

CHAPTER 2 | The Promotion Industry



When you see a Coke cup on the judges' desk, does it make you want to drink a Coke?

Coca-Cola and American Idol team up to target consumers.

AP Photo/Michael Becker/Fox/PictureGroup

Learning Outcomes

After studying this chapter, you should be able to:

- LO 1** Discuss important trends transforming the promotion industry.
- LO 2** Describe the promotion industry's size, structure, and participants.
- LO 3** Summarize what advertising and promotion agencies do and how they are compensated.
- LO 4** Identify experts who help plan and execute integrated marketing communication campaigns.
- LO 5** Discuss the role played by media organizations in IMC campaigns.

"Any damn fool can put on a deal, but it takes genius, faith, and perseverance to create a brand."

—David Ogilvy

Welcome to the Power Struggle

There have always been power struggles in the promotion industry: brand versus brand; one agency versus another; agency versus media company; big advertiser with lots of money versus big retailer with lots of money. But those old-style power struggles were child's play compared with the 21st-century power struggle. Consumers, who on average encounter between 1,000 and 5,000 advertising messages every day,¹ are tired of the barrage of ads and try to avoid most of them. So today's power struggle is about how the promotion industry can adapt to the new technologies consumers are using to gain more control over their information environment.

From Facebook to YouTube to millions of blogs, consumers are seeking out information environments where *they* control their exposure to information rather than an advertiser or media company being in control. They are insisting on the convenience and appeal of their PC, iPod, and TiVo or Slingbox (as we saw in Chapter 1). This so-called mass collaboration by consumers is such a dramatic change from traditional information flow techniques that marketers, advertising and promotion agencies, and media companies are struggling to reinvent themselves.² Coca-Cola and American Idol are teaming up to do just that.

The traditional approach to promotion was for a marketer, like Nike or American Express, to work with an advertising agency, like Leo Burnett or J. Walter Thompson, which would develop television, radio, newspaper, magazine, or billboard ads. Then the marketer and its agency would buy media time or space to place the ads so that consumers would see and hear them. This still happens—a lot. Major media rake in about \$450 billion worldwide in a year, and individual media companies like Hearst Corp. generate several billion dollars in annual revenue.³ But even as marketers, agencies, and media companies try to reach control-seeking

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CHAPTER
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FOR STUDY
TOOLS

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consumers, some very smart people think the industry is on the cusp of even more dramatic changes.⁴

While the traditional structure of the promotion industry may be changing, the *goal* has not changed: The brand still needs to be highlighted. The change in consumer orientation will make product branding *more* important as consumers choose what persuasive messages they want to receive and where they want to receive them.

As marketers, agencies, and their media partners struggle with how to meet enduring goals in this new environment, some think the answer is to go with the flow and invite consumers to contribute to brand content (for example, by sponsoring competitions for the best consumer-created ad).⁵ Others, like Coca-Cola, respond to consumers' impatience with advertisements by using subtler and seemingly more natural ways to make brands part of consumers' daily lives. Part of Coke's approach: pay \$20 million to have Coke cups on the judges' desks during Fox Network's *American Idol* program.⁶ Other marketers are paying video game developers to insert their branded products into their games, reaching millions or tens of millions of players.⁷

Big media companies are adapting, too. NBC Universal, often referenced as the "classic" big media company with the deepest roots in the old media structure, is wooing advertisers by offering to help prepare advertising with the network's vast digital studio resources.⁸ MTV Networks is offering new-media distribution like broadband channel MotherLoad, which is associated with Comedy Central programming.⁹

With much of the consumer control exerted online, marketers are trying harder to be where consumers are going and be a part of what they are doing. In 2009, for example, advertisers said they were spending significantly less to advertise in traditional media, and most were shifting the bulk of the money saved to digital brand promotion.¹⁰ That's not just a matter of posting an ad in a new place, such as a popular website; rather, marketers are inviting consumers to "like" the brand on Facebook and download branded apps for their smart phones. Instead of brands interrupting what consumers are doing (watching a sitcom, reading a magazine), brands engage consumers by being part of what they are doing (building connections on Facebook, playing games on their mobile devices).

Hewlett-Packard's chief marketing officer, Michael Mendenhall, calls this change a "move from interruptive to engagement," and he says marketers "can do that more effectively in the digital space."¹¹

If you consider changes in technology, economic conditions, culture, lifestyles, and business philosophies, one or more of these broad business and societal forces are always affecting the effort to promote brands and communicate messages about what the brands stand for. Change in the promotion industry is nothing new, but the pace and complexity of the change are more challenging than the industry has ever faced. As you read about the structure of the industry, notice how the players are being shaped by—but also shaping—this change.

LO 1 Promotion Industry Trends

Often advertisers struggle with whether to use traditional mass media, like television and radio, which have wide reach, or to use newer, highly targeted media like personalized emails and social networking. But in the end, what is important is not the technology itself but rather the need to focus on the brand, its image, and a persuasive, integrated presentation of that brand to the target market. The choice of the Web or television should be based on which medium is likely to achieve the right persuasive impact.

Nevertheless, to understand the promotion industry, we need to know what is happening in it today.

Narrower Media Control

Consolidation has been taking place among media organizations, so control over media outlets is in fewer hands. Historically, there has been a legal limit on how much control any one media company could seize. But in 2003, the Federal Communications Commission (FCC) relaxed a decades-old rule that restricted media ownership. Now a single company can own television stations that reach up to 45 percent of U.S. households—up from the 35 percent specified in the old rule. In addition, the FCC voted to lift all "cross-ownership" restrictions, ending a ban on one company owning both a newspaper and broadcast station in a city.¹²

The consolidation is not restricted to television. Media companies of all types tend to pursue more and

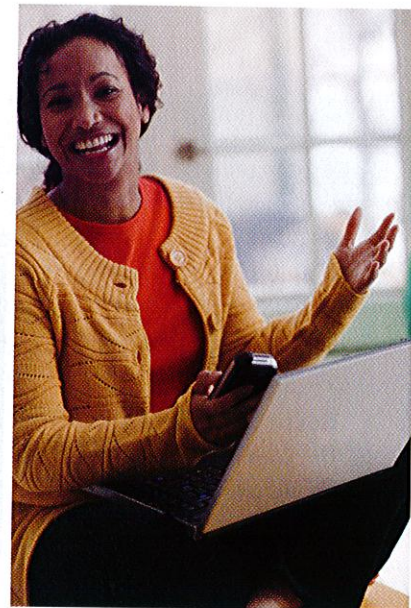
more "properties" if they are allowed to, thus creating what are now referred to as "multiplatform" media organizations.¹³ Consider the evolution of media giant News Corp. and its holdings, which include television networks (Fox), newspapers (more than 20 worldwide, including the *Wall Street Journal*), in-store and at-home promotional materials (News

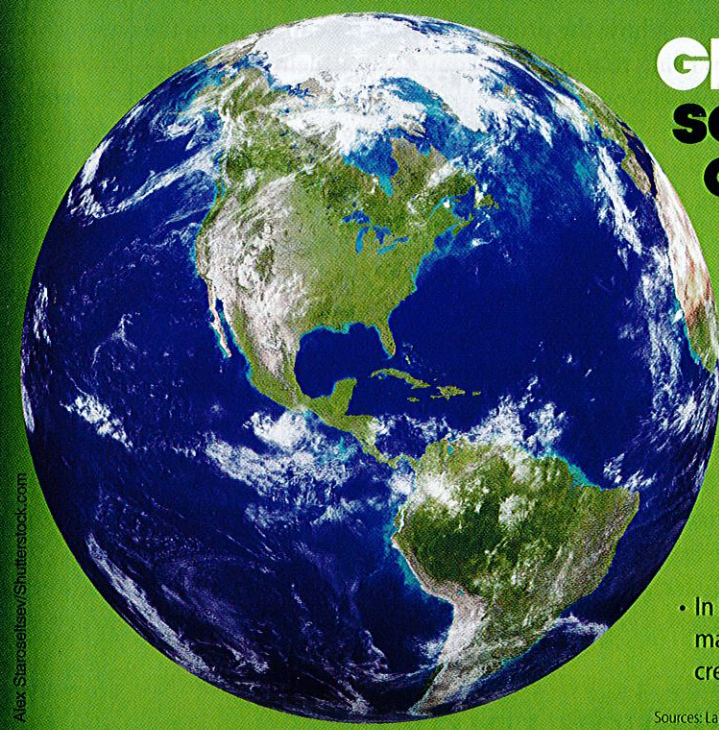
America Marketing Group), satellite (Sky Italia), and cable systems (Fox News). Besides cultivating a Web presence by creating sites affiliated with other media, such as Fox News and the *Wall Street Journal*, News Corp. has experimented with investments in Internet-only media outlets including MySpace and Hulu. News Corp.'s worldwide media holdings generate more than \$30 billion in revenue and reach every corner of the earth. As big as News Corp. is, the ultimate multiplatform may be Disney, which owns the ABC broadcasting network and the ESPN cable network group, plus 10 other cable stations, over 30 radio stations, video on demand, books, magazines, and the Disney Interactive Media Group, which creates a parenting website, websites that offer exploration of "virtual worlds," and video games for play on computers, game consoles, and mobile devices.

