

Advertising, 4e

Arens | Weigold



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How did Tim Sweeney use social media principles to make billions... by giving a game away for free?

Chapter Thirteen

How did ocean garbage help Corona create one of the best billboards in the world?

ADVERTISING

A R E N S | W E I G O L D

4e



Mc
Graw
Hill

HOW DID
MARS
MAKE FICTIONAL CANDY
FIGURES SOME OF
THE WORLD'S BEST
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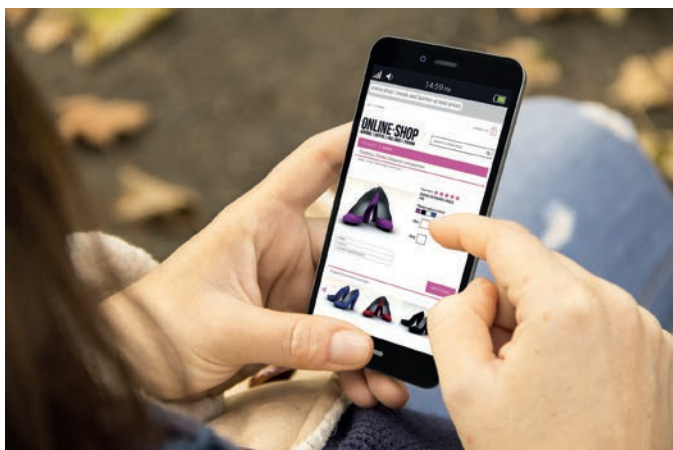
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changes to the fourth edition

chapter one

- Added a new vignette focused on Wendy's clever use of social media in partnership with Chance the Rapper to bring back Spicy Chicken Nuggets.
- The Wendy's vignette is woven throughout the chapter to illustrate basic concepts, especially in My Ad Campaign.
- Updated the timetable of advertising history.
- The "Principles of Free Market Economics" section has been simplified to help students better grasp these important foundations of a free market.
- Updated the top ten global marketers exhibit to 2019.
- Updated the tools for teamwork section to reflect the best tools available in early 2020.

chapter two

- Updated the opening vignette to include sponsorship issues from 2020.
- Extensively updated and simplified the "Freedom of commercial speech" section.
- Added significant information on privacy issues for digital media consumers, including information on the General Data Protection Regulation and the California Consumer Privacy Act.
- Updated the discussion of the Advertising Self-Regulatory Council (formally the National Advertising Review Council).
- Updated the Principles and Practices for Advertising Ethics of the American Advertising Federation.
- Added information on state regulation of advertising.
- Added information on how the impact of Facebook and Google has attracted the attention of international regulators.

chapter three

- Updated the McDonald's opening vignette to include recent marketing efforts and company performance.

- Included separate question on "Understanding your client" section regarding client's use of social media.
- Updated the statistics on top advertisers and top media companies.
- Updated the Rubio's story to include the company's use of social media.
- Updated the trends section significantly to include major new developments including the shift of media dollars to digital, the rise of consultancies, and the broad adoption of programmatic advertising.
- Updated all statistics on the advertising industry.

chapter four

- Updated the opening vignette, "The man your man could smell like" from Old Spice, to include its reappearance in the 2020 Super Bowl.
- Simplified and updated the "Understanding needs and utility" exhibit.
- Added a brand new Ethical Issues box on Colin Kaepernick and Nike's attention-grabbing ad campaign (replaces Brand niching may cause brand switching box).
- Greater focus on the importance of branding and relationship building in the "Creating Local Advertising" section of My Ad Campaign.

chapter five

- A brand new opening vignette on what some believe is the greatest marketing blunder of all time, New Coke.
- Brand new Ethical Issues box on fostering inclusion and safety in the advertising workplace.

chapter six

- All new opening vignette focused on the award-winning Hyundai Super Bowl ad campaign, "Smaht Pahk."

- Integrated Smaht Pahk vignette throughout the “Product Concept,” “Target Audience,” “Media Selection,” and “Pretesting and Posttesting” sections.
- Updated secondary research sources.
- Updated My Ad Campaign research resources.
- Updated the My Ad Campaign methods for pretesting ads section to include online testing resources.

chapter seven

- Significantly revised and updated the Mountain Dew chapter opener to include the brand’s focus on consumer engagement.
- New Ethical Issues focus on ad strategy in the era of #MeToo.
- Used the reintroduced electric Hummer as the example for applying the Advertising Pyramid.
- Added information in “Ways to set advertising budgets” about determining online advertising budgets.

chapter eight

- Revised the Target chapter opener.
- Significantly revised von Oech’s creative roles section to make it more accessible to student creatives.
- New Ethical Issues box on whether ads should target children.

chapter nine

- Revised and updated opening vignette on a campaign described as “one of the best” of the 21st century, “Dumb Ways to Die.”
- In keeping with the rest of the text, TV and radio are broadened to the categories of “video” and “audio” media.
- More material added on creating copy for digital media.
- “Writing for the web” section contains information on influencers.
- “Writing for the web” has added information on SEO considerations in copy.

chapter ten

- Updated information on the decline of newspapers in the opening vignette.
- New Ethical Issues box highlighting Edward Boyd, a ground-breaking African American marketer at Pepsi,

and the impact of ads directed at black consumers during a time when this was rare.

- Updated information on efforts of newspapers to go online.

chapter eleven

- New opening vignette on branding M&M’s.
- All references to TV and radio, except where those specific media are addressed, now referenced as audio and video to acknowledge the multiple ways consumers receive content.
- Much added material on over-the-top (OTT) video and its rapid growth.
- Updated the exhibit on most viewed cable networks.
- Updated the exhibit on commercial costs.
- Significantly updated coverage of audio.
- Added content on measuring video about measuring OTT.
- Added content in audio media section about podcasts.

chapter twelve

- New opening vignette on how brands are using the video game hit *Fortnite*.
- Streamlined the “History of the Web” section to expand contemporary coverage.
- Vastly expanded the “Types of digital interactive advertising” section to include recent evolution of digital media.
- Added much more material on mobile advertising, behavioral tracking, and programmatic advertising.
- Expanded discussion of buying time and space in digital interactive media.
- New sections dedicated to social media, influencer marketing, and retargeting.
- New Ethical Issues box on bullying in social media.

chapter thirteen

- New opener on Corona’s innovative OOH display demonstrating the effects of ocean pollution.
- New information on the dramatic growth and uses of digital technologies in OOH.
- Deleted coverage of ATM’s as OOH.

chapter fourteen

- Revised smartphone vignette that opens the chapter.
- New Exhibit 14-1 shows spending on both above- and below-the-line marcom.

- New material on how Google and Facebook are encouraging small businesses to do media planning for themselves and providing resources for them to do it.
- New Ethical Issues box on media planning and inclusiveness.

chapter fifteen

- New opening vignette on how marketers helped during the pandemic of 2020.
- Described reasons for the decline in traditional DM.
- Updated the exhibit on the largest direct-response agencies in the United States and numerous statistics throughout the chapter.

- Noted the explosion of digital coupons and their impact on consumer behavior.

chapter sixteen

- New chapter opener on the role sponsorship has played at Nike.
- New material on the benefits of public relations as a management function.
- Updated information on crisis communication and features Starbuck's incident from 2018 and the VW crisis from the same year.



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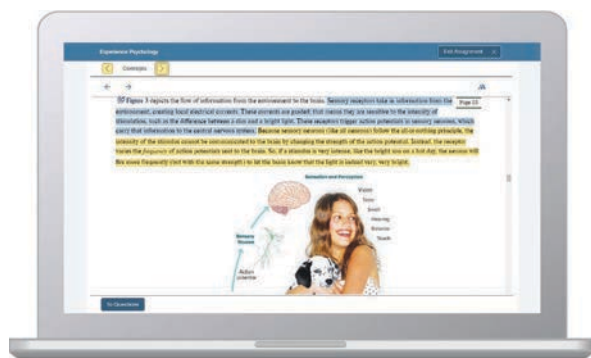
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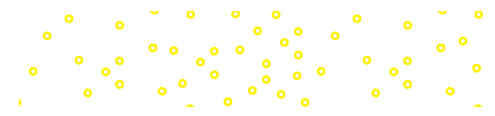
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targeting and the marketing mix

Source: Steve Allen/Brand X Pictures/Getty Images



This chapter describes the role that advertising plays in marketing. Because no product or service pleases everybody, marketers need to select specific target markets that offer the greatest potential. They can then fine-tune their mix of marketing elements (the four Ps) to match the needs or wants of the target market.

The 2020 Super Bowl brought back one of the best loved (and most effective) ad campaigns ever, the “The man your man could smell like” guy from Old Spice. This time, 10 years after the original ads aired, he explains the benefits of the brand to his son. (See the spot here: <https://bgr.com/2020/01/23/old-spice-guy-campaign-anniversary>.)

This is not the first time a brand has run “retro” advertisements. And it is easy to see why this particular campaign is worth a call back.

The original ads from 10 years ago showed that advertising success is not just about what you say, but to whom you say it. Targeting ads for a male brand to a female target audience was unusual, but then, just about everything about this campaign was. To fully appreciate the ads, let’s see why Old Spice needed a game-changing campaign in the first place.

When Old Spice was purchased by Procter & Gamble, it was sold as a men’s aftershave lotion. When men began showing interest in other grooming products, including lotions and liquid soaps, Old Spice introduced brand extensions to meet those demands.

