the imagining, and the producing of the work itself. It's what I always wanted to do.
messages to target audiences has given them a major role in the marketing programs of most organizations. Companies ranging from large multinational corporations to small retailers increasingly rely on advertising and promotion to help them market products and services. In market-based economies, consumers have learned to rely on advertising and other forms of promotion for information they can use in making purchase decisions.

Evidence of the increasing importance of advertising and promotion comes from the growth in expenditures in these areas. In 1980, advertising expenditures in the United States were $53 billion, and $49 billion was spent on sales promotion techniques such as product samples, coupons, contests, sweepstakes, premiums, rebates, and allowances and discounts to retailers. By 2004, nearly $264 billion was spent on local and national advertising, while spending on sales promotion programs targeted toward consumers and retailers increased to nearly $300 billion. Companies bombarded the U.S. consumer with messages and promotional offers, collectively spending more than $30 a week on every man, woman, and child in the country—nearly 50 percent more per capita than in any other nation.

Promotional expenditures in international markets have grown as well. Advertising expenditures outside the United States increased from $55 billion in 1980 to nearly $258 billion by 2004. Both foreign and domestic companies spend billions more on sales promotion, personal selling, direct marketing, event sponsorships, and public relations, all important parts of a firm’s marketing communications program.

The tremendous growth in expenditures for advertising and promotion reflects in part the growth of the U.S. and global economies and the efforts of expansion-minded marketers to take advantage of growth opportunities in various regions of the world. The growth in expenditures also reflects the fact that marketers around the world recognize the value and importance of advertising and promotion. Promotional strategies play an important role in the marketing programs of companies as they attempt to communicate with and sell their products to their customers. To understand the roles advertising and promotion play in the marketing process, let us first examine the marketing function.

Before reading on, stop for a moment and think about how you would define marketing. Chances are that each reader of this book will come up with a somewhat different answer, since marketing is often viewed in terms of individual activities that constitute the overall marketing process. One popular conception of marketing is that it primarily involves sales. Other perspectives view marketing as consisting of advertising or retailing activities. For some of you, market research, pricing, or product planning may come to mind.

While all of these activities are part of marketing, it encompasses more than just these individual elements. For nearly two decades, the American Marketing Association (AMA), the organization that represents marketing professionals in the United States and Canada, defined marketing as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. This definition of marketing focused on exchange as a central concept in marketing and the use of the basic marketing activities to create and sustain relationships with customers. For exchange to occur there must be two or more parties with something of value to one another, a desire and ability to give up that something to the other party, and a way to communicate with each other. Advertising and promotion play an important role in the exchange process by informing customers of an organization’s product or service and convincing them of its ability to satisfy their needs or wants.

Not all marketing transactions involve the exchange of money for a product or service. Nonprofit organizations such as various causes, charities, religious groups, the arts, and colleges and universities (probably including the one you are attending) receive millions of dollars in donations every year. Nonprofits often use ads like the one in Exhibit 1-2 to solicit contributions from the public. Donors generally do not receive any material benefits for their contributions; they donate in exchange for intangible social and psychological satisfactions such as feelings of goodwill and altruism.
While many still view exchange as the core phenomenon or domain for study in marketing, there is also agreement among most academicians and practitioners that the discipline is rapidly changing. To reflect these changes, the AMA adopted a revised definition of **marketing** in 2004, which is as follows:

Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.\(^5\)

This revised definition is viewed as being more strategic in nature as well as more reflective of the role marketing plays in the functioning of an organization. It also recognizes the important role marketing plays in the process of building and sustaining relationships with customers and delivering value to them.

**Marketing Focuses on Relationships and Value**

Today, most markets are seeking more than just a one-time exchange or transaction with customers. The focus of market-driven companies is on developing and sustaining **relationships** with their customers. Successful companies recognize that creating, communicating, and delivering **value** to their customers is extremely important. **Value** is the customer’s perception of all of the benefits of a product or service weighed against all the costs of acquiring and consuming it.\(^6\) Benefits can be functional (the performance of the product), experiential (what it feels like to use the product), and/or psychological (feeling such as self-esteem or status that result from owning a particular brand). Costs include the money paid for the product or service as well as other factors such as acquiring information about the product/service, making the purchase, learning how to use it, maintaining the product, and disposing of it.

The focus on customer relationships and value has led many companies to emphasize **relationship marketing**, which involves creating, maintaining, and enhancing long-term relationships with individual customers as well as other stakeholders for mutual benefit.\(^7\)

The movement toward relationship marketing is due to several factors. First, companies recognize that customers have become much more demanding. Consumers desire **superior customer value**, which includes quality products and services that are competitively priced, convenient to purchase, delivered on time, and supported by excellent customer service. They also want personalized products and services that are tailored to their specific needs and wants. Advances in information technology, along with flexible manufacturing systems and new marketing processes, have led to **mass customization**, whereby a company can make a product or deliver a service in response to a particular customer’s needs in a cost-effective way.\(^8\) New technology is making it possible to configure and personalize a wide array of products and services including computers, automobiles, clothing, cosmetics, jewelry, and mortgages. Consumers can log on to the Dell website and build their own computers or to NikeiD.com to design personalized athletic shoes and other products (Exhibit 1-3).

Another reason why marketers are emphasizing relationships is that it is more cost effective to retain customers than to acquire new ones. Marketers are giving more attention to the lifetime value of a customer because studies have shown that reducing customer defections by just 5 percent can increase future profit by as much as 30 to 90 percent.\(^9\) As companies focus more attention on customer retention, many are developing **customer relationship management (CRM)** programs, which involve the systematic tracking of consumers’ preferences and behaviors and modifying the product or service offer as much as possible to meet individual needs and wants.\(^10\) Information technology, particularly database systems, is an integral part of CRM programs as companies must capture information about their customer and adjust elements of their marketing programs to
better meet their needs and wants. Marketing communications is also an important part of customer relationship management as companies strive to create more personalized and meaningful one-to-one communications with customers and manage their contacts and interactions with them.

The Marketing Mix
Marketing facilitates the exchange process and the development of relationships by carefully examining the needs and wants of consumers, developing a product or service that satisfies these needs, offering it at a certain price, making it available through a particular place or channel of distribution, and developing a program of promotion or communication to create awareness and interest. These four Ps—product, price, place (distribution), and promotion—are elements of the marketing mix. The basic task of marketing is combining these four elements into a marketing program to facilitate the potential for exchange with consumers in the marketplace.

The proper marketing mix does not just happen. Marketers must be knowledgeable about the issues and options involved in each element of the mix. They must also be aware of how these elements can be combined to form an effective marketing program that delivers value to consumers. The market must be analyzed through consumer research, and the resulting information must be used to develop an overall marketing strategy and mix.

The primary focus of this book is on one element of the marketing mix: the promotional variable. However, the promotional program must be part of a viable marketing strategy and be coordinated with other marketing activities. A firm can spend large sums on advertising or sales promotion, but it stands little chance of success if the product is of poor quality, is priced improperly, or does not have adequate distribution to consumers. Marketers have long recognized the importance of combining the elements of the marketing mix into a cohesive marketing strategy. Many companies also recognize the need to integrate their various marketing communications efforts, such as media advertising, direct marketing, sales promotion, Internet marketing, event sponsorships, and public relations, to achieve more effective marketing communications.

For many years, the promotional function in most companies was dominated by mass-media advertising. Companies relied primarily on their advertising agencies for guidance in nearly all areas of marketing communication. Most marketers did use additional promotional and marketing communication tools, but sales promotion and direct-marketing agencies as well as package design firms were generally viewed as auxiliary services and often used on a per-project basis. Public relations agencies were used to manage the organization’s publicity, image, and affairs with relevant publics on an ongoing basis but were not viewed as integral participants in the marketing communications process.

Many marketers built strong barriers around the various marketing and promotional functions and planned and managed them as separate practices, with different budgets, different views of the market, and different goals and objectives. These companies failed to recognize that the wide range of marketing and promotional tools must be coordinated to communicate effectively and present a consistent image to target markets.

The Evolution of IMC
During the 1980s, many companies began taking a broader perspective of marketing communication and seeing the need for a more strategic integration of their promotional tools. The decade was characterized by the rapid development of areas such as sales promotion, direct marketing, and public relations, which began challenging advertising’s role as the dominant form of marketing communication. These firms began moving toward the process of integrated marketing communications (IMC), which involves coordinating the various promotional elements and other marketing activities that communicate with a firm’s customers. As marketers embraced the
concept of integrated marketing communications, they began asking their ad agencies to coordinate the use of a variety of promotional tools rather than relying primarily on media advertising. A number of companies also began to look beyond traditional advertising agencies and use other types of promotional specialists to develop and implement various components of their promotional plans.

Many agencies responded to the call for synergy among the promotional tools by acquiring PR, sales promotion, and direct-marketing companies and touting themselves as IMC agencies that offer one-stop shopping for all their clients’ promotional needs. Some agencies became involved in these nonadvertising areas to gain control over their clients’ promotional programs and budgets and struggled to offer any real value beyond creating advertising. However, the advertising industry soon recognized that IMC was more than just a fad. Terms such as new advertising, orchestration, and seamless communication were used to describe the concept of integration. A task force from the American Association of Advertising Agencies (the “4As”) developed one of the first definitions of integrated marketing communications:

Exhibit 1-4 Montblanc uses a variety of marketing mix elements including price, product design, brand name, and distribution strategy to create a high-quality, upscale image for its watches

The 4As’ definition focuses on the process of using all forms of promotion to achieve maximum communication impact. However, advocates of the IMC concept argued for an even broader perspective that considers all sources of brand or company contact that a customer or prospect has with a product or service. They noted that the process of integrated marketing communications calls for a “big-picture” approach to planning marketing and promotion programs and coordinating the various communication functions. It requires that firms develop a total marketing communications strategy that recognizes how all of a firm’s marketing activities, not just promotion, communicate with its customers.