Media Clutter

Even though media companies and advertising agencies have been consolidating into fewer large firms, the number of media options has grown, giving marketers more ways to try to reach consumers than ever before. In television alone, the options have multiplied. In 1994, the consumer had access to about 27 television channels. Today, the average U.S. household has access to well over 100 channels. That means consumers are harder to find. In 1995, it took three well-placed TV spots to reach 80 percent of women television viewers. By 2003, it took 97 spots to reach them.¹⁴

The types of media also have proliferated with the introduction of cable television channels, direct-marketing technology, Web options, and alternative new media (podcasting, for example). New and



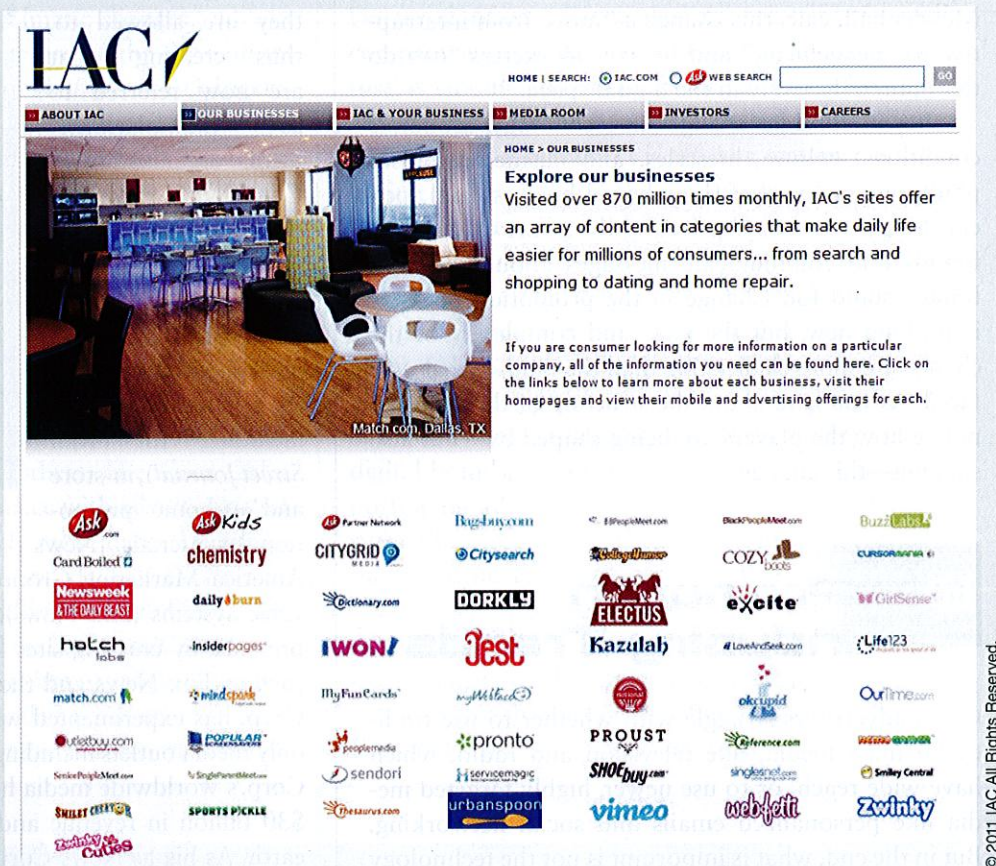


GLOBAL RICH SOIL FOR AGENCY GROWTH

- Hispanic agencies in the United States that develop campaigns for Spanish-speaking consumers have been enjoying double-digit growth. As Hispanic online spending has risen above \$150 million a year, more of these agencies are starting interactive units.
- China is struggling to keep up with the need for advertising and promotional materials fueled by that country's dramatic economic growth. For some agencies in China, finding enough talent to hire is a "crisis."
- In Europe, Amsterdam has emerged as a hot agency market. Why? The city itself is artistic, easily attracts creative talent, and features broad diversity.

Sources: Laurel Wentz, "Look at Them Grow: U.S. Hispanic Agencies Thrive," *Advertising Age*, December 4, 2006, 31; Laurel Wentz and Normandy Madden, "China's Ad World: A New Crisis Every Day," *Advertising Age*, December 11, 2006, 6; and Jack Ewing, "Amsterdam's Red-Hot Ad Shops," *BusinessWeek*, December 18, 2006, 52.

Not to be outdone, the Web has its own media conglomerates. InterActiveCorp (IAC) has amassed a media empire of Internet sites that include Ask.com, Match.com, Urbanspoon, and Dictionary.com. Together, these sites generate about \$1.6 billion in revenue, which makes IAC nearly as big as better-known Internet merchants, but much more diversified.



increased media options have resulted in so much clutter that the probability of any one message breaking through and making a real difference continues to diminish.

As marketers struggle to stand out amid the clutter, they are losing faith in advertising alone. Promotion options such as online communication, brand placement in film and television, point-of-purchase displays, and sponsorships are more attractive to advertisers. For example, advertisers on the Super Bowl, notorious for its clutter and outrageous ad prices (about \$3 million for a 30-second spot), use integrated marketing communication to ensure that attention begins well before game day. Up to two months ahead of the game, marketers announce their purchase of advertising time, hoping to spur some early publicity. Then at their own websites or on YouTube, they post video clips from the ad or behind-the-scenes video about making the ad, so curious consumers will check it out and spread the word. After the game, companies post the ads online for further viewing,

typically with applications that let viewers easily post the ad on their Facebook and Twitter pages. In 2010, Snickers created a micro-site featuring its Super Bowl ad. Viewers loved the scenes of Betty White playing football in the mud, and the ad became wildly popular—so much so that the veteran actress found she was a star once again.¹⁵

As marketers focus on integrating more tools within the overall promotional effort in an attempt to reach more consumers in different ways, traditional media expenditures are falling. Consider the decisions by Johnson & Johnson. In 2007, J&J announced that it had shifted \$250 million in spending from traditional media—television, magazines, and newspapers—to “digital media,” including the Internet and blogs.¹⁶

Advertisers are shifting spending out of traditional media because they are looking to the full complement of promotional opportunities in sales promotions (like the Miller chairs), event sponsorships, new-media options, and public relations as means to support and enhance the primary advertising

effort for brands. Some advertisers are enlisting the help of Hollywood talent agencies in an effort to get their brands featured in television programs and films. The payoff for strategic placement in a film or television show can be huge. Getting Coca-Cola placed on *American Idol*, as we talked about earlier, is estimated to be worth up to \$20 million in traditional media advertising.¹⁷ This topic also is covered in Chapter 12, where we consider branded entertainment in detail.

Consumer Control

Historically, advertisers controlled information and the flow of information as a one-way mode of communication through mass media. But today's consumers are in greater control of the information they receive about product categories and the brands within those categories. The simplest and most obvious example is when consumers visit Internet sites they choose to visit for either information or shopping. But it gets a lot more complicated from there. **Blogs**—or websites frequented by individuals with common interests where they can post facts, opinions, and personal experiences—are emerging as new and sophisticated sources of product and brand information. Once criticized as the “ephemeral scribble” of 13-year-old girls and the babble of techno-geeks, blogs are gaining greater sophistication and organization. Web-based service firms like Blogdrive, Feedster, and Blogger are making blogs easier to use and accessible to the masses.

Another way in which consumers exert control over the messages they receive is by using digital video recorders (DVRs) like TiVo and controllers like Slingbox. Marketers initially reacted to this trend with fear, expecting that consumers would use DVRs as a way to fast-forward through ads. In fact, as the penetration of DVRs into U.S. households has

neared 40 percent, marketers are finding that households seem to be using DVRs as a way to watch more TV than ever, because they can watch shows at a convenient time.

And they don't necessarily fast-forward through the ads—especially not young viewers, who may be using ad time to multitask by checking texts or Facebook posts.¹⁸ In sum, the use of DVRs is a lot more complex than marketers had assumed.

Marketers and marketing professionals must adapt to consumers' control over the information they choose to receive. One adaptation is to be more creative with messages. For example, marketers are weaving ad stories into television stories, as when zombie attack rescuers arrived in a Toyota Corolla during the drama *The Walking Dead* or when Unilever products are tied into the story line of *Mad Men*. When skillfully done and entertaining in their own right, these ads hold viewers' attention—in fact, some viewers even use their DVRs to replay ads they enjoy.¹⁹ Another technique—less creative but certainly effective—is to run advertising messages along the bottom of the programming. Finally, TiVo has introduced a service that sounds crazy: ads on demand.²⁰ The premise is that consumers about to buy expensive items like cars or resort vacations may want to watch information about alternative brands.

Web 2.0

Recently, consumer control has moved to a whole new level of collaboration via Web 2.0. A phrase coined by O'Reilly Media in 2004, *Web 2.0* refers to a second generation of Web-based use and services—such as social networking sites and wikis—that emphasize online collaboration and sharing among users. O'Reilly Media used the phrase as a title for a series of conferences, and it has since become widely adopted.

MARKETERS AND
MARKETING PROFESSIONALS
MUST ADAPT TO
CONSUMERS' CONTROL
OVER THE INFORMATION **THEY**
CHOOSE TO RECEIVE.

blog personal journal on a website that is frequently updated and intended for public access

social media highly accessible Web-based media that allow the sharing of information among individuals and between individuals and groups

crowdsourcing online distribution of tasks to groups (crowds) of experts, enthusiasts, or general consumers

Consumers' sharing and collaboration often involve the use of **social media**, highly accessible Web-based media that allow the sharing of information among individuals and between individuals and groups. Social media, discussed more fully in Chapter 13, have become the most significant form of consumer control over information creation and

communication. Facebook has more than 350 million users worldwide, and Twitter has more than 50 million users.²¹ Marketers can participate by setting up Facebook pages and sending 140-character messages, called tweets, to people who sign up to be followers on Twitter. Just three months after Honda started a Facebook page, 2 million people had signed up to be "friends" of the brand.²²

When consumers use social media and other Web 2.0 applications, they are publishing their own thoughts and ideas. This opens for marketers the possibility of **crowdsourcing**, the online distribution of tasks to groups (crowds) of experts, enthusiasts, or general consumers.²³ The goal is that, as users of a product recommend innovations, they will become more committed to the brand. Dell, for example, launched its "Idea Storm" website to invite computing ideas, and Starbucks created "MyStarbucksIdea" to invite recommendations for new products and services that it might offer in its stores. Ford built interest in its Fiesta compact by inviting consumers to apply to be "agents" who would receive a Fiesta they would drive for six months in exchange for blogging about their experiences. Out of the 4,000 people who applied, Ford chose 100. Their videos and commentaries were posted online for consumers to view and share.

For years to come, these trends and the changes they bring about will force advertisers to think differently about the promotional mix and IMC. Similarly, advertising agencies will need to think about the way they



serve their clients and the way communications are delivered to audiences. Big clients such as Procter & Gamble and Miller Brewing Company are already demanding new and innovative programs to enhance the impact of their advertising and promotional dollars.