In 1983, P&G’s global arch-rival, Unilever, introduced Axe. As a newer product that emphasized sex appeal, Axe focused on a younger target audience. In ads that were humorous but direct, Axe suggested the brand

makes men irresistible to beautiful women.¹ This message resonated, and by the 2000s, Axe had a healthy lead in market share.

Procter & Gamble had to consider whether to reinvest in their mature brand or abandon it. Deciding on the former, P&G assigned the challenge of reinvigorating Old Spice to one of the world’s greatest agencies, Wieden+Kennedy, a Portland, Oregon agency. W+K is famous for ads

continued on p. 92

LEARNING OBJECTIVES

After studying this chapter, you will be able to:

- L04-1** Describe the role of advertising in marketing.
- L04-2** Illustrate the methods advertisers use to segment and aggregate markets.
- L04-3** Explain how defining a target market enhances marketing strategy.
- L04-4** List the elements of the marketing mix and the role advertising plays in each.



Source: Old Spice by Procter & Gamble

continued from p. 91

that helped make Nike a world leader in footwear. Now the agency would need to take a somewhat stale brand and credibly present it as fresh, relevant, even hip.²

Before starting, the agency and client made a big decision. Based on research that showed large numbers of women bought the soaps and lotions their male partners or husbands used, W+K decided to focus on both the user *and* the buyer. The new campaign would appeal to both men (who use body wash) and women (who often buy it for them). The campaign slogan would be “the man your man could smell like.”

In the first commercial, former NFL player Isaiah Mustafa, standing in front of a running shower dressed only in a bath towel, spoke directly to the camera. “Hello ladies,” he confidently intoned. “Look at your man, now back to me, now back at your man, now back to me. Sadly, he isn’t me. But if he stopped using lady-scented body wash and switched to Old Spice, he could smell like he’s me.”³ The fast-paced

and somewhat absurd style of the dialog, along with Mustafa’s charm and humor, made the ad an immediate hit. Old Spice was back.

If things had stopped there, we would not likely be remembering the campaign. Because as funny and charming as the original ads, were, the truth is advertising is littered with “one-hit wonder” campaigns that quickly fizzle.

But W+K was only getting started. After the Old Spice television campaign attracted national attention, the agency began featuring Mustafa in dozens of different, personalized social media spots that targeted key influencers such as Ashton Kutcher and Ellen DeGeneres. Naturally, Ellen was flattered and invited Mustafa on her show. More buzz for Old Spice. And a Cannes Grand Prix for the campaign.⁴

W+K still wasn’t done. It decided to create a viral story line for Mustafa’s “Old Spice guy.” Jason Bagley, creative director at Wieden, settled on a story line in which another celebrity, Fabio, an Italian model, would try to usurp Mustafa



As shown in this ad, Old Spice helped keep the buzz going and fans flocking to its social media by introducing Fabio to the campaign, a move that further proved the success of an advertiser that understands the marketplace.
Source: Old Spice by Procter & Gamble

as spokesperson. The theme of more than 100 viral videos shot featuring the two was “Mano a Mano en el Bañó.”

Suddenly, Old Spice was everywhere. For a time, Old Spice had the number one and number four most viewed channels on YouTube. The ads were watched more than 20 million times. The brand also attracted nearly 70,000 new fans on Facebook.⁵ And, best of all, Old Spice regained its market share lead from Axe.

The Old Spice campaign has received countless accolades. And W+K has solidified its reputation as an amazing creative shop. But as good as the creative work was, perhaps the best decision in the entire campaign was to target male body wash to women. And now, 10 years after his debut, the “man your man could smell like” is back to remind us what we loved about the campaign in the first place. ■

LO4-1 Describe the role of advertising in marketing.

THE LARGER MARKETING CONTEXT OF ADVERTISING

All advertisers face the challenge of how best to present their products, services, and ideas effectively through the media to audiences. To succeed, they must understand the important relationship between the product and the marketplace. That relationship is the focus of marketing.

utility A product’s ability to satisfy both functional needs and symbolic or psychological wants. A product’s problem-solving potential may include form, task, possession, time, or place utility.

Marketing’s role is often misunderstood and occasionally overlooked. For example, everybody knows that a business can’t survive without proper financing, and, that without production, there are no products to sell. But how does a company know *what* products or services to produce? Or *where* to distribute them, or through *what* channels? That’s where marketing comes in.

A company prospers only if it can attract and keep customers who are willing to buy the firm’s goods and services. This means a company must be able to locate prospective customers—determine where they live, work, and play—and then understand their needs, wants, and desires; create products that satisfy such desires better than the products of competitors; and finally communicate that information in a powerful, clear, and compelling way. This chapter will help you better understand advertising’s role in that process.

Customer Needs and Product Utility

As we discussed in Chapter 1, marketing is a set of processes for creating, communicating, and delivering value to customers. The ultimate purpose of marketing is to *create exchanges that satisfy the perceived needs and wants of individuals and organizations*.

One of the important elements of that definition is the special relationship between a customer’s needs and a product’s need-satisfying potential. This is known as the product’s *utility*. **Utility** is the product’s ability to satisfy both functional needs and symbolic (or psychological) wants.⁶ One of the primary roles of advertising is to communicate this utility. Thus, some ads promote how well a product works (function); others tout glamour, sex appeal, or status (symbolism). Exhibit 4-1 discusses the important relationship between needs and utility.

Companies use marketing research (discussed in Chapter 6) to discover the needs and wants that exist in the marketplace. The goal is to use this information for product shaping—designing products, through manufacturing, packaging, or advertising, to satisfy more fully the customers’ needs and wants.

To woo Millennials, for example, luxury brands Mercedes, BMW, and Audi have all introduced models that sell for less than \$40,000. Mercedes has even created a panel of more than 200 Millennials, “Generation Benz,” to continuously uncover information about younger consumers’ consumption patterns, likes and dislikes, and social media use. Mercedes ads that target older audiences hear the familiar voice of Jon Hamm, of *Mad Men* fame. But for ads that target the younger segment, icons relevant to Millennials are featured, including Casey Niestat, Tinie Tempah, and Daisy Lowe.

▼ **EXHIBIT 4-1** Understanding needs and utility.

Superior quality will not guarantee that a product is preferred by consumers. Marketers must successfully communicate product availability and promote its advantages, whether it's a graphite tennis racket, a high-performance sports car, or the prompt, friendly service of a bank.

Any successful product must satisfy consumers' *needs*. The ability to satisfy those needs is called *utility*. Five types of functional utility are important to consumers: form, task, possession, time, and place. A product may provide psychic utility as well as functional utility.

Companies create *form utility* when they create a tangible good, such as a bicycle, that fits a consumer's needs: a shoe that fits and is comfortable, or a pickup truck that tows large loads and can carry a big payload.

Task utility originates in others doing something for us; for example, an accountant preparing your tax returns or a mechanic fixing your car. When auto brands offer a five-year warranty on repairs, they are providing this kind of utility.

Even when a company provides form or task utility, marketers must consider how consumers can take possession of the product. This includes distribution, pricing strategies, shelf availability, purchase agreements, and delivery. Money is typically exchanged for possession utility. An antique bicycle on display, but not for sale, lacks *possession utility* because the customer cannot purchase it.

Providing the consumer with the product when he or she wants it is known as *time utility*. Having an ample supply of jam, cars, or bank tellers on hand when the consumer has the need is thus another marketing requirement. Amazon provides its Prime members with free two-day shipping, and the company is focused on achieving same-day delivery in the near future.

Place utility—having the product available where the customer can get it—is also vital to business success. Customers won't travel very far out of their way to get bicycles or cars. They're even less likely to travel long distances for everyday needs. That's why banks have so many branches. And that's why 24-hour convenience markets, which sell gasoline and basic food items, are so popular. And a customer's digital technology provides the ultimate place and time utility—any place and time the Internet is available.

Finally, consumers gain *psychic utility* when a product offers symbolic or psychological need satisfaction, such as status or sex appeal. Psychic utility is usually achieved through product promotion (advertising) and may fulfill esteem and self-actualization needs.

Whether it be psychic utility or the functional utilities of form, task, possession, time, and place, product utility is an essential component of marketing success.

A company prospers only if it can attract and keep customers.

Exchanges: The Purpose of Marketing and Advertising

A transaction in which a person or organization trades something of value with someone else is an **exchange**. We all engage in exchanges. It's a natural part of being human. Buyers do it to acquire more things and better their situation. Sellers do it to grow their business and make a profit.

Marketing facilitates these exchanges, thus increasing our potential for satisfaction. How? In a variety of ways: by developing goods and services we want; by pricing them attractively; by distributing them to convenient locations; and by informing us about them through advertising and IMC. The information value of advertising makes people aware of the availability of products and of the selection alternatives among different brands. Advertising communicates product features and benefits, price options, and locations where the product can be purchased. In the case of direct marketing, advertising can even close the sale.

Even after an exchange occurs, *satisfaction* remains an issue. Satisfaction must occur every time customers use the product,

or people won't think they got a fair exchange. Satisfaction leads to more exchanges: Satisfied customers repurchase products and share good reviews with their friends. Positive word of mouth creates even more sales and contributes to a good reputation. And while positive word of mouth has always been important, it is crucial in the age of social media. Thus, while satisfaction is the goal of the customer, it must also be the fundamental goal of any sophisticated marketer.

In other words, while advertising is important in leading consumers to make a purchase, it is also of value to a marketer *after* the purchase. This is because advertising *reinforces* satisfaction by reminding customers why they bought the product, helping them defend the purchase against skeptical associates, and helping them to become brand advocates, which may persuade others to buy it.