Consumers’ perceptions of a company and/or its various brands are a synthesis of the bundle of messages they receive or contacts they have, such as media advertisements, price, package design, direct-marketing efforts, publicity, sales promotions, websites, point-of-purchase displays, and even the type of store where a product or service is sold. The integrated marketing communications approach seeks to have all of a company’s marketing and promotional activities project a consistent, unified image to the marketplace. It calls for a centralized messaging function so that everything a company says and does communicates a common theme and positioning. For example, Montblanc uses classic design and a distinctive brand name as well as high price to position its watches, pens, and other products as high-quality, high-status products. This upscale image is enhanced by the company’s strategy of distributing its products only through boutiques, jewelry stores, and other exclusive shops including its own stores. Notice how this image is reflected in the Montblanc ad shown in Exhibit 1-4.

Many companies have adopted this broader perspective of IMC. They see it as a way to coordinate and manage their marketing communication programs to ensure that they send customers a consistent message about the company and/or its brands. For these companies, integration represents an improvement over the traditional method of treating the various marketing and promotion elements as virtually separate activities. However, this perspective of IMC has been challenged on the basis that
it focuses primarily on the tactical coordination of various communication tools with the goal of making them look and sound alike.\textsuperscript{16} It has been criticized as an “inside-out marketing” approach that is a relatively simple matter of bundling promotional mix elements together so they have one look and speak with one voice.\textsuperscript{17} As IMC continues to evolve, both academicians as well as practitioners are recognizing that a broader perspective is needed that views the discipline from a more strategic perspective.

A Contemporary Perspective of IMC
As marketers become more sophisticated and develop a better understanding of IMC, they are recognizing that it involves more than just coordinating the various elements of their marketing and communications programs into a “one look, one voice” approach. As IMC evolves, it is being recognized as a business process that helps companies identify the most appropriate and effective methods for communicating and building relationships with customers and other stakeholders. Don Schultz of Northwestern University has developed what many think is a more appropriate, definition of IMC, as follows:

Integrated marketing communication is a strategic business process used to plan, develop, execute and evaluate coordinated, measurable, persuasive brand communications programs over time with consumers, customers, prospects, employees, associates and other targeted relevant external and internal audiences. The goal is to generate both short-term financial returns and build long-term brand and shareholder value.\textsuperscript{18}

There are several important aspects of this definition of IMC. First, it views IMC as an ongoing strategic business process rather than just tactical integration of various communication activities. It also recognizes that there are a number of relevant audiences that are an important part of the process. Externally these include customers, prospects, suppliers, investors, interest groups, and the general public. It also views internal audiences such as employees as an important part of the IMC process. Schultz also notes that this definition reflects the increasing emphasis that is being placed on the demand for accountability and measurement of the outcomes of marketing communication programs as well as marketing in general.

Many companies are realizing that communicating effectively with customers and other stakeholders involves more than just the tactical use of the traditional marketing communication tools. These firms, along with many advertising agencies, are embracing IMC and incorporating it into their marketing and business practices. It is true, however, that not all companies have moved beyond the stage of simply bundling promotional mix elements together and made the organization changes and investment that are needed for true integration. Moreover, some academics and practitioners have questioned whether IMC is just another “management fashion” whose influence will be transitory.\textsuperscript{19} Critics of IMC argue that it merely reinvents and renames existing ideas and concepts and that it questions its significance for marketing and advertising thought and practice.\textsuperscript{20}

While the debate over the value and relevance of IMC is likely to continue, proponents of the concept far outnumber the critics. IMC is proving to be a permanent change that offers significant value to marketers in the rapidly changing communications environment they are facing in the new millennium. IMC has been described as one of the “new-generation” marketing approaches being used by companies to better focus their efforts in acquiring, retaining, and developing relationships with customers and other stakeholders.\textsuperscript{21} Some scholars have stated that IMC is undoubtedly the major communications development of the last decade of the 20th century.\textsuperscript{22} We will now discuss some of the reasons for the growing importance of IMC.

Reasons for the Growing Importance of IMC
The IMC approach to marketing communications planning and strategy is being adopted by both large and small companies and has become popular among firms marketing consumer products and services as well as business-to-business marketers. There are a number of reasons why marketers are adopting the IMC approach. A fundamental reason is that they understand the value of strategically integrating the various communications functions rather than having them operate autonomously. By coordinating their marketing communications efforts, companies
can avoid duplication, take advantage of synergy among promotional tools, and develop more efficient and effective marketing communications programs. Advocates of IMC argue that it is one of the easiest ways for a company to maximize the return on its investment in marketing and promotion.23

The move to integrated marketing communications also reflects an adaptation by marketers to a changing environment, particularly with respect to consumers, technology, and media. Major changes have occurred among consumers with respect to demographics, lifestyles, media use, and buying and shopping patterns. For example, cable TV and more recently digital satellite systems have vastly expanded the number of channels available to households. According to Nielsen Media Research, the average U.S. household receives 100 TV channels, compared with 27 in 1994. Every day more and more consumers are surfing the Internet’s World Wide Web. There are now more than 800 million Internet users around the world including nearly 200 million in the United States. In the United States, 67 percent of U.S. households are connected to the Internet and over half of these homes have high-speed broadband access.24 Every day more consumers are surfing the Internet’s World Wide Web. Online services such as America Online, Yahoo!, and Microsoft Network provide information and entertainment as well as the opportunity to shop for and order a vast array of products and services. Marketers are responding by developing Web sites on which they can advertise their products and services interactively as well as transact sales. For example, travelers can use American Airlines’ AA.com website to plan flights, check for special fares, purchase tickets, and reserve seats, as well as make hotel and car-rental reservations (Exhibit 1-5).

Even as new technologies and formats create new ways for marketers to reach consumers, they are affecting the more traditional media. Television, radio, magazines, and newspaper audiences are becoming more fragmented and reaching smaller and more selective audiences. IMC Perspective 1-1 discusses how technology is leading to greater fragmentation of media and how the focus of marketers is shifting from mass to micromarketing.

In addition to the decline in audience size for many media, marketers are facing the problem of consumers being less responsive to traditional advertising. Many consumers are turned off by advertising; they are tired of being bombarded with sales messages. This is leading many marketers to look for alternative ways to communicate with their target audiences.

For example, marketers often hire product placement firms or negotiate directly with major studios and production companies to get their brands into movies and television shows. MGM/United Artists has created special scenes in its James Bond movies to feature automobiles such as the BMW Z3 and Aston Martin V12 Vanquish sports car. The NBC hit series The Apprentice has built entire episodes around having the competitors work on tasks involving products such as Nestlé’s Taster’s Choice instant coffee, Pepsi Edge soda, Mattel toys, and Crest Vanilla Mint toothpaste. Companies pay as much as $2 million to have their brands featured on the show.25

Marketers must consider that many of those in Generation Y, the age cohort born between 1979 and 1994 (which includes most college students), are very skeptical of traditional advertising. Having grown up in an even more media-saturated and brand conscious world than their parents did, they respond to advertising differently and prefer to encounter marketing messages in different places and from different sources. Marketers recognize that to penetrate the skepticism and to capture the attention of the Gen-Ys they have to bring their messages to these people in different ways. Many companies are turning to a stealth-type of strategy known as buzz marketing whereby brand come-ons become part of popular culture, and consumers themselves are lured into spreading the...
## IMC PERSPECTIVE 1-1
### The New Age of Micromarketing

For years, major consumer products companies such as McDonald’s, Procter & Gamble, and Coca-Cola spent most of their advertising and promotion budgets on mass media, including television and magazines. However, over the past five years, these companies have been relying less and less on TV commercials and print ads to sell their products. McDonald’s now spends only a third of its U.S. marketing budget on television compared to two-thirds in 2000. A number of other consumer product giants such as General Motors and Unilever have also been moving away from the mass-marketing approach and focusing more on well-defined and targeted market segments.

For these companies, as well as many others, the evolution from mass to micromarketing is a fundamental change driven as much by necessity as by opportunity. They recognize that the consumer market is much more diverse and commercially self-indulgent than it was five years ago. The country has fragmented into a myriad of market segments that are defined not only by demographics, but by increasingly nuanced product preferences. The mass audience assembled by network television and augmented by other mass media is fragmenting at an accelerating rate. Viewing audiences are defecting from network television to other forms of entertainment such as DVDS, cable, the Internet, and video games. New technologies such as digital-video recorders allow viewers to skip commercials altogether. The proliferation of digital and wireless communication is spreading the mass audience of old across hundreds of narrowcast cable TV and radio channels, thousands of specialized magazines, and millions of video game consoles, personal digital assistants, and cell phone screens.

A few decades ago, an advertiser could reach 80 percent of U.S. women during an evening by running commercials on the three major networks of CBS, NBC, and ABC. To achieve this level of reach today, a company would have to run ads on 100 television channels. More than three-quarters of U.S. households now have cable or satellite, and the average home receives more than 100 TV channels. Collectively, cable channels now have more prime-time viewers than the four broadcast networks, with a 52 percent share to broadcast’s 44 percent. However, the audiences attracted by even the largest cable stations such as ESPN and CNN are still much smaller than those of the broadcast networks.