LO 2 Industry Scope and Structure

The promotion industry plays a significant role in the economy. More than \$300 billion is spent in the United States alone on various categories of advertising, with nearly \$600 billion spent worldwide. Spending on all forms of promotion including advertising exceeds a trillion dollars.²⁴

Promotional efforts are a significant expense for many individual firms. The top U.S. advertisers spend billions of dollars a year on advertising alone. To keep this in perspective, however, these amounts need to be measured against revenues. Procter & Gamble spent about \$4.8 billion on advertising in 2008, but this amount represented just under 7 percent of its sales.²⁵

Overall, the 100 leading advertisers in the United States spent just over \$105 billion on advertising in 2006, which was a healthy 3.1 percent increase over 2005.²⁶ While this is good news for ad agencies, there is no doubt that this rapidly increasing spending is related to increased clutter. Advertising may be quickly becoming its own worst enemy.

Who is spending all these ad dollars, and where are they spending that money? The structure of the industry tells us *who* does *what*, in *what order*, during the brand promotion process. The promotion industry is actually a collection of a wide range of talented people, all of whom have special expertise and perform a wide variety of tasks in planning, preparing, and placing promotional messages. Exhibit 2.1

shows the structure of the promotion industry by identifying the participants in the process.

Exhibit 2.1 demonstrates that *marketers* (such as Kellogg) can employ the services of *advertising and promotion agencies* (such as Grey Global Group) that may or may not contract for specialized services with various *external facilitators* (such as Simmons Market Research Bureau), which results in advertising and other promotional messages being transmitted with the help of various *media organizations* (such as the TBS cable network) to one or more *target audiences* (like you).

Note the options available in Exhibit 2.1. Marketers do not always need to employ the services of advertising agencies, nor do agencies always seek the services of external facilitators. Some marketers deal directly with media organizations for placement of their advertisements or implementation of their promotions. In the case of traditional advertising, this happens either when a marketer has its own internal advertising/promotions department that prepares all the materials for the process or when media organizations (especially radio, television, and newspapers) provide technical assistance in the preparation of materials. Also, interactive media formats provide advertisers the opportunity to work directly with entertainment programming firms, such as Walt Disney and LiveNation, to provide integrated programming that features brand placements in films and television programs or at entertainment

events. And, as you will see, many of the new-media agencies provide the creative and technical assistance advertisers need to implement campaigns through new media.

Marketers

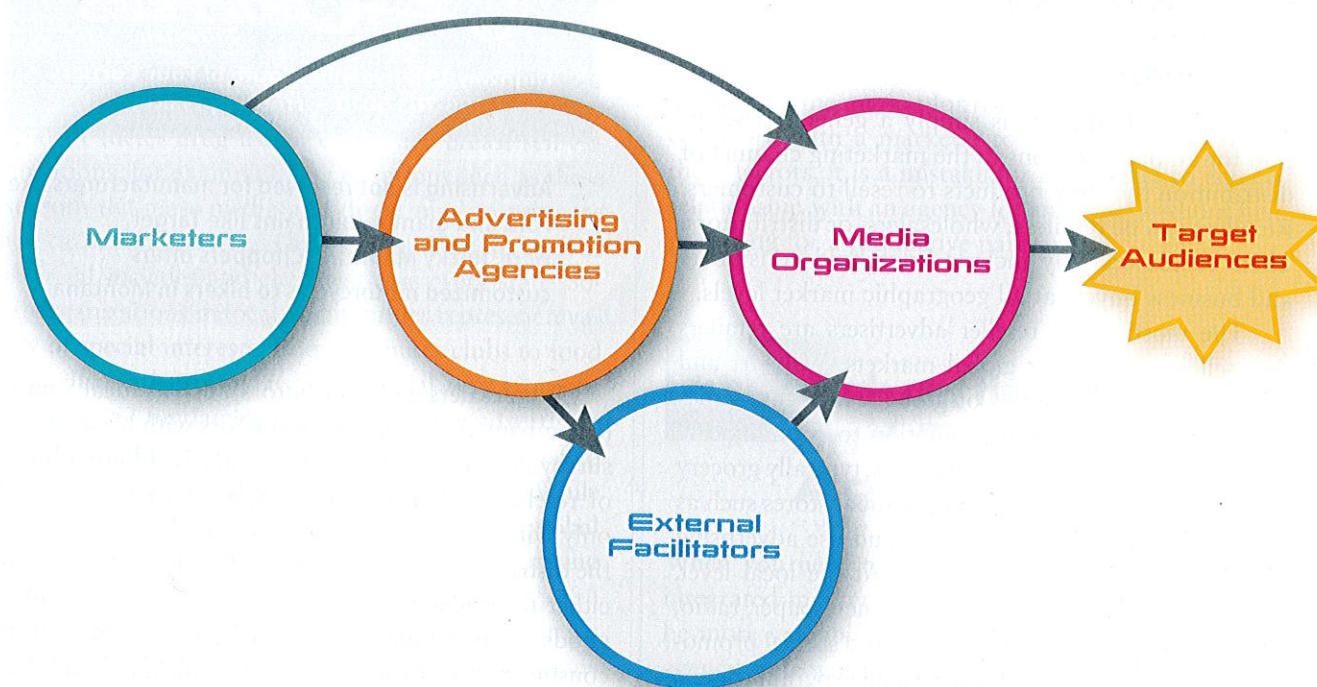
The first participants in the promotion industry are the marketers. From the local pet store to multinational corporations, organizations of all types and sizes seek to benefit from the effects of advertising and other elements of the promotional mix. **Marketers** are business, not-for-profit, and government organizations that use advertising and other promotional techniques to communicate with target markets and to stimulate awareness and demand for their brands. Marketers are also referred to as **clients** by their advertising and promotion agency partners. Different types of marketers use advertising somewhat differently, depending on the type of product or service they market.

Manufacturers and Service Firms

The most prominent users of promotion are large national manufacturers of consumer products and services, which often spend hundreds of millions of dollars annually. Procter & Gamble and Merrill Lynch have national or global markets for their products

marketer business, not-for-profit, or government organization that uses advertising and other promotional techniques to communicate with target markets to stimulate awareness of and demand for its brands
client organization that pays for advertising

Exhibit 2.1
Structure of the Promotion Industry



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trade reseller

organization in the marketing channel of distribution that buys products to resell to customers

and services. The use of advertising, particularly mass media advertising, by these firms is essential to creating awareness and preference for their brands.

But advertising is useful not just to national or multinational firms; regional and local producers of household goods and services also rely heavily on advertising. For example, regional dairy companies typically sell milk, cheese, and other dairy products in several states. These firms often use ads placed in newspapers and regional editions of magazines. Further, couponing and sampling are ways to communicate with target markets with IMCs that are well suited to regional application. Local producers of products are relatively rare, but local service organizations are common. Medical facilities, auto dealers, and arts organizations are examples of local service providers that use advertising to create awareness and stimulate demand. What car dealer in America has not advertised a holiday event or used a remote local radio broadcast to attract attention?

Firms that produce both business goods and services also may promote their products on global, national, regional, and local levels. IBM (computer and business services) and Deloitte (accounting and consulting services) are examples of global companies that produce business goods and services. At the national and regional levels, firms that supply agricultural and mining equipment and repair services are common users of promotion, as are consulting and research firms. At the local level, firms that supply janitorial, linen, and bookkeeping services use advertising to companies in their area.

Trade Resellers

The term **trade reseller** is simply a general description for all organizations in the marketing channel of distribution that buy products to resell to customers. Resellers can be retailers, wholesalers, or distributors. Their customers may include household consumers and business buyers at all geographic market levels.

The most visible reseller advertisers are retailers that sell in national or global markets. Walmart and McDonald's are examples of global retail companies that use various forms of promotion to communicate with customers. Regional retail chains, typically grocery chains such as Albertson's or department stores such as Dillard's, serve multistate markets and use advertising suited to their regional customers. At the local level, small retail shops of all sorts rely on newspaper, radio, television, and billboard advertising and special promotional events to reach a relatively small geographic area.

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Offers the industries most innovative designs.
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by hand to each customer's specifications.

**Six Models, Three Engine Options, Ten Wheel
Designs and Unlimited Paint Designs**



Highway 191, five miles south of Four Corners
406-763-5010 • rmchoppers.com

Advertising is not reserved for manufacturers like Ford and giant retail chains like Target. Here, Rocky Mountain Choppers offers customized motorcycles to bikers in Montana.

Courtesy, Rocky Mt. Choppers.

Wholesalers and distributors, such as Ideal Supply (a company that supplies contractors with blasting and surveying equipment), are a completely different breed of reseller. Technically, these types of companies deal only with business customers because their position in the distribution channel dictates that they sell products either to producers (who buy goods to produce other goods) or to retailers (who resell goods to household consumers). Occasionally, an organization will call

itself a wholesaler and sell to the public. Such an organization is actually operating as a retail outlet.

Wholesalers and distributors have little need for mass media advertising over media such as television and radio. Rather, they use trade publications, directory advertising such as the Yellow Pages and trade directories, direct mail, and their websites as their main advertising media.

Federal, State, and Local Governments

Government bodies may not seem to need advertising, but various agencies invest millions of dollars in advertising annually. The U.S. government often ranks as one of the 50 largest spenders on advertising in the United States, with expenditures typically exceeding \$1 billion annually.²⁷ If you add in other IMC expenses, including brochures, recruiting fairs, and the personal selling expense of recruiting offices, the U.S. government easily spends well over \$2 billion annually. The federal government's spending on advertising and promotion is concentrated in two areas: armed-forces recruiting and social issues. The U.S. government's broad-based advertising for military recruiting includes the U.S. Army's "Army Strong" campaign, which uses television, magazines, newspapers, and interactive games (America's Army) hosted at the Army recruiting website (www.goarmy.com).²⁸

Social and Not-for-Profit Organizations

Advertising by social organizations at the national, state, and local levels is common. The Nature Conservancy, United Way, American Red Cross, and art organizations use advertising to raise awareness of their organizations, seek donations, and attempt to shape behavior (deter drug use or encourage breast self-examinations, for example). Organizations such as these use both the mass media and direct mail to promote their causes and services. Unique organizations such as historical societies and charities serve every state. Social organizations in local communities represent a variety of special interests, from computer clubs to food banks. The advertising used by social organizations has the same fundamental purpose as the advertising carried out by major multinational corporations: to stimulate demand and disseminate information. While big multinationals might use national or even global advertising, local organizations rely on advertising through local media to reach local audiences.