Thus, we can think of marketing as the process companies use to make a profit by identifying and satisfying their customers' needs and desires. This chapter defines and outlines marketing issues to clarify advertising's proper role in the marketing function. As we shall see, the relationship between advertising and marketing is critical.

check yourself ✓

1. What is the value of discovering the needs and wants that exist in the marketplace?
2. In what ways does advertising facilitate exchanges?
3. Why do marketers care if customers are satisfied after they buy products?

L04-2 Illustrate the methods advertisers use to segment and aggregate markets.

THE MARKET SEGMENTATION PROCESS

The process of market segmentation involves two steps: *identifying groups of people* (or organizations) with shared needs and characteristics and *aggregating* (combining) these groups into larger market segments according to their interest in the product's utility. This process should result in market segments that are large enough to target and reachable through a suitable mix of marketing activities—including advertising.

Markets often consist of many segments. A company may differentiate its products and marketing strategy for every segment, or concentrate its marketing activities on only one or a few segments. Either task is far from simple. Procter & Gamble markets at least five different body washes to appeal to multiple segments. We saw that Old Spice body wash targets women who buy personal care products for their male partners. At the other



Ad campaigns that last for more than a couple of years tend to be classics. There is no question that the Old Spice campaign will go down as one of the all-time best. A part of that success can be attributed to the market segmentation process of the campaign.

Source: Old Spice by Procter & Gamble

extreme, Herbal Essence body wash appeals to women who desire irresistible, natural fragrances for themselves. Ivory seeks out everyday women who want a clean, simple, and affordable body wash. Olay targets women who care about moist, healthy skin, and Axe focuses on men interested in sex appeal. Catering to all these needs on a global level requires a sophisticated marketing and communications system. In this chapter, we look first at how marketers identify and categorize *consumer markets* and second at the techniques they use to segment *business markets*. Then we discuss various strategic options companies use, including advertising, to match their products with markets and create profitable exchanges.

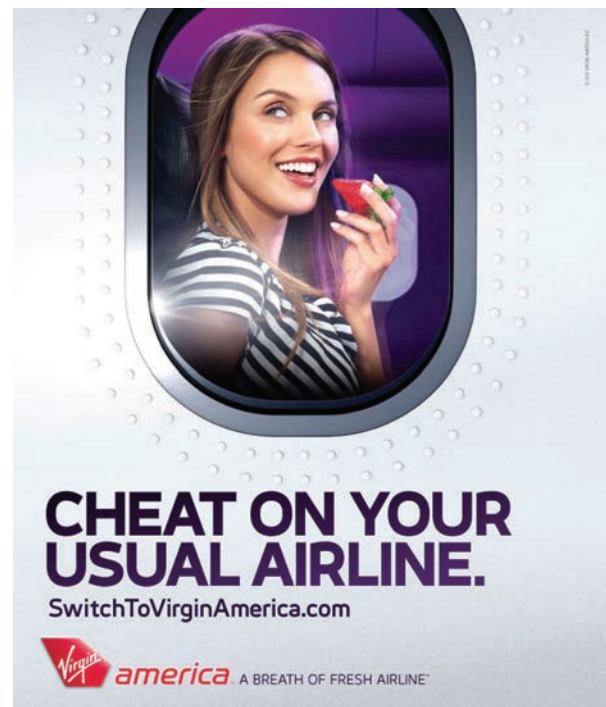
Types of Markets

A firm's marketing activities are always aimed at a particular segment of the population—its **target market**. Advertisers then try to reach these markets through media outlets with audiences that substantially overlap with the target market. The particular group available to an advertiser through media is called the **target audience**. When we see an ad that doesn't

exchange The trading of one thing of value for another thing of value.

target market The market segment or group within the market segment toward which all marketing activities will be directed.

target audience The specific group of individuals to whom the advertising message is directed.



Both the photo and the quirky headline help Virgin Airlines reach out to their target audience and convey a "personality" for the brand. This ad resonates with the company's young target audiences.

Source: Virgin America

consumers People who buy products and services for their own, or someone else's, personal use.

business advertising Advertising directed at people who buy goods and services for resale, for use in a business or organization, or for manufacturing other products

behavioristic segmentation Method of segmenting consumers based on the benefits being sought.

mass media, you may not see it often. That doesn't mean there isn't a great deal of it, just that you are not a target for it quite yet. In fact, B2B advertisers spend billions on advertising every year.⁸

appeal to us, it may be because the ad is not aimed at any of the groups we belong to. For example, a TV commercial for denture cream isn't meant to appeal to teens. They're not part of either the target market or the target audience. There are two main types of target markets, consumers and businesses.

Consumer Markets Most of the advertising we see daily in the media—websites, social media, TV, radio, newspapers, and magazines—falls under the broad category of consumer advertising. Usually sponsored by the producer (or manufacturer) of the product or service, these ads are typically directed at consumers. **Consumers** are people who buy the product for their own or someone else's personal use. In 2013, the average U.S. household spent \$51,100.⁷

In the end, customers are people. So advertising professionals must understand how people act and think—and why they buy what they buy. Understanding the motivations, thoughts, feelings, and behaviors related to consumption is a discipline known as *consumer behavior*, a topic discussed in greater detail in Chapter 5.

Business Markets Not every buyer is a consumer. Companies use **business advertising** to reach people who buy goods and services for resale, for use in a business or organization, or for manufacturing other products. It tends to appear in specialized business publications or professional journals, in direct-mail pieces sent to businesses, at trade shows, or on company websites. Because business advertising (also called business-to-business, or *B2B*, advertising) rarely uses consumer

In addition to general business advertising, there are three specialized types of business advertising: trade, professional, and agricultural. *Trade advertising* targets resellers (wholesalers, dealers, and retailers) to promote greater distribution of their products. For example, Sunkist places trade advertising in publications such as *Progressive Grocer* to develop more grocery outlets and to increase sales to existing outlets. Advertising aimed at teachers, accountants, doctors, dentists, architects, engineers, lawyers, and the like is called *professional advertising* and typically appears in official publications of professional societies (such as the *Archives of Ophthalmology*). Companies use *agricultural* (or *farm*) advertising to promote products and services used in agriculture to farmers and others employed in agribusiness. FMC Corp., for example, might advertise its plant nutrition products to citrus growers in *Farm Journal Magazine*.

Business customers tend to be knowledgeable and sophisticated, and they may require extensive technical information before buying. So people who work in business-to-business advertising often need more specialized product knowledge and experience than their consumer advertising colleagues.

Segmenting the Consumer Market: Finding the Right Niche

The concept of *shared characteristics* is critical to market segmentation. Marketing and advertising people know that, based on their needs, wants, and mental files, consumers leave “footprints in the sand”—the telltale signs of how and where they live and work, what they buy, and how they spend their free time. By following these footprints, marketers can locate and define groups of consumers with similar needs and wants, create messages for them, and know how and where to send those messages. The goal is to find that particular niche (or space) in the market where the advertiser's product or service will fit.

Marketers group these shared characteristics into categories (*behavioristic, geographic, demographic, and psychographic*) to identify and segment consumer markets (see Exhibit 4-2). The marketer's purpose is twofold: first, to identify people who are likely to be interested in the product; and second, to develop rich descriptions of these people to better understand them, create marketing mixes for them, and reach them with meaningful advertising and IMC.

The term *1to1 marketing* was introduced by Don Peppers and Martha Rogers in their book, *The One to One Future*, to illustrate the importance of treating different customers differently. They argue that potential customers can be segmented so specifically that a unique marketing message can be sent to each based on that person's individual demographic,



Professional advertising targets audiences in fields such as accounting, medicine, and education. Accenture, a global professional services company, targets businesses in this ad by touting their consulting, technology, and outsourcing capabilities.

Source: Accenture

The goal is to find that particular niche (or space) in the market where the advertiser's product or service will fit.

behavioristic, and psychographic characteristics. It is not typically feasible to achieve true 1to1 customization, but the more narrowly defined a customer segment the more accurately it can be targeted.⁹ Big data gathered from digital interactions are allowing marketers to conceive 1to1 customization on a large scale. For example, if you shop at Amazon, your landing page is unique to you if you have an Amazon account. We'll discuss this further in Chapter 12.

In choosing one market segment, advertisers may be deliberately excluding another. This is especially true in an age when many consumers expect brands to stand for clear values and beliefs. Nike certainly understood this in choosing former NFL quarterback Colin Kaepernick for a recent marketing campaign.

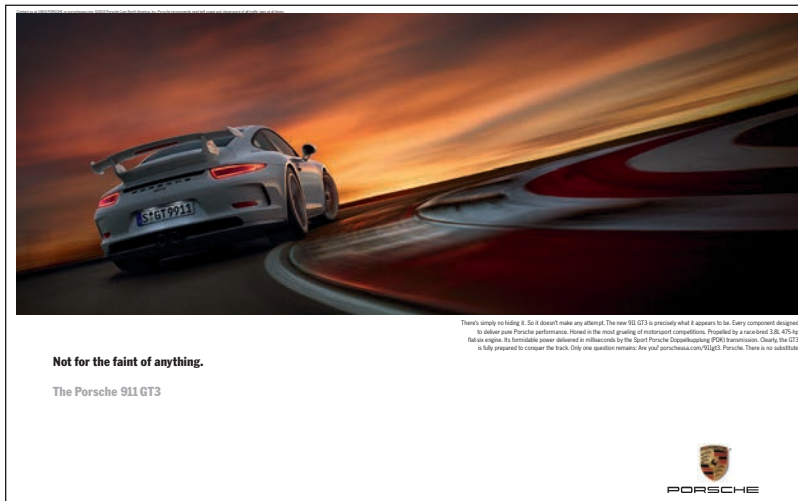
The company's research suggested that while consumers would be split as to whether the outspoken athlete is a positive role model, the segment that buys and uses Nike products unambiguously likes and admires him (see Ethical Issues, "Colin Kaepernick and Nike").