The media fragmentation is not confined to television as the print media have also become increasingly specialized. There are approximately 6,200 consumer magazines published in the United States and only 10 percent are general-interest titles, compared to 30 percent two decades ago. Moreover, general-interest magazines such as Time and Newsweek offer demographically targeted editions as well as ad-customized versions of their national edition. There have been weeks when Time has produced as many as 20,000 ad-customized versions of the magazine. The Internet is rapidly coming of age as an important advertising medium with online versions of nearly every television station, newspaper, and magazine in the country. The Web offers marketers tremendous opportunities for targeting based on numerous dimensions. The crude banner and pop-up ads that initially defined Internet advertising are giving way to more refined formats such as “paid search,” which is the fastest growing form of online advertising. Online search giants Google and Yahoo are adding refinements that will make it possible for paid-search advertisers to target Internet users by region or city.

To respond to the media fragmentation, marketers are increasing their spending on media that are more targeted and can reach specific market segments. McDonald’s now uses much of the money that used to pay for commercials on network television and spends it on more specialized media that targets specific markets. To reach young men, which are one of its prime target markets, McDonald’s advertises on Footlocker’s in-store video network and pays for closed-circuit sports programming piped into Hispanic bars. The company reaches mothers through ads in women’s magazines such as Vogue, The Oprah Magazine, and Marie Claire and on websites such as Parenting and Yahoo. The company’s chief marketing officer, Larry Light, has stated, “We are a big marketer. We are not a mass marketer.”

McDonald’s is not the only company that has moved away from mass marketing. For many years Procter & Gamble was considered the quintessential mass marketer. However, today the company is becoming much more selective in its use of television advertising to back brands such as Tide, Crest, Pampers, and Gillette. In a recent speech to the American Association of Advertising Agencies Media Conference, Procter & Gamble’s Global Marketing Officer Jim Stengel took the industry to task for clinging to an outdated media model that is not in touch with today’s consumer. Stengel stated that “There must be—and is—life beyond the 30-second spot,” and called on the advertising industry to embrace and develop new media.

There appears to be no stopping the fragmentation of the consumer market as well as the proliferation of media. The success of marketing communication programs will depend on how well companies make the transition from the fading age of mass marketing to the new era of micromarketing. Many companies are learning that it no longer makes economic sense to send an advertising message to the many in hopes of persuading the few.


### Table: Micromarketing vs. Mass Marketing

<table>
<thead>
<tr>
<th>Old</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers</td>
<td>Couch potatoes passively receive whatever the networks broadcast</td>
</tr>
<tr>
<td>Aspirations</td>
<td>To keep up with the crowd</td>
</tr>
<tr>
<td>TV choice</td>
<td>Three networks plus a PBS station, maybe</td>
</tr>
<tr>
<td>Magazines</td>
<td>Age of the big glossies: Time, Life, Look, and Newsweek</td>
</tr>
<tr>
<td>Ads</td>
<td>Everyone hums the Alka-Seltzer jingle</td>
</tr>
<tr>
<td>Brands</td>
<td>Rise of the big, ubiquitous brands, from Coca-Cola to Tide</td>
</tr>
</tbody>
</table>
message. The positive word-of-mouth generated through buzz marketing campaigns has been an integral part of successful IMC campaigns used to launch brands such as the Chrysler PT Cruiser and Ford Focus automobiles.\textsuperscript{26}

The integrated marketing communications movement is also being driven by changes in the ways companies market their products and services. A major reason for the growing importance of the IMC approach is the ongoing revolution that is changing the rules of marketing and the role of the traditional advertising agency.\textsuperscript{27} Major characteristics of this marketing revolution include:

- **A shifting of marketing dollars from media advertising to other forms of promotion, particularly consumer- and trade-oriented sales promotions.** Many marketers feel that traditional media advertising has become too expensive and is not cost-effective. Also, escalating price competition in many markets has resulted in marketers’ pouring more of their promotional budgets into price promotions rather than media advertising.

- **A movement away from relying on advertising-focused approaches, which emphasize mass media such as network television and national magazines, to solve communication problems.** Many companies are turning to lower-cost, more targeted communication tools such as event marketing and sponsorships, direct mail, sales promotion, and the Internet as they develop their marketing communications strategies.

- **A shift in marketplace power from manufacturers to retailers.** Due to consolidation in the retail industry, small local retailers are being replaced by regional, national, and international chains. Large retailers such as Wal-Mart are using their clout to demand larger promotional fees and allowances from manufacturers, a practice that often siphons money away from advertising. Moreover, new technologies such as checkout scanners give retailers information on the effectiveness of manufacturers’ promotional programs. This is leading many marketers to shift their focus to promotional tools that can produce short-term results, such as sale promotion.

- **The rapid growth and development of database marketing.** Many companies are building databases containing customer names; geographic, demographic, and psychographic profiles; purchase patterns; media preferences; credit ratings; and other characteristics. Marketers are using this information to target consumers through a variety of direct-marketing methods such as telemarketing, direct mail, and direct-response advertising, rather than relying on mass media. Advocates of the approach argue that database marketing is critical to the development and practice of effective IMC.\textsuperscript{28}

- **Demands for greater accountability from advertising agencies and changes in the way agencies are compensated.** Many companies are moving toward incentive-based systems whereby compensation of their ad agencies is based, at least in part, on objective measures such as sales, market share, and profitability. Demands for accountability are motivating many agencies to consider a variety of communication tools and less expensive alternatives to mass-media advertising.

- **The rapid growth of the Internet, which is changing the very nature of how companies do business and the ways they communicate and interact with consumers.** The Internet revolution is well under way, and the Internet audience is growing rapidly. The Internet is an interactive medium that is becoming an integral part of communication strategy, and even business strategy, for many companies.

This marketing revolution is affecting everyone involved in the marketing and promotional process. Companies are recognizing that they must change the ways they market and promote their products and services. They can no longer be tied to a specific communication tool (such as media advertising); rather, they should use whatever contact methods offer the best way of delivering the message to their target audiences. Ad agencies continue to reposition themselves as offering more than just advertising expertise; they strive to convince their clients that they can manage all or any part of clients’ integrated communications needs. Most agencies recognize that their future success depends on their ability to understand all areas of promotion and help their clients develop and implement integrated marketing communications programs.
The Role of IMC in Branding

One of the major reasons for the growing importance of integrated marketing communications over the past decade is that it plays a major role in the process of developing and sustaining brand identity and equity. As branding expert Kevin Keller notes, “Building and properly managing brand equity has become a priority for companies of all sizes, in all types of industries, in all types of markets.”29 With more and more products and services competing for consideration by customers who have less and less time to make choices, well-known brands have a major competitive advantage in today’s marketplace. Building and maintaining brand identity and equity require the creation of well-known brands that have favorable, strong, and unique associations in the mind of the consumer.30 Companies recognize that brand equity is as important an asset as factories, patents, and cash because strong brands have the power to command a premium price from consumers as well as investors. Figure 1-1 shows the world’s most valuable brands, as measured by Interbrand, a leading brand consultancy company.

**Brand identity** is a combination of many factors, including the name, logo, symbols, design, packaging, and performance of a product or service as well as the image or type of associations that comes to mind when consumers think about a brand. It encompasses the entire spectrum of consumers’ awareness, knowledge, and image of the brand as well as the company behind it. It is the sum of all points of encounter or contact that consumers have with the brand, and it extends beyond the experience or outcome of using it. These contacts can also result from various forms of integrated marketing communications activities used by a company, including mass-media advertising, sales promotion offers, sponsorship activities at sporting or entertainment events, websites on the Internet, and direct-mail pieces such as letters, brochures, catalogs, or videos. Consumers can also have contact with or receive information about a brand in stores at the point of sale; through articles or stories they see, hear, or read in the media; or through interactions with a company representative, such as a salesperson. IMC Perspective 1-2 discusses how many companies are finding new ways to build brand equity as the relationship between consumers and brands changes.

Marketers recognize that in the modern world of marketing there are many different opportunities and methods for **contacting** current and prospective customers to provide them with information about a company and/or brands. The challenge is to understand how to use the various IMC tools to make such contacts and deliver the branding message effectively and efficiently. A successful IMC program requires that marketers find the right combination of communication tools and techniques, define their role and the extent to which they can or should be used, and coordinate their use. To accomplish this, the persons responsible for the company’s communication efforts must have an understanding of the IMC tools that are available and the ways they can be used.

**Promotion** has been defined as the coordination of all seller-initiated efforts to set up channels of information and persuasion in order to sell goods and services or promote an idea.31 While implicit communication occurs through the various elements of the marketing mix, most of an organization’s communications with the marketplace take place as part of a carefully planned and controlled promotional program. The basic tools used to accomplish an organization’s communication objectives are often referred to as the **promotional mix** (Figure 1-2).
Finding New Ways to Build Brands

Consider for a moment what consumers’ reactions would be to a pair of running or basketball shoes if the Nike name or “swoosh” was taken off of them or to a can of cola without the Coke or Pepsi name. Would a Godiva chocolate be any other name taste as sweet? Do plain blue jeans carry the same cachet as those bearing the Diesel or 7 For All Mankind label? There was a time when consumers were proudly declaring their independence from the appeal of name-brand products in favor of more practical generics and private labels. However, in today’s marketplace the appeal of brand names is greater than ever and marketers recognize that building and reinforcing the image of their brands is a key to profitability and growth.

While companies are well aware of the importance of branding, they are learning that the ways of building strong brands is changing. Marketers are finding that they can no longer build and maintain brand equity merely by spending large sums of money on media advertising. Brands are becoming less about the actual product and more about how people relate to them. Consumers today demand more than just product quality or performance as many view brands as a form of self-expression.

The relationship between brands and their customers has become much more complex. One reason for this is that today’s consumer knows much more about brands and the companies that make them than ever. The value chain of companies has become increasingly visible, and consumers often select brands based on the social, economic, and environmental records and policies of the companies that make them. Cynicism about corporations is at an all-time high, and many companies must work hard to gain consumer trust and confidence. Companies are also finding it more difficult to control their brand image as the Internet provides consumers with a wealth of information about their products and services that can be easily accessed and shared. They can use the Internet to make price and quality comparisons or to learn what others think about various brands as well as to learn about their experiences or satisfaction with them.