If these categories of marketers sound familiar, it's because, in Chapter 1, we identified the same groups

as distinct audiences for promotional messages. Firms are targets for marketing as well as marketers themselves.

The Marketer's Role in IMC

Very few of the marketers just discussed have the employees or financial resources to strategically plan and then totally prepare effective advertising or IMC programs. Most turn to advertising and promotion agencies, which play an important role in the promotion industry. But the marketer does play an important role before enlisting the services of an agency. For the agency to do its job effectively, marketers have to be prepared for their interaction with an agency. Marketers must:

- Fully understand and describe the value that the firm's brand provides to users.
- Fully understand and describe the brand's position in the market relative to competitive brands.
- Describe the firm's objectives for the brand in the near term and long term (e.g., brand extensions, international market launches).
- Identify the target markets that are most likely to respond favorably to the brand.
- Identify and manage the supply chain/distribution system that will most effectively reach the target markets.
- Be committed to using advertising and other promotional tools as part of the organization's overall marketing strategy to grow the brand.

Once a marketer has fulfilled these six responsibilities, then and *only* then is it time to enlist the services of an agency for help in effectively and creatively developing the market for the brand. While an agency can work with a marketer to help define and refine these factors, it is a mistake for a marketer to enter a relationship with an agency (of any type) without first preparing for a productive partnership.

10.3 Advertising and Promotion Agencies

When you need to devise an advertisement or fully integrated marketing communication, no source will be more valuable than the advertising or promotion agency you work with. Advertising and promotion

advertising agency organization of professionals who provide creative and business services related to planning, preparing, and placing advertisements

full-service agency advertising agency that includes an array of advertising professionals to meet all the promotional needs of clients

creative boutique advertising agency that emphasizes copywriting and artistic services

digital/interactive agency advertising agency that helps clients prepare communications for new media (for example, the Internet and interactive kiosks)

agencies are a critical link in the IMC process and give it the essential creative firepower. Marketers are fortunate to have a full complement of agencies that specialize in every detail of advertising and promotion.

Advertising Agencies

Most marketers choose to enlist the services of an advertising agency. An **advertising agency** is an organization of professionals who provide creative and business services to clients in planning, preparing, and placing advertisements. The reason so many firms rely on advertising agencies is that agencies house a collection of professionals with specialized talent, experience, and expertise that simply

cannot be matched by in-house talent.

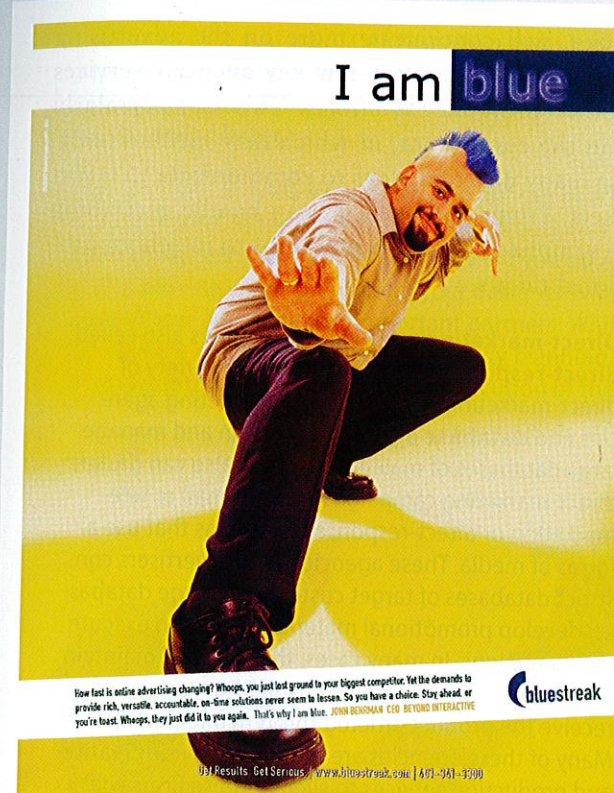
Advertising agencies are located in most big cities and small towns in the United States. Many agencies are global businesses. In a recent year, the biggest firms globally were WPP (based in London), Omnicom Group (New York), Interpublic Group (New York), Publicis Groupe (Paris), and Dentsu (Tokyo).²⁹

Many types of agency professionals help advertisers in the planning, preparation, and placement of advertising and other promotional activities. Exhibit 2.2 lists some of the most widespread agency positions. As this list suggests, some advertising agencies can provide advertisers with a host of services, from campaign planning through creative concepts to e-strategies to measuring effectiveness. Also, because an agency is a business, agencies have CEOs, CFOs, and CTOs. Salaries in the positions listed range from about several million a year for a big agency chief executive officer to about \$50,000 a year for a media planner.³⁰ Of course, those salaries change depending on whether you're in a big urban market or a small regional market.

ADVERTISING AND PROMOTION AGENCIES ARE A **CRITICAL LINK** IN THE IMC PROCESS AND GIVE IT THE **ESSENTIAL CREATIVE FIREPOWER.**

It is up to the marketer to dig deep into an agency's background and determine which agency or set of multiple agencies will fulfill the company's marketing needs. Several different types of agencies are available, offering varying degrees of expertise and services:

- A **full-service agency** typically includes an array of advertising professionals to meet all the promotional needs of their clients. Often, such an agency will also offer global contacts. Giant full-service agencies like Omnicom Group and Dentsu employ hundreds or even thousands of people. Smaller shops can be full service with just a few dozen employees and serve big clients. Crispin Porter + Bogusky, a highly creative shop in Miami, has produced full-service, highly creative campaigns for Burger King and Mini USA.³¹ Likewise, you don't have to be a big corporation with an ad budget in the hundreds of millions to hire a full-service agency. Cramer-Krasselt, a midsize agency, has built a stable of international clients one small to medium account at a time.³²
- A **creative boutique** typically emphasizes creative concept development, copywriting, and artistic services. A marketer can employ this alternative for the strict purpose of infusing greater creativity into the message theme or individual advertisement. As one advertising expert put it, "If all clients want are ideas, lots of them, from which they can pick and mix to their hearts' delight, they won't want conventional, full-service agencies. They all want fast, flashy, fee-based idea factories."³³ Creative boutiques are these idea factories. Some large global agencies such as McCann-Erickson Worldwide and Leo Burnett have set up creative-only project shops that mimic the services provided by creative boutiques, with mixed results. The creative boutique's greatest advantage, niche expertise, may be its greatest liability as well. As firms search for IMC programs and make a commitment to IMC campaigns, the creative boutique may be an extra expense that they feel they cannot afford. Still, the creative effort is so essential to effective brand building that creativity will rise to prominence in the process, and creative boutiques are well positioned to deliver that value.
- **Digital/interactive agencies** help advertisers prepare communications for new media such as the Internet, podcasting, interactive kiosks, CDs, and interactive



Digital/interactive agencies specialize in developing banner ads and corporate websites. An example is Bluestreak, whose goal is to provide the infrastructure so that marketers and their agencies can create online campaigns that meet goals for consumers to click on links and then make purchases.

Exhibit 2.2 Advertising Agency Positions

Account planners	Creative directors
Marketing specialists	Sales promotion and event planners
Account executives	Copywriters
Media buyers	Direct marketing specialists
Art directors	Radio and television producers
Lead account planners	Web developers
Chief executive officers (CEOs)	Researchers
Chief financial officers (CFOs)	Interactive media planners
Chief technology officers (CTOs)	Artists, graphic designers
Public relations specialists	Technical staff—printers, film editors, and so forth

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- television. These agencies focus on ways to use Web-based solutions for direct marketing and target market communications. Interactive agencies do work for Oracle, Nintendo, and the U.S. Army. Today, even a midsize full-service agency will offer digital and interactive services to clients. This being the case, many firms have consolidated all their IMC needs, including interactive media, with their main full-service agency. Digital/interactive agencies (for example, 24/7 Real Media) also have taken over a wide range of e-commerce activities that formerly required specialized agency services. The future for digital and interactive agencies may be the *virtual agency*—a website where users who pay a flat fee can make their own TV, print, radio, and interactive ads (for example, see www.pick-n-click.com). The idea is being brought "mainstream" by Zimmerman agency (part of the Omnicom Group) as a way for multiunit businesses, like franchises and car dealers, to respond quickly and specifically to varying geographic or competitive needs.³⁴
- An **in-house agency** is often referred to as the advertising department in a firm and takes responsibility for the planning and preparation of advertising materials. This option has the advantage of greater coordination and control in all phases of the advertising and promotion process. Some prominent marketers that do most of their work in-house are Calvin Klein and Revlon. The marketer's own personnel have control over and knowledge of marketing activities, such as product development and distribution tactics. Another advantage is that the firm can essentially keep for itself any commissions an external agency would have earned. While the advantages of doing advertising work in-house are

in-house agency advertising department of a marketer's own firm

media specialist

organization that specializes in buying media time and space and that offers media strategy consulting to agencies and advertisers

promotion agency

specialized agency that handles promotional efforts

direct-marketing agency or direct-response agency

agency that maintains large databases of mailing lists and may design direct-marketing campaigns

database agency

agency that helps customers construct databases of target customers, merge databases, develop promotional materials, and execute direct-marketing campaigns

fulfillment center

operation that ensures consumers receive products ordered in response to direct marketing

infomercial long advertisement that resembles a talk show or product demonstration

consumer sales promotion

sales promotion that is aimed at consumers and focuses on price-off deals, coupons, sampling, rebates, and premiums

trade-market sales promotion

sales promotion that is designed to motivate distributors, wholesalers, and retailers to stock and feature a firm's brand in their merchandising programs

event-planning agency

agency that finds locations, secures dates, and assembles a team of people to pull off a promotional event

attractive, there may be a lack of objectivity, which could constrain the execution of all phases of the advertising process. Also, an in-house agency could not match the breadth and depth of talent available in an external agency.