Behavioristic Segmentation One of the best ways to segment markets is to group consumers by purchase behavior. This is called **behavioristic segmentation**. Behavioral segments are determined by many variables, but the most important are *user status*, *usage rate*, *purchase occasion*, and *benefits sought*. These categories tell us who our customers are now, when and why they buy, and how much they consume.

▼ **EXHIBIT 4-2** Methods for segmenting consumer markets.

| Variables | Typical Breakdowns | Variables | Typical Breakdowns |
|------------------------------|--|--------------------|--|
| Geographic | | Demographic | |
| Region | Pacific; Mountain; West North Central; West South Central; East North Central; East South Central; South Atlantic; Middle Atlantic; New England | Age | Younger than 6, 6–11, 12–17, 18–34, 35–49, 50–64, 65+ |
| County size | A, B, C, D | Gender | Male, female |
| Climate | Dry, humid, rain, snow | Family size | 1–2, 3–4, 5+ |
| City or SMSA size | Less than 5,000; 5,000–19,999; 20,000–49,999; 50,000–99,999; 100,000–249,000; 250,000–499,999; 500,000–999,999; 1,000,000–3,999,999; 4,000,000 or more | Family life cycle | Young, single; young, married, no children; young, married, youngest child younger than 6; young, married, youngest child 6 or older; young, unmarried, with children; older, married, with children; older, unmarried, with children; older, married, no children younger than 18; older, single; other |
| Density | Urban, suburban, rural | Income | Less than \$20,000; \$21,000–30,000; \$31,000–40,000; \$41,000–60,000; \$61,000–100,000; \$101,000–150,000; \$151,000 and more |
| Behavioristic | | Occupation | Professional and technical; managers, officials, and proprietors; clerical, sales; craftspeople, supervisors; operatives; farmers; retired; students; homemakers; unemployed |
| Purchase occasion | Regular occasion, special occasion | Education | Grade school or less; some high school; high school graduate; some college; college graduate |
| Benefits sought | Economy, convenience, prestige | Religion | Catholic, Protestant, Jewish, Muslim, Non-religious |
| User status | Nonuser, ex-user, potential user, first-time user, regular user | Race | White, Black, Asian |
| Usage rate | Light user, medium user, heavy user | Nationality | American, British, French, German, Scandinavian, Italian, Latin American, Middle Eastern, Japanese |
| Loyalty status | None, medium, strong, absolute | | |
| Readiness stage | Unaware, aware, informed, interested, desirous, intending to buy | | |
| Marketing-factor sensitivity | Quality, price, service, advertising, sales promotion | | |
| Psychographic | | | |
| Societal divisions | Upper crust, movers and shakers, successful singles, Social Security, middle of the road, metro-ethnic mix | | |
| Lifestyle | Strivers, achievers, actualizers | | |
| Personality | Compulsive, gregarious, authoritarian, ambitious | | |

“ [BEHAVIORAL SEGMENTATION TELLS] US WHO OUR CUSTOMERS ARE NOW, WHEN AND WHY THEY BUY, AND HOW MUCH THEY CONSUME. ”



Behavioristic segmentation is one of the best ways to organize consumer markets. Purchase behavior variables, such as the benefits sought by the consumer, determine how the segments are defined. In this ad, Porsche (www.porsche.com) appeals to the behavior segments of their consumers for whom performance is everything.

Source: Porsche Cars North America, Inc.

User-status variables Many markets can be segmented by the **user status** of prospective customers. Researchers Stephan and Tannenholz have identified six categories of consumers based on user status.

Sole users are the most brand loyal and require the least amount of advertising and promotion. *Semisole* users typically use Brand A but have an alternate selection if it is not available or if the alternate is promoted with a discount. *Discount users* are the semisole users of competing Brand B. They won't buy Brand A at full price, but might be tempted to buy it at a discount. *Aware nontriers* use competitive products in the category but haven't taken a liking to Brand A. A different advertising message could help, but these people rarely offer much potential. *Trial/rejectors* tried the product based on Brand A's advertising message, but didn't like it. More advertising won't help; only a reformulation of Brand A will bring them back. *Repertoire users* perceive two or more brands to have superior attributes and will pay full price. They are brand switchers and respond to persuasive advertising based on their fluctuating wants and desires. Therefore, they are often a primary target for brand advertising.¹⁰

Usage-rate variables Advertising has an easier time getting a heavy user to increase usage in comparison to a light user. In **volume segmentation**, marketers measure people's **usage rates** to define consumers as light, medium, or heavy users of

products (see Exhibit 4-3). One rule of thumb suggests that 20 percent of users consume 80 percent of the product. Marketers want to define that 20 percent and aim their advertising at them. Hardee's, a fast-food hamburger chain, even has a pet name for its prized 17- to 34-year-old male market segment: the HFFU (pronounced who-foo). According to Andrew Puzder, CEO, "That's the 'heavy fast-food user,' someone who eats there four or five times a week.... It is the sweet spot of the industry and what appeals to him is drippy, messy burgers. He is not interested in little 99-cent burgers or low-carb anything."¹¹

By finding common characteristics among heavy users of their products, marketers can define product differences and focus ad campaigns more effectively. For example, independent businesspeople who travel at their own expense, a group that Fallon Worldwide describes as "road warriors," are heavy users of value hotel chains, with some spending more than 100 nights a year on the road. In creating a campaign that targeted this group for Holiday Inn Express, Fallon also discovered that road



Although Apple is best known for its Macs, iPods, iPads, and iPhones, it uses its strong brand name to promote newer products such as the Apple Watch. For sole users, this ad reinforces their brand loyalty, and for repertoire users—those most likely to switch brands—it persuades them that Apple products are the superior choice.

Source: Denys Prykhodov/Shutterstock

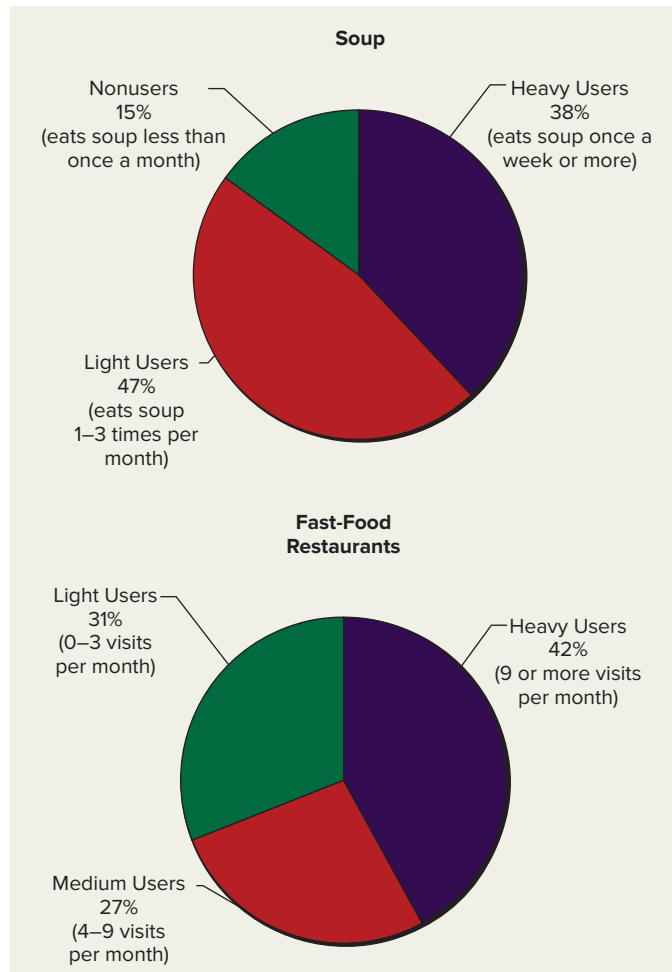
user status Six categories into which consumers can be placed, which reflect varying degrees of loyalty to certain brands and products. The categories are *sole users*, *semisole users*, *discount users*, *aware nontriers*, *trial/rejectors*, and *repertoire users*.

volume segmentation Defining consumers as light, medium, or heavy users of products.

usage rates The extent to which consumers use a product: light, medium, or heavy.

purchase occasion A method of segmenting markets on the basis of *when* consumers buy and use a good or service.

▼ **EXHIBIT 4-3** Usage rates vary for different products.



warriors make travel plans at the beginning of the week and like to watch ESPN, CNN, and the Weather Channel. Knowing this, it was easy for Fallon media people to schedule messages when and where the target audience would be most responsive.

Marketers of one product sometimes find that their customers are also heavy users of other products and can define target markets in terms of the usage rates of the other products. For example, upper-income households are overrepresented among buyers of Infinitis, Samsung mobile phones, Starbucks coffee, and Tom's of Maine toothpaste. Conversely, low-income

households are more likely to buy Kias, prepaid mobile phones, and Pepsodent toothpaste.¹²

Purchase-occasion variables Buyers can also be distinguished by when they buy or use a product or service—the **purchase occasion**. Air travelers, for example, may fly for business or leisure, so one airline might promote business travel while another promotes tourism. The purchase occasion might be affected by frequency of need (regular or occasional), a fad (candy, computer games), or seasons (water skis, raincoats). The Japan Weather Association tracked buying patterns on 20,000 items and correlated them to the outside temperature. Not surprisingly, when the temperature goes up, people buy more sunshades, air conditioners, watermelons, and swimwear.