For many companies, mass-media advertising has long been the cornerstone of their brand-building efforts. However, astute marketers are finding new ways to build relationships with customers. Many companies are moving from an advertising-focused model that relies on one-way communication to an interactive model wherein consumers can easily communicate with them as well as with other customers. Some companies are offering consumers the opportunity to customize products and services through their websites. Firms such as Dell, eBay, and Amazon.com are using mass customization to bind consumers more tightly to their brands. In Britain, Coca-Cola has launched the myCokeMusic.com website where surfers can legally download more than 250,000 songs and mix their own tracks and submit them for a review by their peers.

Companies are also recognizing that an effective way to build brand equity is by letting consumers experience their products. Apple Computer has opened nearly 100 retail stores where consumers can come in and experience products such as iPods and personal computers first hand. Sony is expanding its Sony Style stores and expects to have 60 in the United States alone in the next few years. The stores are part of the company’s effort to show off its products in the best possible light and to polish its brand name in the minds of consumers. Companies such as Starbucks recognize that they are selling more than just a product. The company’s chairman, Howard Schultz, notes that “the product is the experience” as people go to Starbucks for the hip, relaxed ambiance, the music, and the service they receive from the baristas who often remember their favorite coffee drink. Starbucks positions its stores as a community gathering place where people can get together and enjoy a cup of coffee as well as conversation.

Marketers are also turning to entertainment as a way of connecting with consumers. They are making their brands part of reality TV shows such as The Apprentice, Extreme Makeover Home Edition, or Queer Eye for the Straight Guy. A number of companies are using a new approach called “advertainment,” which is a cross between advertising and entertainment. Some are creating branded entertainment in the form of short films that they show on their websites. Sky Spirits and BMW were the first to use this genre and a number of other companies such as Levi Strauss, American Express, Coca-Cola, and DKNY that have created entertainment content that has been shown on their websites.

Consumers’ passion for brands shows no sign of waning and, in fact, may be getting stronger. However, marketers must recognize that brands are shifting from being mere product identifiers to personal identifiers and the ways they connect consumers to them is changing. As branding guru Larry Light notes, the key to all successful brands is that they stand for something and are much more than simply trademarks or logos.

Traditionally, the promotional mix has included four elements: advertising, sales promotion, publicity/public relations, and personal selling. However, in this text, we view direct marketing as well as interactive media as major promotional-mix elements that modern-day marketers use to communicate with their target markets. Each element of the promotional mix is viewed as an integrated marketing communications tool that plays a distinctive role in an IMC program. Each may take on a variety of forms and each has certain advantages.

### Advertising

**Advertising** is defined as any paid form of nonpersonal communication about an organization, product, service, or idea by an identified sponsor. The paid aspect of this definition reflects the fact that the space or time for an advertising message generally must be bought. An occasional exception to this is the public service announcement (PSA), whose advertising space or time is donated by the media.

The nonpersonal component means that advertising involves mass media (e.g., TV, radio, magazines, newspapers) that can transmit a message to large groups of individuals, often at the same time. The nonpersonal nature of advertising means that there is generally no opportunity for immediate feedback from the message recipient (except in direct-response advertising). Therefore, before the message is sent, the advertiser must consider how the audience will interpret and respond to it.

Advertising is the best-known and most widely discussed form of promotion, probably because of its pervasiveness. It is also a very important promotional tool, particularly for companies whose products and services are targeted at mass consumer markets such as automobile manufacturers, packaged goods, and drug companies. More than 200 companies spend over $100 million on advertising and promotion in the United States each year. Figure 1-3 shows the advertising expenditures of the 25 leading national advertisers.

Several reasons explain why advertising is such an important part of many marketers’ IMC programs. First, advertising is still the most cost-effective way to reach large audiences. The average 30-second commercial on the four major networks during evening prime-time programming reaches 6 million households.

### Figure 1-3

25 leading advertisers in the United States, 2004

<table>
<thead>
<tr>
<th>Rank</th>
<th>Advertiser</th>
<th>Ad Spending (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General Motors Corp.</td>
<td>$3,997</td>
</tr>
<tr>
<td>2</td>
<td>Procter &amp; Gamble</td>
<td>3,919</td>
</tr>
<tr>
<td>3</td>
<td>Time Warner</td>
<td>3,283</td>
</tr>
<tr>
<td>4</td>
<td>Pfizer</td>
<td>2,957</td>
</tr>
<tr>
<td>5</td>
<td>SBC Communications</td>
<td>2,686</td>
</tr>
<tr>
<td>6</td>
<td>DaimlerChrysler</td>
<td>2,462</td>
</tr>
<tr>
<td>7</td>
<td>Ford Motor Co.</td>
<td>2,458</td>
</tr>
<tr>
<td>8</td>
<td>Walt Disney Co.</td>
<td>2,241</td>
</tr>
<tr>
<td>9</td>
<td>Verizon Communications</td>
<td>2,197</td>
</tr>
<tr>
<td>10</td>
<td>Johnson &amp; Johnson</td>
<td>2,175</td>
</tr>
<tr>
<td>11</td>
<td>GlaxoSmithKline</td>
<td>1,828</td>
</tr>
<tr>
<td>12</td>
<td>Sears Holdings Corp.</td>
<td>1,823</td>
</tr>
<tr>
<td>13</td>
<td>Toyota Motor Corp.</td>
<td>1,821</td>
</tr>
<tr>
<td>14</td>
<td>General Electric Co.</td>
<td>1,819</td>
</tr>
<tr>
<td>15</td>
<td>Sony Corp.</td>
<td>1,539</td>
</tr>
<tr>
<td>16</td>
<td>Nissan Motor Corp.</td>
<td>1,529</td>
</tr>
<tr>
<td>17</td>
<td>Altria Group</td>
<td>1,399</td>
</tr>
<tr>
<td>18</td>
<td>McDonald’s Corp.</td>
<td>1,388</td>
</tr>
<tr>
<td>19</td>
<td>L’Oreal</td>
<td>1,341</td>
</tr>
<tr>
<td>20</td>
<td>Unilever</td>
<td>1,319</td>
</tr>
<tr>
<td>21</td>
<td>Novartis</td>
<td>1,284</td>
</tr>
<tr>
<td>22</td>
<td>PepsiCo</td>
<td>1,262</td>
</tr>
<tr>
<td>23</td>
<td>Home Depot</td>
<td>1,255</td>
</tr>
<tr>
<td>24</td>
<td>Merck &amp; Co.</td>
<td>1,250</td>
</tr>
<tr>
<td>25</td>
<td>U.S. Government</td>
<td>1,228</td>
</tr>
</tbody>
</table>

The cost per thousand households reached in 2004 was $19.85. Popular shows such as *American Idol* and *Desperate Housewives* can reach as many as 25 to 30 million viewers each week. Thus, for marketers who are interested in building or maintaining brand awareness and reaching a mass audience at one time, there is no effective substitute for network television.33

Advertising is also a valuable tool for building company or brand equity as it is a powerful way to provide consumers with information as well as to influence their perceptions. Advertising can be used to create favorable and unique images and associations for a brand which can be very important for companies selling products or services that are difficult to differentiate on the basis of functional attributes. Brand image plays an important role in the purchase of many products and services, and advertising is still recognized as one of the best ways to build a brand. Exhibit 1-6 shows an ad from a campaign run by the American Advertising Federation promoting the value of advertising.

The nature and purpose of advertising differ from one industry to another and/or across situations. Companies selling products and services to the consumer market generally rely heavily on advertising to communicate with their target audiences as do retailers and other local merchants. However, advertising can also be done by an industry to stimulate demand for a product category such as beef or milk. Advertising is also used extensively by companies who compete in the business and professional markets to reach current and potential customers. For example, business-to-business marketers use advertising to perform important functions such as building awareness of the company and its products, generating leads for the sales force, and reassuring customers about the purchase they have made. Exhibit 1-7 shows an example of an ad from a campaign being run by the German-based firm Degussa, the largest specialty chemical company in the world, to help build awareness and an identity for the company. Figure 1-4 describes the most common types of advertising.

**Direct Marketing**

One of the fastest-growing sectors of the U.S. economy is **direct marketing**, in which organizations communicate directly with target customers to generate a response and/or a transaction. Traditionally, direct marketing has not been considered an element of the promotional mix. However, because it has become such an integral part of the IMC program of many organizations and often involves separate objectives, budgets, and strategies, we view direct marketing as a component of the promotional mix.

Direct marketing is much more than direct mail and mail-order catalogs. It involves a
Chapter One
An Introduction to Integrated Marketing Communications

National Advertising
Advertising done by large companies on a nationwide basis or in most regions of the country. Most of the ads for well-known companies and brands that are seen on prime-time TV or in other major national or regional media are examples of national advertising. The goals of national advertisers are to inform or remind consumers of the company or brand and its features, benefits, advantages, or uses and to create or reinforce its image so that consumers will be predisposed to purchase it.

Retail/Local Advertising
Advertising done by retailers or local merchants to encourage consumers to shop at a specific store, use a local service, or patronize a particular establishment. Retail or local advertising tends to emphasize specific patronage motives such as price, hours of operation, service, atmosphere, image, or merchandise assortment. Retailers are concerned with building store traffic, so their promotions often take the form of direct-action advertising designed to produce immediate store traffic and sales.

Primary- versus Selective-Demand Advertising
Primary-demand advertising is designed to stimulate demand for the general product class or entire industry. Selective-demand advertising focuses on creating demand for a specific company’s brands. Most advertising for products and services is concerned with stimulating selective demand and emphasizes reasons for purchasing a particular brand.