- While not technically agencies, **media specialists** are organizations that specialize in buying media time and space and that offer media strategy consulting to advertising agencies and advertisers. Although media-buying services have been a part of the advertising industry structure for many years, media planning is a recent addition to these specialists' services. An example is Starcom MediaVest Group (www.smvgroup.com), a subsidiary of Paris-based Publicis Groupe. Starcom encompasses an integrated network of nearly 6,200 contact architects specializing in media management, Internet and digital communications, response media, entertainment marketing, sports sponsorships, event marketing, and multicultural media. Strategic coordination of media and promotional efforts has become more complex because of the proliferation of media options and extensive use of promotional tools beyond advertising. Marketers are finding that a firm that buys space can provide keen insights into the media strategy as well. Also, because media specialists buy media in large quantities, they often can negotiate a much lower cost than an agency or marketer could. Furthermore, media specialists often have time and space in inventory and can offer last-minute placement of advertisements.

Promotion Agencies

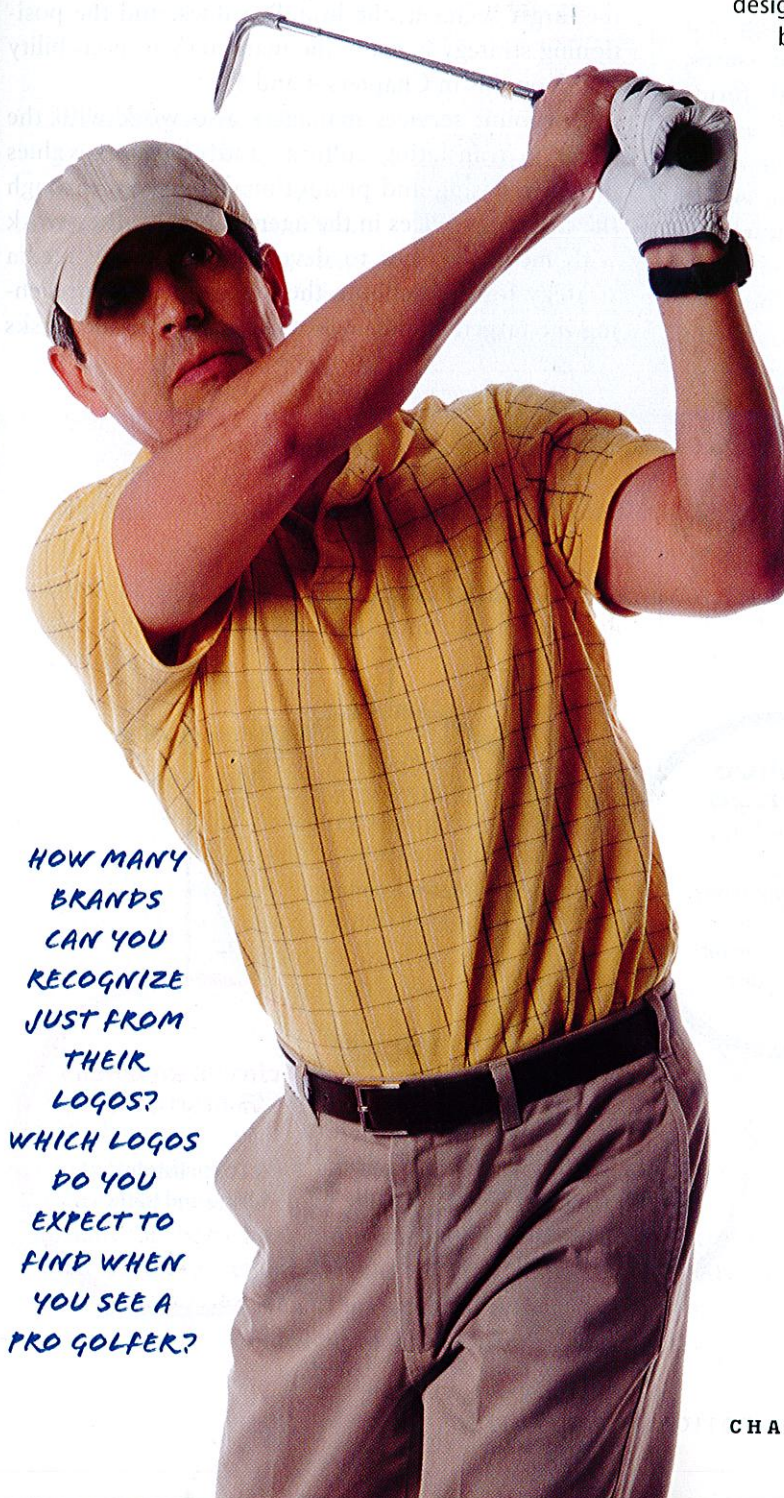
While advertisers often rely on an advertising agency as a steering organization for their promotional efforts, many specialized agencies, known as **promotion agencies**, also enter the process. This is because advertising agencies, even full-service

agencies, will concentrate more on the advertising and often provide only a few key ancillary services for other promotional efforts. This is particularly true in the current era, in which new media are offering many different ways to communicate to target markets. Promotion agencies can handle everything from sampling to event promotions to in-school promotional tie-ins.

- Direct-marketing agencies** (sometimes also called **direct-response agencies**) provide a variety of direct-marketing services. Direct-marketing agencies and **database agencies** maintain and manage large databases of mailing lists. They also can design direct-marketing campaigns that use mail or telemarketing or direct-response campaigns that use all forms of media. These agencies help advertisers construct databases of target customers, merge databases, develop promotional materials, and then execute the campaigns. In many cases, the agencies maintain **fulfillment centers**, which ensure that customers receive the product ordered through direct mail. Many of these agencies are set up to provide creative and production services to clients. These firms will design and help execute direct-response advertising campaigns using traditional media such as radio, television, magazines, and newspapers. Some firms can prepare **infomercials**: 5- to 60-minute information programs that promote a brand and offer direct purchase to viewers.
- Sales promotion agencies** design and then operate contests, sweepstakes, special displays, or coupon campaigns for advertisers. When these agencies specialize in **consumer sales promotions**, they focus on price-off deals, coupons, sampling, rebates, and premiums. Other firms specialize in **trade-market sales promotions** designed to help advertisers use promotions aimed at wholesalers, retailers, vendors, and trade resellers. These agencies are experts in designing incentive programs, trade shows, sales force contests, in-store merchandising, and point-of-purchase materials.
- Event-planning agencies** and organizers are experts in finding locations, securing dates, and putting together a team of people to pull off a promotional event: audiovisual people, caterers, security experts, entertainers, celebrity participants, or whoever is necessary to make the event come about. The event-planning organization often takes over advertising the event and making sure the press provides coverage (publicity) of the event. When an advertiser sponsors an entire event, such as a PGA golf tournament, managers will work closely with the event-planning agencies. If a marketer is just one of several sponsors

of an event, such as a NASCAR race, then it has less control over planning. Like sales promotion, event sponsorship can be targeted to household consumers or the trade market.

- Design firms** provide experts who do not get nearly enough credit in the advertising and promotion process: designers and graphics specialists. If you take a job in advertising or promotion, your designer will be one of your first and most important partners. While **designers** are rarely involved in strategy planning, they are intimately involved in the execution of the



HOW MANY
BRANDS
CAN YOU
RECOGNIZE
JUST FROM
THEIR
LOGOS?
WHICH LOGOS
DO YOU
EXPECT TO
FIND WHEN
YOU SEE A
PRO GOLFER?

Carlos E. Santa Maria/Shutterstock.com

advertising
basically
logo-
tifi

external facilitator
organization or individual that
provides specialized services to
advertisers and agencies

IMC). An agency
on achieving
more appropriate
communication
brand of brand

consultant individual
who specializes in areas related
to the promotional process

**production
facilitator** organization
that offers essential services
during and after the production
process

tis
ny sta
signage.
designers will
materials used
communications such as
design, coupons, in-store
brochures, outdoor billboards
for events, newsletters.
One of the largest consu
firms recently increased its
to design across all aspects of
ing and promotion, claiming that
was critical to "winning customers in
store."³⁵

- Public relations firms** manage an organization's relationships with the media, the local community, competitors, industry associations, and government organizations. Their tools include press releases, feature stories, lobbying, spokespersons, and company newsletters. Some of these firms, including PR Newswire (www.prnewswire.com), will handle putting all of a firm's news releases online. Most marketers prefer not to handle their own public relations tasks. One reason is that public relations requires highly specialized skills and talent not normally found in an advertising firm. Also, because managers are so close to public relations problems, they may not be capable of handling a situation, particularly a negative one, with measured public responses. For these reasons, marketers and advertising agencies turn to public relations firms. In a search of more and distinctive visibility, marketers have been turning to public relations firms to achieve film and television placements.³⁶ William Morris, originally a talent agency and now a public relations firm, served client Anheuser-Busch by getting Budweiser accepted as the first beer advertiser on the Academy Awards.

account services

team of managers that identifies the benefits a brand offers its target audiences and the best competitive position, and then develops a promotion plan

Agency Services

As suggested by the many types of firms, advertising and promotion agencies offer a wide range of services. Therefore, before hiring any agency, marketers need to identify the particular services they

need and then negotiate with the agency to reach an agreement on the services to be provided. Exhibit 2.3 shows where to find each of the main types of services in a typical full-service advertising agency that also provides a significant number of IMC services.

In practice, however, many agencies, large and small, have been flattened under economic pressures, and many big agencies have consolidated all forms of production under one manager. Where there used to be print production, film/video production, radio production, and retail advertising, now there is just “production.” Thus, although the services indicated by the positions shown in Exhibit 2.3 are representative, any one agency and its menu of services may be quite different.