Crest is a leader in identifying the benefits sought by consumers. This ad addresses whiter teeth. How many other dental-hygiene benefits can you think of? And how might these be addressed in a different ad?

Source: Crest by Procter & Gamble



Former NFL quarterback Colin Kaepernick was drafted by the San Francisco 49ers in the 2011 draft. The second-round pick began his career, like many rookies, on the bench. But when the 49ers starting quarterback was injured, Kaepernick stepped in and eventually led the team to the 2012 Super Bowl. Although San Francisco lost the big game, Kaepernick continued as a starter, and the 49ers went to the playoffs for three more seasons. By 2016, Kaepernick's style of play, which relied heavily on his mobility and speed, became less effective, perhaps due to age and the toll of NFL hits. He lost his starting job but remained with the team as a backup.

During the 2016 NFL preseason, Kaepernick ignited a national controversy by remaining seated on the bench during the playing of the National Anthem. He explained his actions by saying, "I am not going to stand up to show pride in a flag for a country that oppresses Black people and people of color. To me, this is bigger than football and it would be selfish on my part to look the other way. There are bodies in the street and people getting paid leave and getting away with murder."¹⁴

For the final preseason game of 2016 Kaepernick chose to kneel as a form of protest rather than stay seated, explaining he wished to show more respect for armed service members. He continued his protest throughout the season and inspired others, including a number of NFL players, to do the same.

After opting out of his contract, Kaepernick found himself unemployed and without a team. The athlete maintains he is being blackballed and has sued the NFL. Conversely, a couple of NFL teams, including the Ravens and Broncos, have indicated they've made offers and blame the quarterback for rejecting them.

In 2018 Nike celebrated the 30th anniversary of its memorable "Just Do It" slogan by featuring Kaepernick as one athlete in a series of memorable images. The quarterback's face is shown in closeup, along with the

Colin Kaepernick and Nike

headline "Believe in something. Even if it means sacrificing everything." The athlete is reported to be receiving a multi-million-dollar payday for the campaign.

Nike and Kaepernick already had a sponsorship deal in place extending to the football player's rookie season. The new ad extends the deal and also includes a line of clothing and shoes. Some of the money in the deal will be donated to Kaepernick's nonprofit group.

Responses to the campaign have been divided. Opinion has, in many instances, also broken down across demographic lines, including race and age, with African Americans and younger Americans generally offering support. Initial suggestions that the campaign would risk Nike profits were dissipated when the company reported sales increases of more than 30 percent following the appearance of the ads. One commentator noted that more than two-thirds of Nike consumers are younger than 35, making the company's association with Kaepernick less risky than it might seem.

Many have praised Kaepernick's courage in the face of harsh criticism, including comments from U.S. President Donald Trump, who tweeted that anthem protesters should be fired. Among the athlete's supporters is *GQ* magazine, which named him a 2017 "Citizen of the Year," and Amnesty International, which awarded him a "Ambassador of Conscience" honor. Others believe Kaepernick's actions and rhetoric insult first responders, the flag, and the sacrifices of men and women in the armed forces.

The controversy is all the more interesting because Nike provides uniforms for every NFL team. The league itself seems flummoxed about how to handle the issue. On the one hand, it collaborates with its players in growing the league's audiences and profits, but on the other hand, it is sensitive to the large numbers of people offended by the protest. But by 2020, it became clear that Kaepernick spoke for many professional athletes, inspiring players from the NBA, MLB, WNBA, and other sports to boycott games to protest police shootings.

When there's a chill in the air, sales of suits, sweaters, and heaters take off.¹³ TV sales take off in December (Christmas) and again in January (the Super Bowl telecast). A marketer who discovers common purchase occasions for a group has a potential target segment and can better determine when to run specials and when to promote certain product categories.

Benefits-sought variables Consumers seek various **benefits** in the products they buy—high quality, low price, status, sex appeal, fragrance, environmental sensitivity. Procter & Gamble identified the most important benefits sought by body wash users and developed products to meet their needs. In addition to tangible benefits, consumers are motivated by *symbolism*—what the brand name means to them, to their friends, or to some social reference group. **Benefit segmentation** is the prime objective of many consumer attitude studies and the basis for many successful ad campaigns.

Some product categories are characterized by substantial *brand switching* from one purchase occasion to the next. Researchers have determined that switching occurs in response to different *need states* that consumers may experience from one occasion to another. For example, a consumer may use a toothpaste that primarily focuses on teeth whitening for a period of time. If the product works as promised, the consumer may later switch to a brand more focused on cavity prevention.

Using behavioristic segmentation, we can accomplish the first step of identifying likely prospects for our marketing and advertising efforts. The next step in developing rich profiles of these customers makes use of geographic, demographic, and psychographic characteristics.

Geographic Segmentation One simple way to define markets is by using **geographic segmentation**. People in one

benefits The particular product attributes offered to customers, such as high quality, low price, status, speed, sex appeal, good taste, and so on.

benefit segmentation Method of segmenting consumers based on the benefits being sought.

geographic segmentation A method of segmenting markets by geographic regions based on the shared characteristics, needs, or wants of people within a region.

demographic segmentation Based on a population's statistical characteristics such as gender, age, ethnicity, education, occupation, income, or other quantifiable factors.

geodemographic segmentation Combining demographics with geographic segmentation to select target markets in advertising.

▼ **EXHIBIT 4-4** Projected U.S. Hispanic population growth rate.

| Year | Hispanic (thousands) | Total U.S. (thousands) | Hispanic % of Total |
|------|----------------------|------------------------|---------------------|
| 2015 | 57,075 | 321,363 | 17.8% |
| 2020 | 63,784 | 333,896 | 19.1 |
| 2025 | 70,973 | 345,407 | 20.5 |
| 2030 | 78,655 | 358,471 | 21.9 |
| 2035 | 86,659 | 369,662 | 23.4 |
| 2040 | 94,876 | 380,016 | 25.0 |
| 2045 | 103,259 | 389,934 | 26.5 |
| 2050 | 111,732 | 399,803 | 27.9 |
| 2055 | 120,242 | 409,873 | 29.3 |
| 2060 | 128,780 | 420,268 | 30.6 |

Source: U.S. Census Bureau

region of the country (or the world) have needs, wants, and purchasing habits that differ from those in other regions. People in Sun Belt states, for example, buy more sunscreen lotion. Canadians buy special equipment for dealing with snow and ice—products many Floridians have never seen in stores.

When marketers analyze geographic data, they study sales by region, country size, city size, specific locations, and types of stores. Many products sell well in urban areas but poorly in suburban or rural ones, and vice versa. As we'll see in Chapter 14, this type of information is critical in developing advertising media schedules because, with limited budgets, marketers want to advertise in areas where their sales potential is best.

Even in local markets, geographic segmentation is important. For example, a local progressive politician might send a mailer only to precincts where voters typically support liberal causes, and a local retail store rarely draws customers from outside a fairly limited *trading area*.

Demographic Segmentation **Demographic segmentation** is a way to define groups by their statistical characteristics: gender, age, ethnicity, education, occupation, income, and other quantifiable factors. For example, research shows that some people who identify themselves as “strongly Hispanic” tend to be very loyal to certain brands. And, as Exhibit 4-4 reveals, the number of Americans with Hispanic ancestry is growing at a rate much faster than the overall population. The result is a surge in advertising dollars allocated to Hispanic media. The Hispanic

advertising industry is outpacing all other sectors of advertising, growing four times faster and recently topping \$5 billion.¹⁵ Many blue-chip advertisers, such as Procter & Gamble, AT&T, McDonald's, and General Motors, now aim a significant portion of their advertising specifically at this trillion-dollar market.

Demographics are often combined with geographic segmentation to select target markets for advertising. This is called **geodemographic segmentation**. Geodemographic segmentation takes segmentation by place to a finer level by incorporating information down to the level of zip codes, neighborhoods, or parts of a city or town. It capitalizes on the fact

that two adjacent neighborhoods may differ significantly in the number of families, average age of a resident, income level, ethnicity, and so on.

Mosaic, Experian's geodemographic segmentation tool, classifies the population into groups or segments, according to their demographic and lifestyle traits right down to individual households. This provides advertisers with a complete picture of their audience based on their offline traits and online behavior, providing the insights needed to direct their advertising in a much more targeted way.¹⁶

JCPenney, for example, discovered that its Sandra Salcedo line of clothing for Hispanic women sold well in Texas and Northern California stores but not in heavily Mexican American Los Angeles, where urban influences hold greater sway. In other words, people's lives are influenced by their environment as well as by their ethnicity.¹⁷

As people age, their responsibilities and incomes change, and so do their interests in various product categories (see Exhibit 4-5).