An advertiser might concentrate on stimulating primary demand when, for example, its brand dominates a market and will benefit the most from overall market growth. Primary-demand advertising is often used as part of a promotional strategy to help a new product gain market acceptance, since the challenge is to sell customers on the product concept as much as to sell a particular brand. Industry trade associations also try to stimulate primary demand for their members’ products, among them cotton, milk, orange juice, pork, and beef.

Business-to-Business Advertising
Advertising targeted at individuals who buy or influence the purchase of industrial goods or services for their companies. Industrial goods are products that either become a physical part of another product (raw material or component parts), are used in manufacturing other goods (machinery), or are used to help a company conduct its business (e.g., office supplies, computers). Business services such as insurance, travel services, and health care are also included in this category.

Professional Advertising
Advertising targeted to professionals such as doctors, lawyers, dentists, engineers, or professors to encourage them to use a company’s product in their business operations. It might also be used to encourage professionals to recommend or specify the use of a company’s product by end-users.

Trade Advertising
Advertising targeted to marketing channel members such as wholesalers, distributors, and retailers. The goal is to encourage channel members to stock, promote, and resell the manufacturer’s branded products to their customers.
variety of activities, including database management, direct selling, telemarketing, and direct-response ads through direct mail, the Internet, and various broadcast and print media. Some companies, such as Tupperware, Discovery Toys, and Amway, do not use any other distribution channels, relying on independent contractors to sell their products directly to consumers. Companies such as L.L. Bean, Lands’ End, and J. Crew have been very successful in using direct marketing to sell their clothing products. Dell has become the market leader in the computer industry by selling a full line of personal computers through direct marketing.

One of the major tools of direct marketing is direct-response advertising, whereby a product is promoted through an ad that encourages the consumer to purchase directly from the manufacturer. Traditionally, direct mail has been the primary medium for direct-response advertising, although television and magazines have become increasingly important media. For example, Exhibit 1-8 shows a direct-response ad for the Bose Corporation’s Acoustic Waveguide products. Direct-response advertising and other forms of direct marketing have become very popular over the past two decades, owing primarily to changing lifestyles, particularly the increase in two-income households. This has meant more discretionary income but less time for in-store shopping. The availability of credit cards and toll-free phone numbers has also facilitated the purchase of products from direct-response ads. More recently, the rapid growth of the Internet is fueling the growth of direct marketing. The convenience of shopping through catalogs or on a company’s website and placing orders by mail, by phone, or online has led to the tremendous growth of direct marketing.

Direct-marketing tools and techniques are also being used by companies that distribute their products through traditional distribution channels or have their own sales force. Direct marketing plays a big role in the integrated marketing communications programs of consumer-product companies and business-to-business marketers. These companies spend large amounts of money each year developing and maintaining databases containing the addresses and/or phone numbers of present and prospective customers. They use telemarketing to call customers directly and attempt to sell them products and services or qualify them as sales leads. Marketers also send out direct-mail pieces ranging from simple letters and flyers to detailed brochures, catalogs, and videotapes to give potential customers information about their products or services. Direct-marketing techniques are also used to distribute product samples.

Interactive/Internet Marketing

Over the past decade we have been experiencing perhaps the most dynamic and revolutionary changes of any era in the history of marketing, as well as advertising and promotion. These changes are being driven by advances in technology and developments that have led to dramatic growth of communication through interactive media, particularly the Internet. Interactive media allow for a back-and-forth flow of information whereby users can participate in and modify the form and content of the information they receive in real time. Unlike traditional forms of marketing communications such as advertising, which are one-way in nature, the new media allow users to perform a variety of functions such as receive and alter information and images, make inquiries, respond to questions, and, of course, make purchases. In addition to the Internet, other forms of interactive media include CD-ROMs, kiosks, interactive television, and digital cell phones.

Many companies are now making text messaging a part of their integrated campaigns. For example, when Frito-Lay introduced its new Doritos Black Pepper Jack brand of tortilla chips, the integrated “if not Now when?” (inNw?) campaign included a text message component. Ads were run inviting consumers to send the text message “inNw?” to Doritos to learn more about the product. Those opting in would receive a message back in a few seconds informing them that they could win cool...
prizes if they knew what “inNw” meant. If a correct message was messaged back, the texter was sent a message with a potential winner code which they could take to a dedicated website and enter it to see if they won a prize (Exhibit 1-9).

The interactive medium that is having the greatest impact on marketing is the Internet. While the Internet is changing the ways companies design and implement their entire business and marketing strategies, it is also affecting their marketing communications programs. Millions of companies, ranging from large multinational corporations to small local businesses, have developed websites to promote their products and services, by providing current and potential customers with information as well as to entertain and interact with them. The Internet is actually a multifaceted promotional tool. On one hand, it is an advertising medium as many companies advertise their products and services on the websites of other companies and/or organizations or pay to link their banner ads or websites to search engines such as Google and Yahoo. The Internet can also be viewed as a marketing communications tool in its own right as it is a medium that can be used to execute all of the elements of the promotional mix. In addition to advertising on the Web, marketers offer sales promotion incentives such as coupons, contests, and sweepstakes online, and they use the Internet to conduct direct marketing, personal selling, and public relations activities more effectively and efficiently.

The interactive nature of the Internet is one of its major advantages. This capability enables marketers to gather valuable personal information from customers and prospects and to adjust their offer accordingly, in some cases in real time. Unlike traditional media, which are essentially one-way forms of communication, digital media such as the Internet allow for two-way communication. Another major advantage of the Internet is that it offers the capability to more closely and precisely measure the effects of advertising and other types of promotion. There are a number of metrics that can be generated when consumers visit websites, which allow marketers to determine how consumers are responding to their campaigns and the return on investment they are getting from their promotional dollars.

Companies recognize the advantages of the Internet and the various ways it can be used. However, a number of companies are also developing campaigns that integrate their Web strategies with other aspects of their IMC programs such as media advertising. An excellent example of this is the “Perspectives,” campaign developed by Wieden & Kennedy for Sharp Electronics to introduce its new Aquos liquid crystal display television. Sharp created a website that was the focal point of the IMC program and had the agency develop advertisements that would spark consumers’ interest and drive them to the site. The agency created a mysterious TV commercial showing a strange scene of a man driving an orange car along a country road and suddenly losing control of the vehicle when he swerves to avoid an attractive woman. The car ends up in a swimming pool of a chateau, startling an elderly man who is relaxing in the water. The spot ends by showing the car submerging into the water as the moretosee.com Web address appears on the screen (Exhibit 1-10). Once on the site consumers could participate in trying to solve the mystery. The site contained video clips, character blogs relating various events, chat rooms in which site visitors could work together to solve the mystery, as well as various audio and video clues. The campaign was very effective in driving traffic to the website where consumers could learn more about the Aquos TV.
Sales Promotion

The next variable in the promotional mix is sales promotion, which is generally defined as those marketing activities that provide extra value or incentives to the sales force, the distributors, or the ultimate consumer and can stimulate immediate sales. Sales promotion is generally broken into two major categories: consumer-oriented and trade-oriented activities.

Consumer-oriented sales promotion is targeted to the ultimate user of a product or service and includes couponing, sampling, premiums, rebates, contests, sweepstakes, and various point-of-purchase materials (Exhibit 1-11). These promotional tools encourage consumers to make an immediate purchase and thus can stimulate short-term sales. Trade-oriented sales promotion is targeted toward marketing intermediaries such as wholesalers, distributors, and retailers. Promotional and merchandising allowances, price deals, sales contests, and trade shows are some of the promotional tools used to encourage the trade to stock and promote a company’s products.

Among many consumer packaged-goods companies, sales promotion is often 60 to 70 percent of the promotional budget. In recent years many companies have shifted the emphasis of their promotional strategy from advertising to sales promotion. Reasons for the increased emphasis on sales promotion include declining brand loyalty and increased consumer sensitivity to promotional deals. Another major reason is that retailers have become larger and more powerful and are demanding more trade promotion support from companies.

Promotion and sales promotion are two terms that often create confusion in the advertising and marketing fields. As noted, promotion is an element of marketing by which firms communicate with their customers; it includes all the promotional-mix elements we have just discussed. However, many marketing and advertising practitioners use the term more narrowly to refer to sales promotion activities to either consumers or the trade (retailers, wholesalers). In this book, promotion is used in the broader sense to refer to the various marketing communications activities of an organization.

Publicity/Public Relations

Another important component of an organization’s promotional mix is publicity/public relations.

Publicity Publicity refers to nonpersonal communications regarding an organization, product, service, or idea not directly paid for or run under identified sponsorship. It usually comes in the form of a news story, editorial, or announcement about an organization and/or its products and services. Like advertising, publicity involves nonpersonal communication to a mass audience, but unlike advertising, publicity is not directly paid for by the company. The company or organization attempts to get the media to cover or run a favorable story on a product, service, cause, or event to affect awareness, knowledge, opinions, and/or behavior. Techniques used to gain publicity include news releases, press conferences, feature articles, photographs, films, and videotapes.

An advantage of publicity over other forms of promotion is its credibility. Consumers generally tend to be less skeptical toward favorable information about a product or service when it comes from a source they perceive as unbiased. For example, the success (or failure) of a new movie is often determined by the reviews it receives from film critics, who are viewed by many moviegoers as objective evaluators. Another advantage of publicity is its low cost, since the company is not paying for time or space in a mass medium such as TV, radio, or newspapers. While an organization may incur some costs in developing publicity items or maintaining a staff to do so, these expenses will be far less than those for the other promotional programs.
Publicity is not always under the control of an organization and is sometimes unfavorable. Negative stories about a company and/or its products can be very damaging. For example, recently the packaged food industry has received a great deal of negative publicity regarding the nutritional value of their products as well as their marketing practices, particularly to young people. Companies such as Kraft Foods’ General Mills, PepsiCo, and others have been the target of criticism by consumer activists who have argued that these companies contribute to the obesity problem in the United States by advertising unhealthy foods to children. McDonald’s also had to deal with the negative publicity that was generated by the success of the documentary film Super Size Me, in which filmmaker Morgan Spurlock chronicled his decline in health while eating all of his meals at McDonald’s for 30 days in a row.