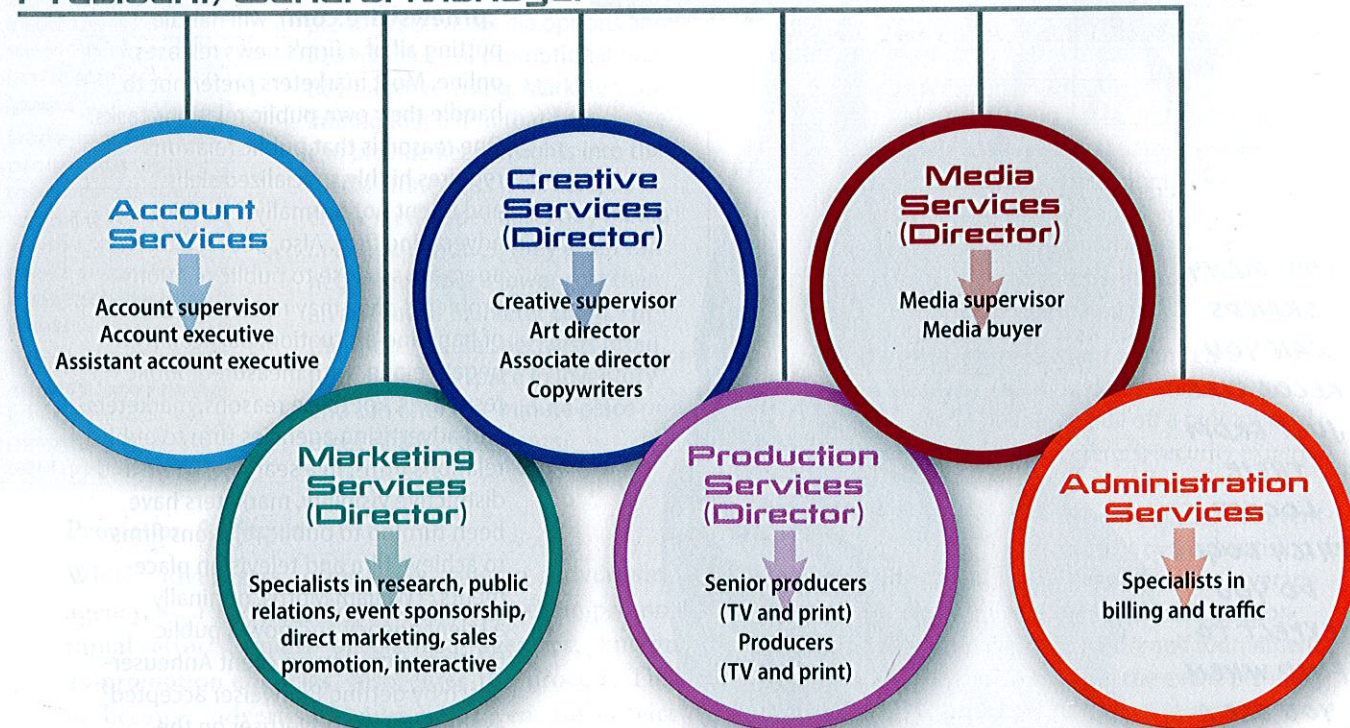
Account Services

Account services entail identifying the benefits a brand offers, the brand’s target audiences, and the best competitive positioning, and then developing a complete promotion plan. These services are offered by managers who have titles such as account executive, account supervisor, or account manager and who work with clients to determine how the brand can benefit most from promotion. In some cases, account services in an agency can provide basic marketing and consumer behavior research, but, in general, the client should bring this information to the table. Knowing the target segment, the brand’s values, and the positioning strategy is really the marketer’s responsibility (more on this in Chapters 4 and 5).

Account services managers also work with the client in translating cultural and consumer values into advertising and promotional messages through the creative services in the agency. Finally, they work with media services to develop an effective media strategy for determining the best vehicles for reaching the targeted audiences. One of the primary tasks

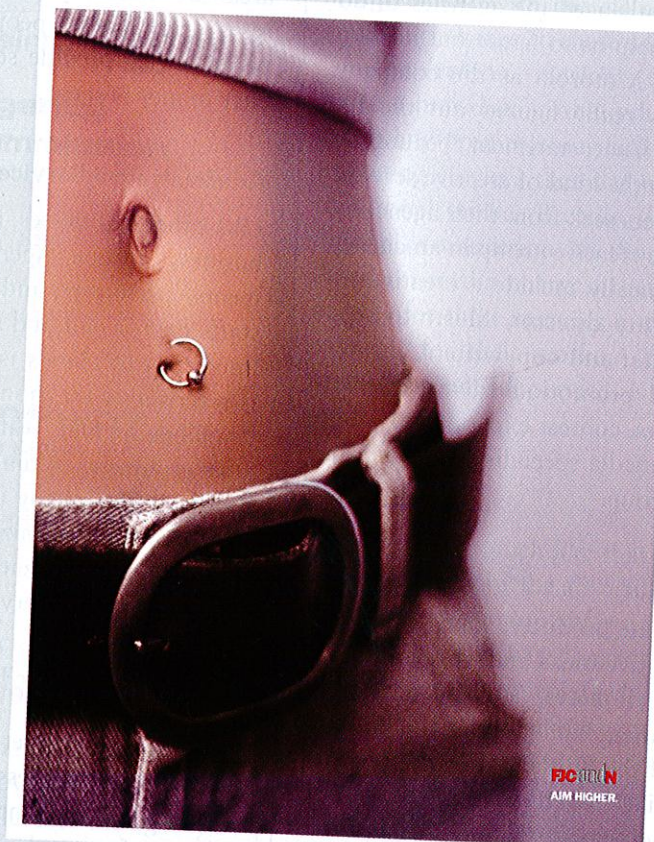
Exhibit 2.3
Structure of a Full-Service Ad Agency

President/General Manager



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Advertising agencies' greatest contribution to the promotion process may be their creative prowess. Here, FJCandN, a regional agency, implores marketers to "aim higher" (by working with its creative people, of course).



Courtesy of Richter 7, formerly FJCandN.

account planner

person in an advertising agency who synthesizes all relevant consumer research and uses it to design an advertising strategy

creative services

group in an advertising agency that develops the message to be delivered through advertising, sales promotion, direct marketing, event sponsorship, or public relations

in account services is to keep the various agency teams' creative, production, and media on schedule and within budget.

Marketing Research Services

Research conducted by an agency for a client usually consists of the agency locating studies (conducted by commercial research organizations) that have bearing on a client's market or advertising and promotion objectives. The research group will help the client interpret the research and communicate these interpretations to the creative and media people. If existing studies are not sufficient, research may be conducted by the agency itself. As mentioned in the account services discussion, some agencies can assemble consumers from the target audience to evaluate different versions of proposed advertising and determine whether messages are being communicated effectively.

Many agencies have established the position of **account planner** to coordinate the research effort. An account planner's stature in the organization is on par with that of an account executive. The account planner

is assigned to clients to ensure that research input is included at each stage of development of campaign materials. Some agency leaders, like Jay Chiat of Chiat/Day, think account planning has been the best new business tool ever invented.³⁷ Others are a bit more measured in their assessment. Either way, agencies understand that research, signaled by the appointment of an account planner, is the key to successful promotional campaigns.

Creative Services

The **creative services** group in an agency comes up with the concepts that express the value of a company's brand in interesting and memorable ways. In simple terms, the creative services group develops the message that will be delivered through advertising, sales promotion, direct marketing, event sponsorship, or public relations.

Clients will push their agencies hard to come up with interesting and expressive ways to represent the brand. Geoffrey Frost, vice president of consumer communications for Motorola's Personal Communications Sector, expressed his company's approach to demanding

production services team in an agency that takes creative ideas and turns them into advertisements, direct-mail pieces, or events materials

media planning and buying services services that are related to media planning or buying and are provided by advertising agencies or specialized media-buying organizations

commission system method of agency compensation based on the amount of money the advertiser spends on the media

creative excellence by saying, "What we've challenged the agencies to do was to help us to figure out how to position Motorola as the company that has really figured out the future."³⁸ That statement beautifully captures the kind of creative services advertisers seek from their agencies.

The creative group in an agency will typically include a creative director, art director, illustrators or designers, and copywriters. In specialized promotion agencies, event planners, contest experts, and interactive media specialists will join the core group.

Production Services

Production services include producers (and sometimes directors) who take creative ideas and turn them into advertisements, direct-mail pieces, or events materials. Producers generally manage and oversee the endless details of production of the finished advertisement or other promotion material. Advertising agencies maintain the largest and most sophisticated creative and production staffs.

Media Planning and Buying Services

The service of media planning and buying was described earlier as being available from a specialized agency. Full-service advertising agencies also provide **media planning and buying services** similar to those of the specialized agencies. The central challenge is to determine how a client's message can most effectively and efficiently reach the target audience. Media planners and buyers examine an enormous number of options to put together an effective media plan within the client's budget. But media planning and buying is much more than simply buying ad space, timing a coupon distribution, or scheduling an event. A wide range of media strategies can be implemented to enhance the impact of the message. Most large agencies, such as Omnicom, Chiat/Day, and Fallon McElligott, set up their own interactive-media groups years ago in response to client demands that the Internet media option be included in nearly every IMC plan.

The three positions typically found in the media area are media planner, media buyer, and media researcher. These people are critically important because they provide services where most of the client's money is spent.

Administrative Services

Like other businesses, agencies have to manage their business affairs. Agencies have personnel departments, accounting and billing departments, and sales staffs that go out and sell the agency to clients. Most important to clients is the traffic department, which is responsible for monitoring projects to be sure that deadlines are met. Traffic managers make sure the creative group and media services are coordinated so that deadlines for getting promotional materials to printers and media organizations are met. The job requires tremendous organizational skills and is critical to delivering the other services to clients.

Agency Compensation

The way agencies get paid is somewhat different from the way other professional organizations are compensated. While accountants, doctors, lawyers, and consultants often work on a fee basis, advertising agencies often base compensation on a commission or markup system. Promotion agencies occasionally work on a commission basis, but more often they work on a fee or contract basis.