Demographic segmentation has long been understood in the fast-food industry. Once stigmatized as unsanitary meat fit only for poor people, chains such as White Castle and McDonald's used advertising to change the hamburger's image, fashioning it into the national cuisine by the 1950s.¹⁸ Now, children are McDonald's primary target consumers. Decades of ads for Happy Meals have made an impression. Among fictional characters, Ronald McDonald's cultural penetration is surpassed only by Santa Claus: 96 percent of schoolchildren in the United States

▼ **EXHIBIT 4-5** Heavy usage patterns of various age groups.

| Age | Name of Age Group | Merchandise Purchased |
|--------------|------------------------------|---|
| 0–5 | Young children | Baby food, toys, nursery furniture, children’s wear |
| 6–19 | Schoolchildren and teenagers | Clothing, sporting goods, smartphones, iTunes, school supplies, fast food, soft drinks, candy, cosmetics, movies |
| 20–34 | Young adults | Cars, furniture, housing, food and beer, clothing, diamonds, home entertainment equipment, recreational equipment, purchases for younger age segments |
| 35–49 | Younger middle-aged | Larger homes, better cars, second cars, new furniture, computers, recreational equipment, jewelry, clothing, food and wine |
| 50–64 | Older middle-aged | Recreational items, purchases for young marrieds and infants, travel |
| 65 and older | Senior adults | Medical services, travel, pharmaceuticals, purchases for younger age groups |

can identify the yellow-jumpsuited clown.¹⁹ Against this giant’s brand value and advertising expenditures, competitors have returned to the hamburger’s traditional consumer, the young male. In the segment where McDonald’s is slightly weaker, Five Guys and Whataburger intend to be strong.

In international markets, the demographics of many populations are changing rapidly. From China to India to Brazil to Poland, middle-class life is becoming available to more people. This emerging middle class has an apparently insatiable appetite for consumer goods—everything from HDTVs and tablets to



This Covergirl ad is clearly using psychographic segmentation. In appealing to a younger audience than it has in the past, the brand is communicating that the modern Covergirl user is active, athletic, and decidedly in control of her life.

Source: CoverGirl by Coty, Inc

smartphones, cars, and designer clothes.²⁰ Spending habits have shifted from buying necessities to purchasing lifestyle products. China has emerged as one of the world’s fastest-growing advertising markets as companies try to reach that country’s increasingly wealthy consumers. Although the COVID-19 pandemic lowered the nation’s spending on ads, total Chinese ad spending was still expected to be an impressive \$114 billion in 2020.²¹

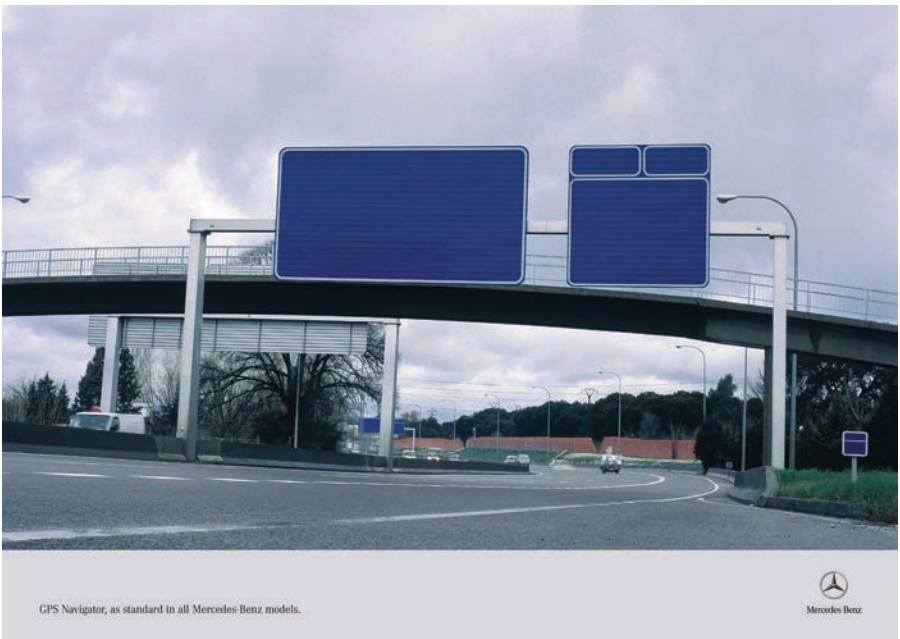
Geographic and demographic data provide information about markets but little about the psychology of individuals.

People in the same demographic or geographic segment may have widely differing product preferences and media habits. Rarely can demographic criteria alone predict purchase behavior.²² That’s why marketers developed *psychographics*.

Psychographic Segmentation

For certain products, appeals to emotions and cultural values may be persuasive. So some advertisers use **psychographic segmentation** to define consumer markets. With **psychographics**, marketers group people by their values, attitudes, personality, and lifestyle. This enables marketers to view people as individuals with feelings and inclinations. Then, they can classify them according to what they feel, what they believe, the way they live, and the products, services, and media they use.²³

Perhaps the best-known psychographic classification system is VALS™, a product of Strategic Business Insights (SBI), a spinout of SRI International. VALS assigns consumers



Changing demographics in many international markets open up new opportunities for advertisers. In Spain, the growing upper-middle class and the availability of good expressways enable Mercedes-Benz (www.mercedes-benz.com) to promote its navigation system in this very creative ad. The text reads “GPS Navigator is standard in all Mercedes-Benz models.”

Source: Mercedes-Benz

psychographic segmentation Method of defining consumer markets based on psychological variables including values, attitudes, personality, and lifestyle.

psychographics The grouping of consumers into market segments on the basis of psychological makeup—values, attitudes, personality, and lifestyle.

primary motivation The pattern of attitudes and activities that help people reinforce, sustain, or modify their social and self-image. An understanding of the primary motivation of individuals helps advertisers promote and sell goods and services.

resources A term in the Values and Lifestyles (VALS) typology relating to the range of psychological, physical, demographic, and material capacities that consumers can draw upon. The resource axis includes education, income, self-confidence, health, eagerness to buy, and energy level.

▼ **EXHIBIT 4-6** The Kantar’s MindBase finds shared patterns of behavior.

| MILLENNIALS Born 1979–1996 | GEN X Born 1965–1978 | BOOMERS Born 1946–1964 | MATURES Born Before 1946 |
|---|--|---|--|
| <ul style="list-style-type: none">• 17% New Traditionalists• 30% Ambitious Realists• 31% Trail Blazers• 23% Omni Explorers | <ul style="list-style-type: none">• 60% Pragmatic Pathfinder• 40% Homefront Heros | <ul style="list-style-type: none">• 30% Full Throttles• 53% Smooth Sailors• 18% Compassionate Creatives | <ul style="list-style-type: none">• 50% Tried and Trues• 50% Golden Agers |

to one of eight groups based on two dimensions: **primary motivation** and **resources**. According to SBI, individuals are primarily motivated to buy by one of three things: ideals (or basic principles), achievement (tangible markers of success or accomplishment), or self-expression (a desire for experiences or to take risks). In addition, people possess varying levels of resources, which include money, education, or self-confidence. Those with the fewest resources are placed near the bottom of the VALS typology, while those with the most are at the top.²⁴

According to SBI, VALS is designed to help marketers identify a target market, what that market buys and does, and locate where the market lives. VALS can also suggest ways to communicate with the market based on their goals and resources, and can offer insights into why the target behaves as it does. The system has been applied to a variety of areas: new product development and design, target marketing, product positioning, advertising message development, and media planning, to name a few.²⁵ In one case, for example, a foreign car manufacturer used VALS to reposition its sports utility vehicle after its award-winning but ineffective television campaign failed to result in higher sales. Using VALS, the company targeted a new “rebellious” consumer group with a new campaign based on a “breaking the rules” theme. After making this adjustment, product sales increased 60 percent in six months.²⁶

Several other classification systems have been developed to help marketers in the United States and worldwide target consumers based on their values, motivations, and lifestyles. These psychographic segmentation schemes include ValueScope from GfK Roper Consulting, BehaviorGraphics from Experian Simmons, and MindBase, a product offered by Kantar.

Kantar describes MindBase as a “generational attitudinal segmentation . . . projected onto a marketing database of 240+MM U.S.

adults for immediate activation on your CRM system and online and offline platforms.”²⁷ To create its segments, Kantar combines generation (Millenials, Gen X, Boomers, and Matures) with demographic information, resulting in groups such as “Homefront heroes” and “Pragmatic Pathfinders,” both from Gen X. Several MindBase consumer groups are shown in Exhibit 4-6.

How might marketers use psychographic segmentation schemes such as these? Recall our discussion about product utility. We argued that people often buy products in an effort to satisfy functional needs and psychological wants. Tools like VALS attempt to group people in terms of shared needs and wants.



Ads for adidas (www.adidas.com) capture the attitude and lifestyle of its target market: athletic young people around the world who define themselves by their sporting achievements. In this ad featuring soccer player Ryan Giggs, adidas uses primary motivation to reinforce key attitudes and values.

Source: Adidas

business

markets Organizations that buy natural resources, component products, and services that they resell, use to conduct their business, or use to manufacture another product.

North American Industry Classification System (NAICS) codes

Method used by the U.S. Department of Commerce to classify all businesses. The NAICS codes are based on broad industry groups, subgroups, and detailed groups of firms in smaller lines of business.

primary demand trend

The projection of future consumer demand for a product category, based on past demand and other market influences.

Advocates of this approach believe that doing so provides both a more precise way of target marketing and a deeper understanding of what the target market is like.

An influential book, *The Tipping Point* by cultural observer Malcolm Gladwell, suggests another reason why advertisers may wish to psychologically segment consumers: some people are highly influential in the behaviors of others. By focusing on these influencers, advertisers can create consumption epidemics, that is, responses that spread quickly from the influence of a small group to a much larger group.