Public Relations

It is important to recognize the distinction between publicity and public relations. When an organization systematically plans and distributes information in an attempt to control and manage its image and the nature of the publicity it receives, it is really engaging in a function known as public relations. Public relations is defined as “the management function which evaluates public attitudes, identifies the policies and procedures of an individual or organization with the public interest, and executes a program of action to earn public understanding and acceptance.” Public relations generally has a broader objective than publicity, as its purpose is to establish and maintain a positive image of the company among its various publics.

Public relations uses publicity and a variety of other tools—including special publications, participation in community activities, fund-raising, sponsorship of special events, and various public affairs activities—to enhance an organization’s image. Organizations also use advertising as a public relations tool. For example, the Toyota ad shown in Exhibit 1-12 discusses how the company builds vehicles in the U.S. which creates more than 200,000 jobs.

Traditionally, publicity and public relations have been considered more supportive than primary to the marketing and promotional process. However, many firms have begun making PR an integral part of their predetermined marketing and promotional strategies. PR firms are increasingly touting public relations as a communications tool that can take over many of the functions of conventional advertising and marketing.

Personal Selling

The final element of an organization’s promotional mix is personal selling, a form of person-to-person communication in which a seller attempts to assist and/or persuade prospective buyers to purchase the company’s product or service or to act on an idea. Unlike advertising, personal selling involves direct contact between buyer and seller, either face-to-face or through some form of telecommunications such as telephone sales. This interaction gives the marketer communication flexibility; the seller can see or hear the potential buyer’s reactions and modify the message accordingly. The personal, individualized communication in personal selling allows the seller to tailor the message to the customer’s specific needs or situation.

Personal selling also involves more immediate and precise feedback because the impact of the sales presentation can generally be assessed from the customer’s reactions. If the feedback is unfavorable, the salesperson can modify the message. Personal selling efforts can also be targeted to specific markets and customer types that are the best prospects for the company’s product or service.
The various promotional mix elements are the major tools that marketers use to communicate with current and/or prospective customers as well as other relevant audiences. However, many companies are taking an audience contact perspective in developing their IMC programs whereby they consider all of the potential ways of reaching their target audience and presenting the company or brand in a favorable manner. They recognize that there are a variety of ways customers may come into contact with a company or brand. These contacts can range from simply seeing or hearing an ad for a brand to actually having the opportunity to use or experience a brand at a company-sponsored event.

A key aspect of integrated marketing communications is that it encourages marketers to consider a variety of communication tools and how they can be used to deliver messages about their company or brands. Figure 1-5 shows the various ways by which consumers can come into contact with a company or brand. Marketers must determine how valuable each of these contact tools are for communicating with their target audience and how they can be combined to form an effective IMC program. This is generally done by starting with the target audience and determining which IMC tools will be most effective in reaching, informing, and persuading them and ultimately influencing their behavior. IMC Perspective 1-3 discusses how companies such as American Express are moving away from media advertising and using a variety of other contact points.

It is the responsibility of those involved in the marketing communications process to determine how the various contact tools will be used to reach the target audience and help achieve the company’s marketing objectives. The IMC program is generally developed with specific goals and objectives in mind and is the end product of a detailed marketing and promotional planning process. We will now look at a model of the process that companies follow in developing and executing their IMC programs.

**The IMC Planning Process**

In developing an integrated marketing communications strategy, a company combines the various promotional-mix elements, balancing the strengths and weaknesses of each to produce an effective communications program. **Integrated marketing communications management** involves the process of planning, executing, evaluating, and controlling the use of the various promotional-mix elements to effectively communicate with target audiences. The marketer must consider which promotional tools to use and how to integrate them to achieve marketing and communication objectives.

**Figure 1-5** IMC Audience Contact Tools

- Broadcast media (TV/radio)
- Print media (newspapers, magazines)
- Public relations/publicity
- Internet/interactive
- Out-of-home media
- Direct marketing
- Personal selling
- Sales promotion
- Point-of-purchase (displays, packaging)
- Word-of-mouth
- Events and sponsorships
- Product placements (TV and movies)
American Express Moves Beyond TV to Connect with Consumers

A decade ago, American Express Co. spent 80 percent of its annual advertising and promotion budget on television advertising. However, by 2004, TV accounted for only about a third of its budget and print spending has remained flat over the past 10 years. So what is American Express doing with the estimated $673 million it spends to promote its credit cards each year? The financial services company is on the forefront of experimenting with an array of new ways to connect with consumers that include short films for the Internet, artistic exhibits, sponsorships of concerts and events, and promoting its brands on reality shows.

In March 2004, the company launched the first of two four-minute films featuring long-time company spokesman Jerry Seinfeld and an animated version of Superman exclusively on the American Express website. The humorous films were designed to depict the benefits of card membership by showing situations where Superman is powerless and the comedian comes to the rescue with an American Express card. Within a few weeks the first of The Adventures of Seinfeld and Superman “webisodes” had drawn more than 2 million viewers, and people returned to the website after the second online short was released two months later. To support the sequel launch and reach a wider audience for the films, the first short aired on NBC prior to the encore airing of the Friends finale in May.

American Express (AmEx) also extended the campaign by entering into a partnership with the TBS cable television network whereby the first webisode was aired in its entirety following the much anticipated premiere of the hit series Sex and the City on the network. The following week, TBS aired a sneak preview of the second webisode, which directed viewers to the American Express website where they could watch the film in its entirety as well as view the first film and behind-the-scenes clips and interviews. In addition to the films, the AmEx website also offered viewers an interactive experience whereby they could discover special features in Seinfeld’s virtual apartment as well as learn more about the services provided to American Express cardholders.

American Express’s shift away from television began in 1999, with the introduction of Blue, a new credit card that was targeted toward GenXers. The goal was to establish a technology position for the new card which offered a “smart-chip” feature as well as revolving credit. Research showed that television was not the best way to reach the card’s tech-savvy, nomadic target market. Rather than launching the Blue campaign with a high-profile approach such as advertising during the Super Bowl, AmEx staged a concert in New York’s Central Park. The “American Express Brings You Central Park in Blue” concert featured Sheryl Crow and Friends, who included Eric Clapton, Stevie Nicks, Chrissie Hynde, Keith Richards, and the Dixie Chicks. The event had national appeal and impact as consumers could experience the concert through the first-ever “trimulcast” on Fox TV, 60 radio stations, and the Internet at a special blueconcerts.com website.

American Express has continued to use nontraditional ways to promote the Blue card. In February 2004, the company transformed the Los Angeles House of Blues jazz club into the “House of Blue.” Images of the see-through card were beamed onto the building’s facade. The event featured performances by Elvis Costello, Stevie Wonder, and Counting Crows while waitresses decked out in blue shorts and blue wigs served azure cocktails. AmEx has also used more stealthy, lifestyle-driven methods to promote the card such as placing Blue-labeled water bottles at health clubs and printing Blue ads on millions of popcorn bags. AmEx’s new model appears to be working as the five-year old Blue card is the most successful new product launch in the company’s history.

American Express has also taken advantage of the burgeoning interest in reality TV shows by becoming involved in the sponsorship of several programs including The Restaurant on NBC Card Blow Out on Bravo. The company received plugs for its Open: Small Business Network brand on the reality shows. The company sponsored an online forum showcasing Jonathan Antin, the celebrity hairstylist who is the star of the Bravo reality series that was designed to help small business owners share their experiences and opinions. In another endeavor to reach consumers in a unique way, the company toured a museum-style exhibit that included images from its vintage print advertisements. The exhibit, which was displayed in a variety of public venues, featured photos of celebrity cardholders such as Tom Hanks, Woody Allen, and Sammy Davis Jr. that were taken by famed photographer Annie Leibovitz. To ensure traffic and buzz about the exhibit, AmEx alerted local hotel concierges, which helped generate long lines to view the photographs.

American Express chief marketing officer John Hayes has noted that he has not sworn off television altogether but rather is looking for better ways to reach consumers and become involved in things they value. In a speech to the sales force of the NBC television net-
Companies also must decide how to distribute the total marketing communications budget across the various promotional-mix elements. What percentage of the budget should be allocated to advertising, sales promotion, the Internet, sponsorships, and personal selling?

As with any business function, planning plays an important role in the development and implementation of an effective integrated marketing communications program. This process is guided by an integrated marketing communications plan that provides the framework for developing, implementing, and controlling the organization’s IMC program. Those involved with the IMC program must decide on the role and function of the specific elements of the promotional mix, develop strategies for each element, determine how they will be integrated, plan for their implementation, and consider how to evaluate the results achieved and make any necessary adjustments. Marketing communications is but one part of, and must be integrated into, the overall marketing plan and program.

A model of the IMC planning process is shown in Figure 1-6. The remainder of this chapter presents a brief overview of the various steps involved in this process.