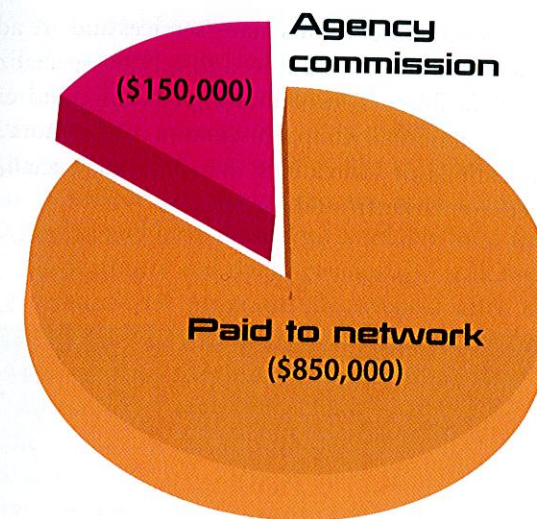
With cost pressure affecting all businesses and other organizations today, the atmosphere surrounding agency compensation is becoming tenser. Clients are demanding more services at lower cost. Some are including "procurement officers" in planning meetings with agencies. In response, some agencies bring their own financial executives. TBWA, an agency under the Omnicom umbrella, even created the position of chief compensation officer, responsible for the agency's financial discussions with clients.³⁹



Commissions

The traditional method of agency compensation is the **commission system**, which is based on the amount of money the advertiser spends on media. Under this method, an agreed-upon percent of the total amount billed by a media organization is retained by the advertising or promotion agency

Exhibit 2.4
Agency Commissions: An Example
Marketer's cost of airtime = \$1,000,000



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as compensation for all costs in creating advertising/promotion for the advertiser. (The percentage has traditionally been 15 percent, or 16.67 percent for outdoor media, but in practice, many agencies today charge different amounts.) As shown in Exhibit 2.4, there are three basic steps to calculate an agency's compensation in the commission system:

1. The agency bills the client for the media time or space—in this case, \$1 million for television airtime.
2. The agency pays the media 85 percent (\$850,000 in the example).
3. The agency keeps a 15 percent commission (\$150,000).

In recent years, advertisers and agencies themselves have questioned the wisdom of the commission system. As the chairman of a large full-service agency put it long ago, "It's inciting us to do the wrong thing, to recommend network TV and national magazines and radio when other forms of communication like direct marketing or public relations might do the job better."⁴⁰ Still, about half of all advertisers compensate their agencies using a commission system based on media cost.

Markup Charges

Another method of agency compensation is to add a percentage **markup charge** to a variety of services the agency purchases from outside suppliers. In many cases, an agency will turn to outside contractors for art, illustration, photography, printing, research,

and production. The agency then, in agreement with the client, adds a markup charge to these services.

The reason markup charges became prevalent in the industry is that many promotion agencies were providing services that did not use traditional media. Because the traditional commission method was based on media charges, there was no way for these agencies to receive payment for their work. A typical markup on outside services is 17.65 to 20 percent.

Fee Systems

A **fee system** is much like that used by consultants or attorneys, whereby the advertiser and the agency agree on an hourly rate for different services provided. The hourly rate can be based on average salaries within departments or on some agreed-upon hourly rate across all services. This is the most common basis for promotion agency compensation.

Another version of the fee system is a fixed fee, or contract, set for a project between the client and the agency. It is imperative that the agency and the marketer agree on precisely what services will be provided, by what departments in the agency, and over what specified period of time. In addition, the parties must agree on which supplies, materials, travel costs, and other expenses will be reimbursed beyond the fixed fee. Fixed-fee systems have the potential for causing serious rifts in the client-agency relationship because out-of-scope work can easily spiral out of control when so many variables are at play. When such controversies arise, the client-agency relationship is damaged and trust suffers.

Most agencies are vigorously opposed to the fee system. They argue that creative impact cannot be measured in "work hours" but rather must be measured in "the value of the materials the agency is creating for the client."⁴¹

Pay-for-Results

Recently, many marketers and agencies have been working on compensation programs called **pay-for-results**; these base the agency's fee on the achievement of agreed-upon results. Historically, agencies have not agreed to be evaluated on results because results have often been narrowly defined as sales volume, which is

markup charge method of agency compensation based on adding a percentage charge to a variety of services the agency purchases from outside suppliers

fee system method of agency compensation whereby the advertiser and agency agree on an hourly rate for services provided

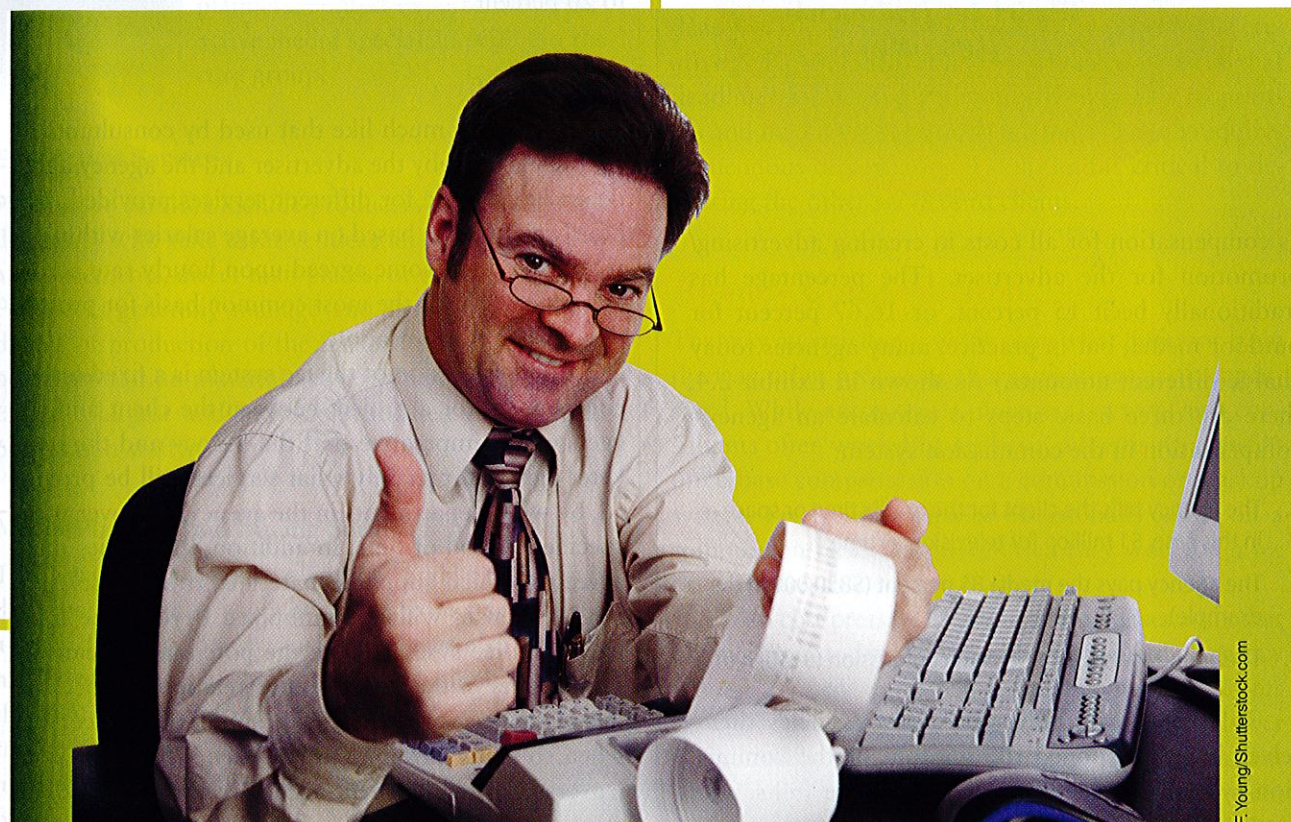
pay-for-results compensation plan based on an agreement in which fee amounts are tied to a set of results criteria

external facilitator
organization or individual that
provides specialized services to
advertisers and agencies

mainly related to factors outside the agency's control (product features, pricing strategy, and distribution programs—that is, the overall marketing mix, not just advertising or IMC). An agency may agree to be compensated based on achievement of sales levels, but more often (and more appropriately) the main results criteria are communications objectives such as the target audience's brand awareness, brand identification, or knowledge of brand features.

10.4 External Facilitators

While agencies offer clients many services and are adding more, marketers often need to rely on specialized external facilitators in planning, preparing, and executing promotional campaigns. **External facilitators** are organizations or individuals that provide specialized services to marketers and agencies.



ETHICS TRUST—BUT VERIFY

When marketers and their agencies had long histories together, they sealed deals with a handshake. Today, marketers are quick to change partners, so they need a new basis for trust in the client–agency relationship. Enter the auditor. Auditing firms scrutinize all aspects of agency work, from creative services to billing practices. In one assignment, an international ad-agency auditing firm called Firm Decisions found that an agency staffer had billed an average of 17 hours a day, including weekends, for an entire month. One day, she even logged 26 hours. That's not the norm for agency behavior, but it sure does make the auditors look like a wise investment.

Sources: Claire Atkinson, "GM Ad Boss Takes Agencies to Task," *Advertising Age*, June 30, 2003, 1, 26; Erin White, "Making Sure the Work Fits the Bill," *Wall Street Journal*, February 5, 2004, B8.

Marketing and Advertising Research Firms

Many firms rely on outside assistance during the planning phase of advertising. Research firms such as Burke and Simmons can perform original research for marketers, using focus groups, surveys, or experiments to assist in understanding the potential market or consumer perceptions of a product or services. Other research firms, such as SRI International, routinely collect data (from grocery store scanners, for example) and have these data available for a fee.

Advertisers and their agencies also seek measures of promotional program effectiveness after a campaign has run. After an advertisement or promotion has been running for some reasonable amount of time, firms such as Starch INRA Hooper will run recognition tests on print advertisements. Other firms such as Burke offer day-after recall tests of broadcast advertisements. Some firms specialize in message testing to determine whether consumers find advertising messages appealing and understandable.

Consultants

A variety of **consultants** specialize in areas related to the promotional process. Marketers can seek out marketing consultants for assistance in the planning stage. Creative and communications consultants provide insight on issues related to message strategy and message themes. Consultants in event planning and sponsorships offer their expertise to marketers and their agencies. Public relations consultants often work with top management. Media experts can help a marketer determine the proper media mix and efficient media placement.