Gladwell believes that social epidemics are traceable to the actions of three types of people, whom he labels *Connectors*, *Mavens*, and *Salesmen*. Connectors are people with very wide social circles; they have the abil-

ity to bridge different social groups that would not ordinarily interact with one another. Mavens are people who spend the time and energy accumulating knowledge that most people simply can't be bothered to find out for themselves. They also love sharing this information. Connectors and Mavens are sources of information about new products, trends, and ideas, but the job of persuading people to embrace these things falls to Salesmen. Salesmen are people most of us find credible, trustworthy, and authoritative. Gladwell's analysis suggests that relatively small groups of people are very influential in affecting the consumption habits of much larger segments.²⁸

Limitations of Consumer Segmentation Methods

Advocates of psychographic systems claim they help address the emotional factors that motivate consumers. However, for some products psychographics may offer little real value—especially because it oversimplifies consumer personalities and purchase behavior. Some typologies, such as VALS, are also criticized for being too complicated.²⁹

Still, it's important for marketers to monitor and understand their customers. It helps them select target markets, create ads that match the attributes and image of their products with the types of consumers who use them, develop effective media plans, and allocate their advertising dollars wisely. If you are interested in developing your own segmentation scheme for a brand or company, see My Ad Campaign, “Segmenting the Audience.”

Segmenting Business and Government Markets: Understanding Organizational Buying Behavior

Business markets (or *industrial markets*) include manufacturers, government agencies, wholesalers, retailers, banks, and institutions that buy goods and services to help them operate. These products may include raw materials, electronic components, mechanical parts, office equipment, vehicles, or services used in conducting their businesses. Many business marketers sell to resellers, such as retailers that resell to consumers. For example, much of Hardee's food is supplied by Siméus Foods International, a processing, production, and distribution conglomerate. Siméus's two plants produce and freeze menu items, such as hamburger and chicken patties, to the specifications of customers such as Hardee's and Denny's. The end product is resold by Hardee's with no mention of Siméus. Hardee's reselling contract with Coca-Cola, however, is a much more visible *brand partnership*; Coke products are often featured in Hardee's advertising.

Identifying target markets of prospective business customers is just as complex as identifying consumer markets. Many of the variables used to identify consumer markets can also be used for business markets—for example, geography and behavior (purchase occasion, benefits sought, user status, and usage rate).

Business markets also have special characteristics. They employ professional buyers and use systematic purchasing procedures. They may be concentrated geographically. And in any single market there may be only a small number of buyers.

Business Purchasing Procedures When businesspeople evaluate new products, they use a process far more complex and rigid than the consumer purchase process we describe in Chapter 5. Business marketers must design their advertising with this in mind.



Trade advertising is aimed not at consumers but at people who buy or influence business purchases. This ad for Corning encourages businesses to use their Gorilla Glass for their products. The work of the agency, Doremus, that produced this award-winning campaign can be seen here: www.doremus.com/work/casestudy/corning-capturing-the-brilliance-of-the-brand.

Source: Corning Incorporated

Large firms have purchasing departments that act as professional buyers. They evaluate the need for products, analyze proposed purchases, request competitive bids, seek approvals from users and managers, make requisitions, place orders, and supervise all product purchasing. While this structured purchase decision process implies a rational approach, research suggests that professional buyers often exhibit a willingness to pay a substantial premium for their favorite brand. The implication is that advertising may play a larger role in B2B marketing than previously thought.³⁰

Making a sale in business markets can take weeks, months, or even years, especially to government agencies. Purchase decisions often depend on factors besides price or quality, among them product demonstrations, delivery time, terms of sale, and dependability. Marketers often emphasize these issues in advertising and promotional appeals.

Before deciding on a target market, business marketers should consider how the purchase decision process works among various segments. New companies, for instance, may want to target smaller firms where a purchase decision can be made quickly. Or they may use commissioned reps to call on the larger prospects that require more time. These decisions will dictate where ads should be placed.

Industrial Classification System Industrial customers need different products, depending on their business. For example, apparel manufacturers such as Levi's are the main customers for buttons and zippers. Marketing managers need to focus their sales and advertising efforts on those firms that need their products.³¹ The U.S. Census Bureau classifies all U.S. businesses—and collects and publishes industry statistics on them—using the **North American Industry Classification System (NAICS) codes**. Because the system was developed jointly with Canada and Mexico, there is consistency throughout North America.

NAICS organizes industries into 20 broad sectors such as mining, manufacturing, wholesale trade, and information. These are then subdivided into four hierarchical levels of classification, including sectors, subsectors, industry groups, industries, and finally 1,170 distinct U.S. industries. (See Exhibit 4-7 for a breakdown of NAICS codes in the information and wireless telecommunications industry.) The Census Bureau uses NAICS to offer marketers an abundance of information, such as the number of firms, sales volumes, and number of employees by geographic area. NAICS codes help companies segment markets and do research, and advertisers can obtain lists of companies in particular NAICS divisions for direct mailings.³²

“Professional buyers often exhibit a willingness to pay a substantial premium for their favorite brand.”

▼ **EXHIBIT 4-7** NAICS hierarchy and codes. A business marketer can use the NAICS codes to locate prospective companies in directories or in subscription databases.

| Level | Code | Sector |
|----------------|--------|---|
| Sector | 51 | Information |
| Subsector | 513 | Broadcasting and telecommunications |
| Industry group | 5133 | Telecommunications |
| Industry | 51332 | Wireless telecommunications carriers (except satellite) |
| U.S. industry | 513321 | Paging |

Market Concentration Many countries' markets for industrial goods are concentrated in one region or several metropolitan areas. In the United States, for example, the industrial market is heavily concentrated in the Midwest, the South, and California (see Exhibit 4-8). Market concentration reduces the number of geographic targets for an advertiser.

Business marketers typically deal with fewer buyers than consumer marketers. Less than 7 percent of U.S. manufacturing establishments employ nearly 75 percent of all production workers and account for almost 80 percent of all manufacturing dollars.³³ Customer size is a critical issue for market segmentation. A firm may concentrate its marketing and advertising efforts on a few large customers, many smaller ones, or both.

Business marketers can also segment by end users. For example, a firm may develop software for one industry, such as banking, or for general use in a variety of industries. That decision, of course, affects advertising media decisions.

Aggregating Market Segments

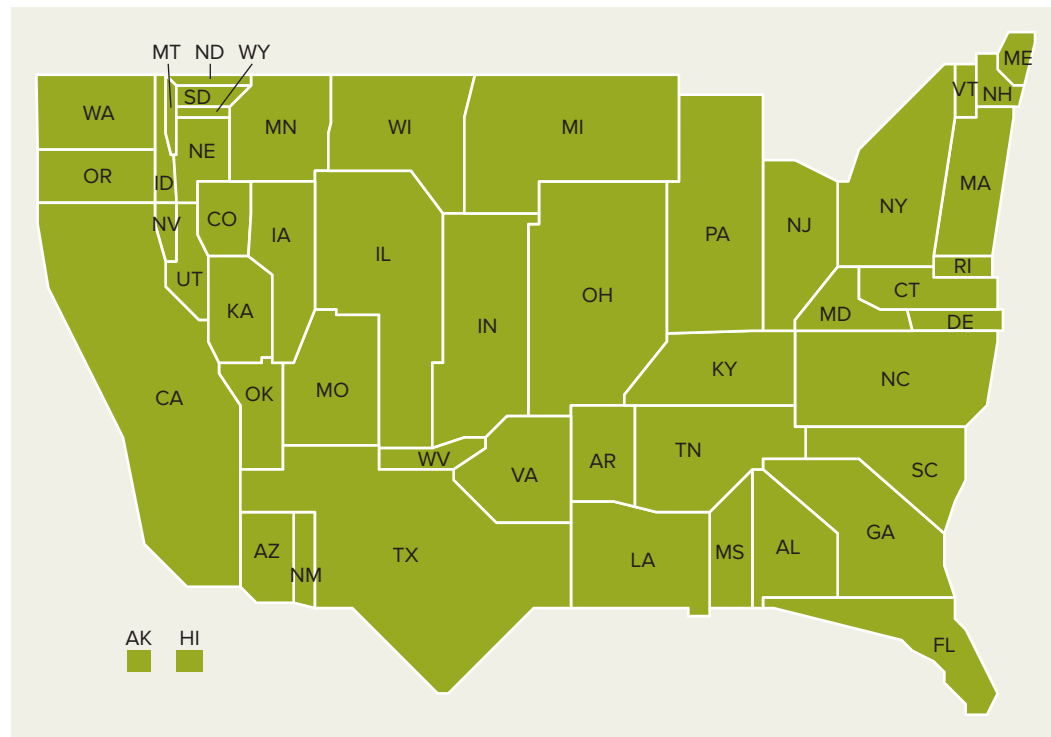
Once marketers identify and locate broad markets with shared characteristics (behavioristic, geographic, demographic, or psychographic), they can proceed to the second step in the market segmentation process. This involves (1) selecting groups that have a mutual interest in the product's utility and (2) reorganizing and aggregating (combining) them into larger market segments based on their potential for sales and profit. Let's take a look at how this process might work for Levi Strauss & Co. in the U.S. market.

First, the company's management needs to know the **primary demand trend** of the total U.S. market for pants. This is the market potential for jeans and casual pants in various market areas across the country. To do this it uses a variety of *marketing research techniques* (discussed in Chapter 6). Then management must identify the needs, wants, and shared characteristics of the various groups within the casual apparel marketplace who live

near the company's retail outlets. It may use the services of a large marketing information company such as Claritas, which collects data on purchasing behaviors and creates profiles of geographic markets across the country.

Claritas finds many prospective customers throughout the United States: students, blue-collar workers, young singles, professionals, homemakers, and so on. It then measures and analyzes households in each major retail area by demographic, life-style, and purchasing characteristics, sorts them into 66 geodemographic segments, and labels them with terms such as those in Exhibit 4-9: Big City Blues, Movers & Shakers, Country Squires, Pools & Patios, and the like. All of these people have apparel needs and many may be interested in the style, cachet, and durability of the Levi's brand.