Review of the Marketing Plan
The first step in the IMC planning process is to review the marketing plan and objectives. Before developing a promotional plan, marketers must understand where the company (or the brand) has been, its current position in the market, where it intends to go, and how it plans to get there. Most of this information should be contained in the marketing plan, a written document that describes the overall marketing strategy and programs developed for an organization, a particular product line, or a brand. Marketing plans can take several forms but generally include five basic elements:

1. A detailed situation analysis that consists of an internal marketing audit and review and an external analysis of the market competition and environmental factors.
2. Specific marketing objectives that provide direction, a time frame for marketing activities, and a mechanism for measuring performance.
3. A marketing strategy and program that include selection of target market(s) and decisions and plans for the four elements of the marketing mix.
4. A program for implementing the marketing strategy, including determining specific tasks to be performed and responsibilities.
5. A process for monitoring and evaluating performance and providing feedback so that proper control can be maintained and any necessary changes can be made in the overall marketing strategy or tactics.

For most firms, the promotional plan is an integral part of the marketing strategy. Thus, the promotional planners must know the roles advertising and other promotional-mix elements will play in the overall marketing program. The promotional plan is developed similarly to the marketing plan and often uses its detailed information. Promotional planners focus on information in the marketing plan that is relevant to the promotional strategy.

Promotional Program Situation Analysis
After the overall marketing plan is reviewed, the next step in developing a promotional plan is to conduct the situation analysis. In the IMC program, the situation analysis focuses on the factors that influence or are relevant to the development of a promotional strategy. Like the overall marketing situation analysis, the promotional program situation analysis includes both an internal and an external analysis.
Internal Analysis  The internal analysis assesses relevant areas involving the product/service offering and the firm itself. The capabilities of the firm and its ability to develop and implement a successful promotional program, the organization of the promotional department, and the successes and failures of past programs should be reviewed. The analysis should study the relative advantages and disadvantages of performing the promotional functions in-house as opposed to hiring an external agency (or agencies). For example, the internal analysis may indicate the firm is not capable of planning, implementing, and managing certain areas of the promotional program. If this is the case, it would be wise to look for assistance from an advertising agency or some other promotional facilitator. If the organization is already using an ad agency, the focus will be on the quality of the agency’s work and the results achieved by past and/or current campaigns.

In this text we will examine the functions ad agencies perform for their clients, the agency selection process, compensation, and considerations in evaluating agency performance. We will also discuss the role and function of other promotional facilitators such as sales promotion firms, direct-marketing companies, public relations agencies, and marketing and media research firms.

Another aspect of the internal analysis is assessing the strengths and weaknesses of the firm or the brand from an image perspective. Often the image a firm brings to the market will have a significant impact on the way the firm can advertise and promote itself as well as its various products and services. Companies or brands that are new to the market or those for whom perceptions are negative may have to concentrate on their images, not just the benefits or attributes of the specific product or service. On the other hand, a firm with a strong reputation and/or image is already a step ahead when it comes to marketing its products or services. For example, Starbucks has an outstanding image that is a result of the quality of its coffee and other products as well as its reputation as a socially responsible company. The company is recognized as a good citizen in its dealings with communities, employees, suppliers, and the environment. Starbucks recognizes that being recognized as a socially responsible company is an important part of its tremendous growth and success. The company publishes a Corporate Social Responsibility Annual Report each year that describes its social, environmental, and economic impacts on the communities in which it does business (Exhibit 1-13).

The internal analysis also assesses the relative strengths and weaknesses of the product or service; its advantages and disadvantages; any unique selling points or benefits it may have; its packaging, price, and design; and so on. This information is particularly important to the creative personnel who must develop the advertising message for the brand.

Figure 1-7 is a checklist of some of the areas one might consider when performing analyses for promotional planning purposes. Addressing internal areas may require information the company does not have available internally and must gather as part of the external analysis.

External Analysis  The external analysis focuses on factors such as characteristics of the firm’s customers, market segments, positioning strategies, and competitors, as shown in Figure 1-7. An important part of the external analysis is a detailed consideration of customers’ characteristics and buying patterns, their decision processes, and factors influencing their purchase decisions. Attention must also be given to consumers’ perceptions and attitudes, lifestyles, and criteria for making purchase decisions. Often, marketing research studies are needed to answer some of these questions.
Part One
Introduction to Integrated Marketing Communications

- Review of marketing plan
- Analysis of promotional program situation
- Analysis of communications process
- Budget determination
- Develop integrated marketing communications program

- Advertising
  - Advertising objectives
  - Advertising strategy
  - Advertising message and media strategy and tactics

- Direct marketing
  - Direct-marketing objectives
  - Direct-marketing strategy
  - Direct-marketing message and media strategy and tactics

- Interactive/Internet marketing
  - Interactive/Internet marketing objectives
  - Interactive/Internet marketing strategy
  - Interactive/Internet marketing message and media strategy and tactics

- Sales promotion
  - Sales promotion objectives
  - Sales promotion strategy
  - Sales promotion message and media strategy and tactics

- PR/publicity
  - PR/publicity objectives
  - PR/publicity strategy
  - PR/publicity message and media strategy and tactics

- Personal selling
  - Personal-selling objectives
  - Personal-selling strategy
  - Sales message strategy and sales tactics

Integrate and implement marketing communications strategies

Monitor, evaluate, and control integrated marketing communications program

Figure 1-6 An integrated marketing communications planning model
Review of Marketing Plan
Examine overall marketing plan and objectives
Role of advertising and promotion
Competitive analysis
Assess environmental influences

Analysis of Promotional Program Situation
Internal analysis
Promotional department organization
Firm’s ability to implement promotional program
Agency evaluation and selection
Review of previous program results

External analysis
Consumer behavior analysis
Market segmentation and target marketing
Market positioning

Analysis of Communications Process
Analyze receiver’s response processes
Analyze source, message, channel factors
Establish communications goals and objectives

Budget Determination
Set tentative marketing communications budget
Allocate tentative budget

Develop Integrated Marketing Communications Program
Advertising
Set advertising objectives
Determine advertising budget
Develop advertising message
Develop advertising media strategy
Sales promotion
Set sales promotion objectives
Determine sales promotion budget
Determine sales promotion tools and develop messages
Develop sales promotion media strategy

Direct marketing
Set direct-marketing objectives
Determine direct-marketing budget
Develop direct-marketing message
Develop direct-marketing media strategy
Public relations/publicity
Set PR/publicity objectives
Determine PR/publicity budget
Develop PR/publicity messages
Develop PR/publicity media strategy

Interactive/Internet marketing
Set interactive/Internet marketing objectives
Determine interactive/Internet marketing budget
Develop interactive/Internet message
Develop interactive/Internet media strategy
Personal selling
Set personal-selling and sales objectives
Determine personal-selling/sales budget
Develop sales message
Develop selling roles and responsibilities

Integrate and implement Marketing Communications Strategies
Integrate promotional-mix strategies
Create and produce ads
Purchase media time, space, etc.
Design and implement direct-marketing programs
Design and distribute sales promotion materials
Design and implement public relations/publicity programs
Design and implement interactive/Internet marketing programs

Monitor, Evaluate, and Control Integrated Marketing Communications Program
Evaluate promotional program results/effectiveness
Take measures to control and adjust promotional strategies
A key element of the external analysis is an assessment of the market. The attractiveness of various market segments must be evaluated and the segments to target must be identified. Once the target markets are chosen, the emphasis will be on determining how the product should be positioned. What image or place should it have in consumers’ minds?

This part of the promotional program situation analysis also includes an in-depth examination of both direct and indirect competitors. While competitors were analyzed in the overall marketing situation analysis, even more attention is devoted to promotional aspects at this phase. Focus is on the firm’s primary competitors: their specific strengths and weaknesses; their segmentation, targeting, and positioning strategies; and the promotional strategies they employ. The size and allocation of their promotional budgets, their media strategies, and the messages they are sending to the marketplace should all be considered.

The external phase also includes an analysis of the marketing environment and current trends or developments that might affect the promotional program. For example, food and beverage marketers have had to respond to the overall trend toward greater nutritional awareness and an increased interest in low-carb products that has resulted from the popularity of the carbohydrate restricting diets such as Atkins and South Beach. Some companies responded to the trend by introducing low-carb products while others touted the fact that their existing brands were already low in carbohydrates (Exhibit 1-14). Many food companies have also addressed the trend by providing more nutritional information for their products on their websites.
Analysis of the Communications Process

This stage of the promotional planning process examines how the company can effectively communicate with consumers in its target markets. The promotional planner must think about the process consumers will go through in responding to marketing communications. The response process for products or services for which consumer decision making is characterized by a high level of interest is often different from that for low-involvement or routine purchase decisions. These differences will influence the promotional strategy.

Communication decisions regarding the use of various source, message, and channel factors must also be considered. The promotional planner should recognize the different effects various types of advertising messages might have on consumers and whether they are appropriate for the product or brand. Issues such as whether a celebrity spokesperson should be used and at what cost may also be studied. Preliminary discussion of media-mix options (print, TV, radio, newspaper, direct marketing, Internet) and their cost implications might also occur at this stage.

An important part of this stage of the promotional planning process is establishing communication goals and objectives. In this text, we stress the importance of distinguishing between communication and marketing objectives. **Marketing objectives** refer to what is to be accomplished by the overall marketing program. They are often stated in terms of sales, market share, or profitability.

**Communication objectives** refer to what the firm seeks to accomplish with its promotional program. They are often stated in terms of the nature of the message to be communicated or what specific communication effects are to be achieved. Communication objectives may include creating awareness or knowledge about a product and its attributes or benefits; creating an image; or developing favorable attitudes, preferences, or purchase intentions. Communication objectives should be the guiding force for development of the overall marketing communications strategy and of objectives for each promotional-mix area.

Budget Determination

After the communication objectives are determined, attention turns to the promotional budget. Two basic questions are asked at this point: What will the promotional program cost? How will the money be allocated? Ideally, the amount a firm needs to spend on promotion should be determined by what must be done to accomplish its communication objectives. In reality, promotional budgets are often determined using a more simplistic approach, such as how much money is available or a percentage of a company’s or brand’s sales revenue. At this stage, the budget is often tentative. It may not be finalized until specific promotional-mix strategies are developed.