Three new types of consultants have emerged in recent years:

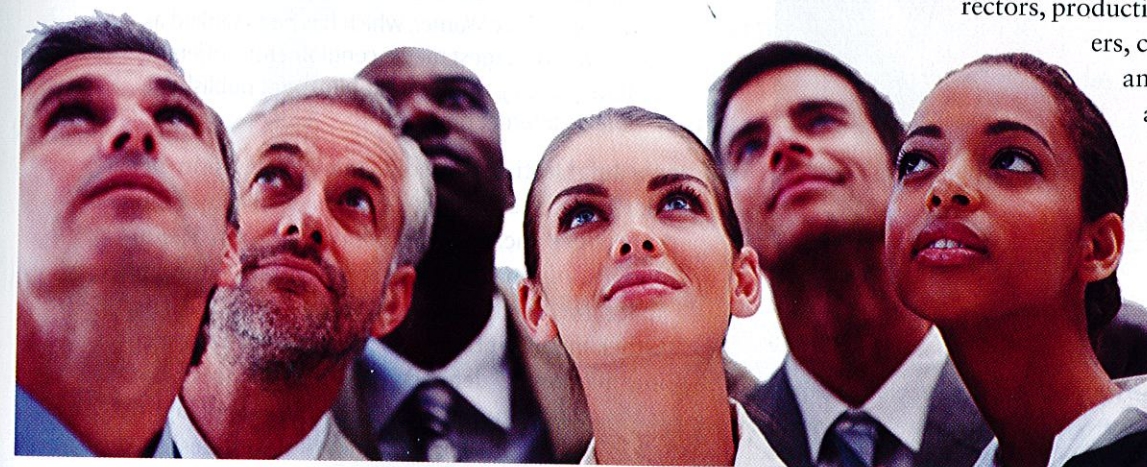
1. A database consultant works with marketers and agencies to help them identify and then manage databases that allow for the development of IMC programs. Organizations such as Shepard Associates can merge or cross-reference diverse databases from research sources discussed earlier.
2. Consultants specializing in website development and management typically have the creative skills to develop websites and corporate home pages and the technical skills to advise marketers on managing the technical aspects of the user interface.
3. Other consultants work with a firm to integrate information across a wide variety of customer contacts and to organize all this information to achieve customer relationship management (CRM).

In addition, traditional management consultants, such as Accenture and McKinsey, have started to work with agencies on structure and business strategy.⁴² These sorts of consultants also can advise on image strategy, market research procedure, and process and account planning. But the combination of traditional consulting and advertising has not always produced compelling results; the typical role of consultants—focusing on marketing, creative, or technical issues—is the more likely role for consultants in the future.

Production Facilitators

External **production facilitators** offer essential services during and after the production process. Production is the area where advertisers and their agencies rely most heavily on external facilitators. All forms of media advertising require special expertise that even the largest full-service agency, much less a marketer, typically does not retain on staff. In broadcast production, directors, production managers, songwriters, camera operators, audio and lighting technicians, and performers are all essential to preparing a professional, high-quality radio or television ad. Production houses can provide the physical facilities, including sets, stages, equipment, and crews, needed for broadcast

consultant individual who specializes in areas related to the promotional process
production facilitator organization that offers essential services during and after the production process



production. Similarly, in preparing print advertising, brochures, and direct-mail pieces, graphic artists, photographers, models, directors, and producers may be hired. In-store promotions is another area where designing and producing materials require the skills of a specialty organization.

Software Firms

An interesting and complex new category of facilitator in advertising and promotion is that of software firms. The technology in the industry, particularly new media technology, has expanded so rapidly that a variety of software firms facilitate the process. Some of these firms are well established and well known, including Microsoft and Oracle. These firms provide software that gathers and analyzes data on the behavior of Web

surfers, streams audio and video files, and manages relationships with trade partners. The expertise provided by these firms is so esoteric that even the most advanced full-service or digital/interactive agency must seek their assistance.

10.5 Media Organizations

At the next level in the industry structure are media organizations, which own and manage the media access to consumers. Exhibit 2.5 shows the basic categories of media providers available to marketers:

- **Broadcast media** include television (networks, independent stations, cable, and broadband) and radio (networks and local stations, as well as satellite programming).
- **Print media** include magazines, newspapers, direct mail, and specialty publications such as handbills and theater programs.
- **Interactive media** include online computer services, home-shopping broadcasts, interactive broadcast entertainment, kiosks, CDs, Internet, podcasts, smart phones, and e-readers.
- **Support media** include all those places that advertisers want to put their messages other than mainstream traditional or interactive media. Often referred to as *out-of-home media*, support media include outdoor (billboards, transit ads, and posters); directories such as print and online Yellow Pages; premiums (for example, logos or messages on key chains, calendars, clothing, and pens); point-of-purchase displays; event sponsorship; and placement of the brand in films, video games, and television programs.
- **Media conglomerates** bring together most or all of these media under one corporate roof. For example, Time Warner, which has been ranked as the world's largest media conglomerate, offers broadcasting, cable, music, film, print publishing, and an Internet presence.⁴³

In traditional media, major television networks such as NBC and Fox, as well as national magazines such as *U.S. News & World Report* and *People*, provide advertisers with time and space for their messages at considerable cost. Other media options are more useful for reaching narrowly defined target audiences. Specialty programming on cable television, tightly focused direct-mail pieces, and a well-designed

Exhibit 2.5 Types of Media Organizations

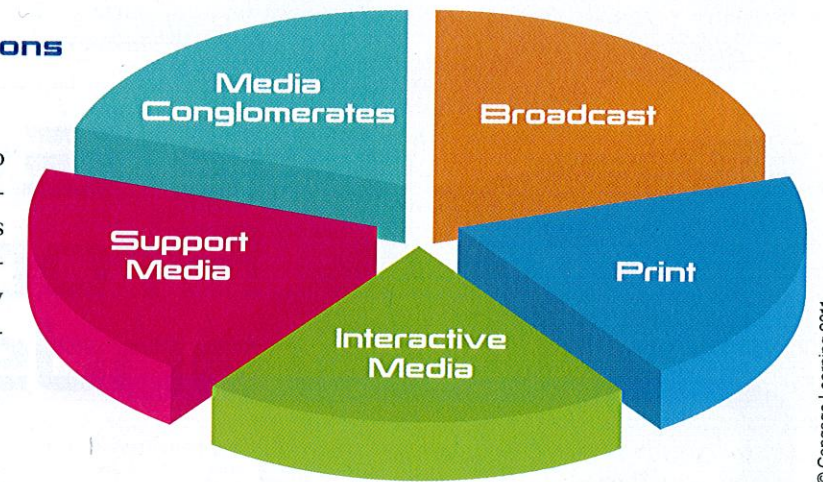
Internet campaign may be better ways to reach a specific audience. One of the new-media options, broadband, lets advertisers target very specific audiences. Internet users can customize their programming by requesting specific broadcasts from various providers.

Target Audiences

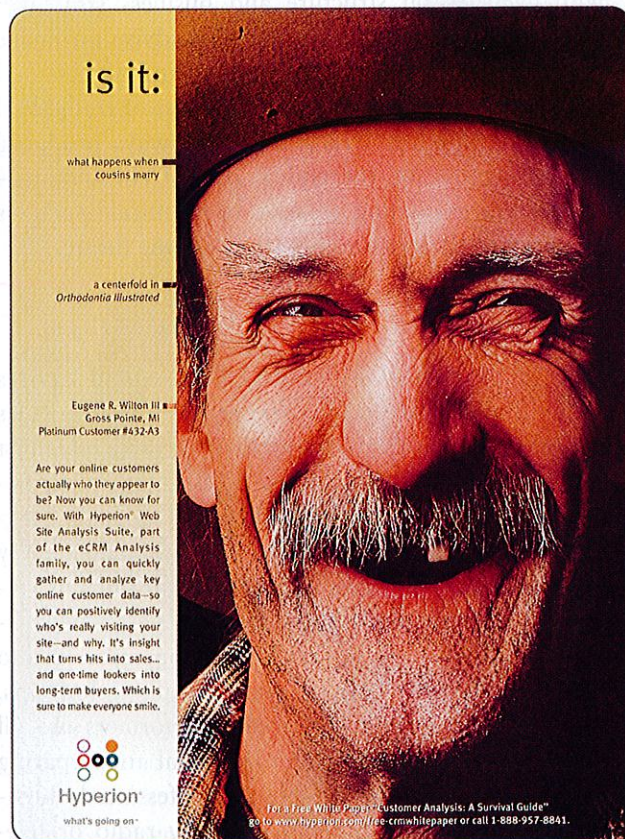
The structure of the promotion industry (Exhibit 2.1) and the flow of communication would obviously be incomplete without an audience: If there's no audience, there's no communication. One interesting thing about the audiences for promotional communications is that, with the exception of household consumers, they are also the marketers that use advertising and IMC.

We all are familiar with the type of advertising directed at us in our role as consumers: ads for toothpaste, sport-utility vehicles, insurance, and on and on.

But business and government audiences are keys to the success of many, many firms that sell only to business and government buyers. While many of these firms rely heavily on personal selling in their promotional mix, many also use a variety of IMC tools. For example, Accenture Consulting uses high-profile television and magazine advertising and sponsors events. Many business and trade sellers regularly need public relations, and most use direct mail to communicate with potential customers as a prelude to a personal selling call.



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Software firms like Hyperion are providing marketers with help in audience analysis and broadband communications. As detailed in its ad, Hyperion specializes in gathering customer data from website visits.

STUDY TOOLS CHAPTER 2

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- Rip out Chapter in Review Card.

Located at www.cengagebrain.com

- Review Key Terms Flashcards (Print or Online).
- Complete the Practice Quiz to prepare for tests.
- Play "Beat the Clock" and "Quizbowl" to master concepts.
- Complete "Crossword Puzzle" to review key terms.
- Watch videos on Microsoft for real company examples.
- For additional examples, go online to learn about the Web's media conglomerates such as IAC, or read more about the Hispanic, Chinese, and Dutch agencies growing abroad.