Developing the Integrated Marketing Communications Program

Developing the IMC program is generally the most involved and detailed step of the promotional planning process. As discussed earlier, each promotional-mix element has certain advantages and limitations. At this stage of the planning process, decisions have to be made regarding the role and importance of each element and their coordination with one another. As Figure 1-4 shows, each promotional-mix element has its own set of objectives and a budget and strategy for meeting them. Decisions must be made and activities performed to implement the promotional programs. Procedures must be developed for evaluating performance and making any necessary changes.

For example, the advertising program will have its own set of objectives, usually involving the communication of some message or appeal to a target audience. A budget
will be determined, providing the advertising manager and the agency with some idea of how much money is available for developing the ad campaign and purchasing media to disseminate the ad message.

Two important aspects of the advertising program are development of the message and the media strategy. Message development, often referred to as creative strategy, involves determining the basic appeal and message the advertiser wishes to convey to the target audience. This process, along with the ads that result, is to many students the most fascinating aspect of promotion. Media strategy involves determining which communication channels will be used to deliver the advertising message to the target audience. Decisions must be made regarding which types of media will be used (e.g., newspapers, magazines, radio, TV, outdoor, Internet) as well as specific media selections (e.g., a particular magazine or TV program). This task requires careful evaluation of the media options’ advantages and limitations, costs, and ability to deliver the message effectively to the target market.

Once the message and media strategies have been determined, steps must be taken to implement them. Most large companies hire advertising agencies to plan and produce their messages and to evaluate and purchase the media that will carry their ads. However, most agencies work very closely with their clients as they develop the ads and select media, because it is the advertiser that ultimately approves (and pays for) the creative work and media plan.

A similar process takes place for the other elements of the IMC program as objectives are set, an overall strategy is developed, message and media strategies are determined, and steps are taken to implement them. While the marketer’s advertising agencies may be used to perform some of the other IMC functions, they may also hire other communication specialists such as direct-marketing and interactive and/or sales promotion agencies, as well as public relations firms.

Monitoring, Evaluation, and Control

The final stage of the IMC planning process is monitoring, evaluating, and controlling the promotional program. It is important to determine how well the IMC program is meeting communications objectives and helping the firm accomplish its overall marketing goals and objectives. The IMC planner wants to know not only how well the promotional program is doing but also why. For example, problems with the advertising program may lie in the nature of the message or in a media plan that does not reach the target market effectively. The manager must know the reasons for the results in order to take the right steps to correct the program.

This final stage of the process is designed to provide managers with continual feedback concerning the effectiveness of the IMC program, which in turn can be used as input into the planning process. As Figure 1-6 shows, information on the results achieved by the IMC program is used in subsequent promotional planning and strategy development.

Perspective and Organization of This Text

Traditional approaches to teaching advertising, promotional strategy, or marketing communications courses have often treated the various elements of the promotional mix as separate functions. As a result, many people who work in advertising, sales promotion, direct marketing, interactive/Internet, or public relations tend to approach marketing communications problems from the perspective of their particular specialty. An advertising person may believe marketing communications objectives are best met through the use of media advertising; a promotional specialist argues for a sales promotion program to motivate consumer response; a public relations person advocates a PR campaign to tackle the problem. These orientations are not surprising, since each person has been trained to view marketing communications problems primarily from one perspective.
In the contemporary business world, however, individuals working in marketing, advertising, and other promotional areas are expected to understand and use a variety of marketing communications tools, not just the one in which they specialize. Ad agencies no longer confine their services to the advertising area. Many are involved in sales promotion, public relations, direct marketing, event sponsorship, Internet, and other marketing communications areas. Individuals working on the client or advertiser side of the business, such as brand, product, or promotional managers, are developing marketing programs that use a variety of marketing communications methods.

This text views advertising and promotion from an integrated marketing communications perspective. We will examine all the promotional-mix elements and their roles in an organization’s integrated marketing communications efforts. Although media advertising may be the most visible part of the communications program, understanding its role in contemporary marketing requires attention to other promotional areas such as the Internet and interactive marketing, direct marketing, sales promotion, public relations, and personal selling. Not all the promotional-mix areas are under the direct control of the advertising or marketing communications manager. For example, personal selling is typically a specialized marketing function outside the control of the advertising or promotional department. Likewise, publicity/public relations is often assigned to a separate department. All these departments should, however, communicate to coordinate all the organization’s marketing communications tools.

The purpose of this book is to provide you with a thorough understanding of the field of advertising and other elements of a firm’s promotional mix and show how they are combined to form an integrated marketing communications program. To plan, develop, and implement an effective IMC program, those involved must understand marketing, consumer behavior, and the communications process. The first part of this book is designed to provide this foundation by examining the roles of advertising and other forms of promotion in the marketing process. We examine the process of market segmentation and positioning and consider their part in developing an IMC strategy. We also discuss how firms organize for IMC and make decisions regarding ad agencies and other firms that provide marketing and promotional services.

We then focus on consumer behavior considerations and analyze the communications process. We discuss various communications models of value to promotional planners in developing strategies and establishing goals and objectives for advertising and other forms of promotion. We also consider how firms determine and allocate their marketing communications budget.

After laying the foundation for the development of a promotional program, this text will follow the integrated marketing communications planning model presented in Figure 1-6. We examine each of the promotional-mix variables, beginning with advertising. Our detailed examination of advertising includes a discussion of creative strategy and the process of developing the advertising message, an overview of media strategy, and an evaluation of the various media (print, broadcast, and support media). The discussion then turns to the other areas of the promotional mix: direct marketing, interactive/Internet marketing, sales promotion, public relations/publicity, and personal selling. Our examination of the IMC planning process concludes with a discussion of how the program is monitored, evaluated, and controlled. Particular attention is given to measuring the effectiveness of advertising and other forms of promotion.

The final part of the text examines special topic areas and perspectives that have become increasingly important in contemporary marketing. We will examine the area of international advertising and promotion and the challenges companies face in developing IMC programs for global markets as well as various countries around the world. The text concludes with an examination of the environment in which integrated marketing communications operates, including the regulatory, social, and economic factors that influence, and in turn are influenced by, an organization’s advertising and promotional program.
Advertising and other forms of promotion are an integral part of the marketing process in most organizations. Over the past decade, the amount of money spent on advertising, sales promotion, direct marketing, and other forms of marketing communication has increased tremendously, both in the United States and in foreign markets. To understand the role of advertising and promotion in a marketing program, one must understand the role and function of marketing in an organization. The basic task of marketing is to combine the four controllable elements, known as the marketing mix, into a comprehensive program that facilitates exchange with a target market. The elements of the marketing mix are the product or service, price, place (distribution), and promotion.

For many years, the promotional function in most companies was dominated by mass-media advertising. However, more and more companies are recognizing the importance of integrated marketing communications, coordinating the various marketing and promotional elements to achieve more efficient and effective communication programs. Another factor includes the move toward IMC by marketers as well as ad agencies and other promotional facilitators. Reasons for the growing importance of integrated marketing communications perspective include a rapidly changing environment with respect to consumers, technology, and media. The IMC movement is also being driven by changes in the ways companies market their products and services. A shift in marketing dollars from advertising to sales promotion, the rapid growth and development of database marketing, and the fragmentation of media markets are among the key changes taking place.

Promotion is best viewed as the communication function of marketing. It is accomplished through a promotional mix that includes advertising, personal selling, publicity, public relations, sales promotion, direct marketing, and interactive Internet advertising. The inherent advantages and disadvantages of each of these promotional-mix elements influence the roles they play in the overall marketing program. In developing the IMC program, the marketer must decide which tools to use and how to combine them to achieve the organization’s marketing and communication objectives.

Promotional management involves coordinating the promotional-mix elements to develop an integrated program of effective marketing communication. The model of the IMC planning process in Figure 1-6 contains a number of steps: a review of the marketing plan; promotional program situation analysis; analysis of the communications process; budget determination; development of an integrated marketing communications program; integration and implementation of marketing communications strategies; and monitoring, evaluation, and control of the promotional program.

Key Terms

- exchange, 7
- marketing, 7
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- mass customization, 8
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Discussion Questions

1. The opening vignette to the chapter discusses the success the Las Vegas Convention and Visitors Authority has enjoyed with the “Only in Vegas” campaign. Why do you think this campaign has been so successful? How long do you think the LVCVA will be able to continue using this campaign theme?

2. Discuss how integrated marketing communications differs from traditional advertising and promotion. What are some of the reasons more marketers are taking an IMC perspective to their advertising and promotional programs?

3. Compare the new definition of integrated marketing communications developed by Don Shultz with the original definition that was developed by the American Association of Advertising Agencies. How do they differ?

4. Discuss the role integrated marketing communications plays in relationship marketing. How might the mass customization of advertising and other forms of marketing communications be possible?

5. Discuss the changes which are leading to the fragmentation of media markets. How are marketers responding to media fragmentation?

6. Discuss the role integrated marketing communications plays in the branding building process. How are marketers changing the ways they go about building strong brands?

7. Discuss the role of the Internet in the integrated marketing communications program of a company. How can the Internet be used to execute the various elements of the promotional mix?

8. What is meant by primary versus selective demand advertising? Provide examples of each. Discuss when a marketer might focus on primary demand stimulation versus selective demand stimulation.

9. What is meant by customer contact points? Select a company or brand and discuss the various contact points which marketers can use to reach consumers of this product or service.

10. Why is it important for those who work in marketing to understand and appreciate all the various integrated marketing communication tools and how they can be used?