▼ **EXHIBIT 4-8** The states in this map are represented in proportion to the value of their manufactured products.



Levi's has introduced several product lines in an effort to satisfy the needs and wants of different consumer segments. In this seemingly simple ad, the style of slim jeans is communicated to a younger, more contemporary market segment.

Source: Levi Strauss & Co.

Selecting Groups Interested in Product Utility Levi Strauss next selects groups that would like and be able to afford the benefits of Levi's apparel—suitability for work or play, comfort, style, reasonable cost, durability, and so on. Groups interested in all these features make up the total potential market for Levi's clothes.

Part of the challenge of market segmentation is estimating the profits the company might realize if it (1) aims at the whole market or (2) caters only to specific segments. Apparel is a highly competitive market, but 10 percent of 1,000 is always larger than 90 percent of 100. So for Levi's, the target market must be a large market or it won't be profitable.³⁴

Combining Groups to Build Target Market Segments The company needs to find groups that are relatively similar and offer good profit potential. Market data turn up many groups, and some, including middle-aged couples, seniors, and ethnically diverse young singles, as well as groups labeled New Empty Nest, Park Bench Seniors, and Low Rise Living, will not represent ideal prospects. Why exclude these segments? Each constitutes a little more than 1 percent of consumer households and has minimal retail or credit activity. For Levi's, they are not prime targets.

Other segments offer greater potential—young to middle-aged households with medium to high incomes and average to high retail activity. These include groups such as Movers & Shakers,

Bohemian Mix, and Home Sweet Home, each constituting nearly 2 percent of all households. By combining these groups with the young professionals in the Young Influentials and New Beginnings segments, Levi Strauss can target young to middle-aged people on their way up. Nationally,

that amounts to nearly 20 million households. That’s not everybody, but it’s a large and potentially very profitable market segment. These prospects might like the style and comfort of Levi’s 550s. They might also appreciate the tradition of a brand they know and trust. Levi’s can expect that a well-conceived campaign will appeal to their particular needs, wants, and self-images.



Segmenting the Audience [4]

What is the target market for your product? The answer to this question is rarely simple; thus your decision will require the application of strategic thinking. You will need to gather as much information from your client and from secondary sources as you can, focusing on the product’s market, users, and the competition. The information you gather about the consumer in the My Ad Campaign from Chapter 6 will be important as well. And in some instances it may make sense to conduct primary research with current customers or with individuals who use competing products.

You may have the opportunity to offer counsel to your client about whether it is marketing to the right target market. Check to be sure before offering such advice; some clients may not wish to receive it. If the client is interested, consider whether there are underserved segments that offer sales or profit potential. For example, if your client is a local pizzeria located near campus, it may be focusing on attracting students. This is to be expected because students normally represent a sizable market in any college town. In addition, your client is doubtless using the timeworn strategy of attracting hungry, cash-strapped

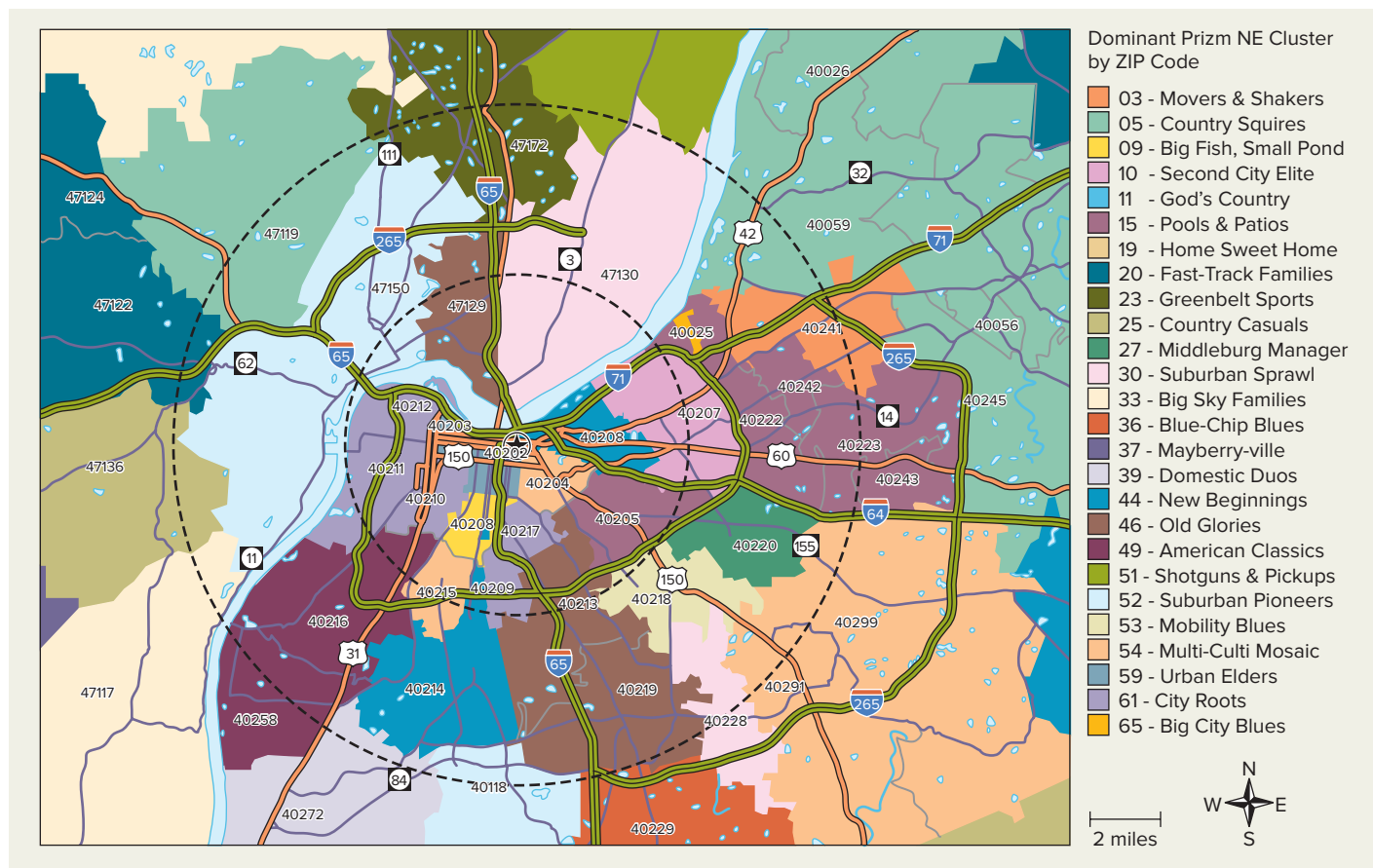
undergrads with messages that emphasize low prices, large servings, and coupons. But while students may represent a large market for pizza, there are probably dozens of other food businesses competing for this segment. If so, it might be smarter to refocus on a smaller but underserved segment, especially one that offers great profit potential. If your town lacks an upscale pizzeria that serves specialty pies, the client might be better served by improving its offerings and dining facility, raising prices, and promoting to nonstudents who would be willing to pay more for quality food.

Many advertisers find that it makes sense to segment on the basis of standard demographic characteristics such as age, gender, ethnicity, location, social class, or income level. Dividing your market according to product loyalty or product usage levels is also worth considering. Understanding your market with respect to psychographics and lifestyles can be incredibly valuable, especially later when you begin to develop the creative brief. Such data can be more difficult to obtain, however.

Defining the Target Market

| | Your Client’s Customers | The Competition’s Customers | Nonusers |
|--------------------------------------|-------------------------|-----------------------------|----------|
| Demographics | | | |
| Age | | | |
| Gender | | | |
| Ethnicity/race | | | |
| Location/region | | | |
| Social class | | | |
| Income | | | |
| Education | | | |
| Behaviors | | | |
| Product usage (light, medium, heavy) | | | |
| Brand loyalty (loyal, switchers) | | | |
| Psychographics | | | |
| Principle-oriented | | | |
| Status-oriented | | | |
| Action-oriented | | | |
| Benefits Sought | | | |
| Low price | | | |
| Quality | | | |

▼ **EXHIBIT 4-9** This exhibit shows how Claritas's Prizm NE system classifies prospective customers in the Louisville area by census tract and labels each area by the residents' shared characteristics.



Source: Claritas's Prizm NE Method. Claritas, LLC.

check yourself ✓

1. What is the marketer's goal in segmenting markets?
2. What characteristics are used in psychographic segmentation?
3. Why do marketers aggregate market segments?

L04-3 Explain how defining a target market enhances marketing strategy.

THE TARGET MARKETING PROCESS

Once the market segmentation process is complete, a company can proceed to the **target marketing** process. This will determine the content, look, and feel of its advertising.

Target Market Selection

The first step in target marketing is assessing which of the newly created segments offer the greatest profit potential and which can be most successfully penetrated. The company designates one or more segments as a **target market**—the consumers the company wishes to appeal to, design products for, and tailor its marketing activities toward.³⁵ It may designate other segments as secondary target markets and aim some IMC resources at them.

Let's look at the most likely target market for loose-fitting jeans: young to middle-aged customers with moderate to high income and education who like the style, comfort, and fashion. This group represents a large percentage of the apparel market, and if won, will generate substantial profits. Levi's offers what these prospects need and want: the style and fashion of the jeans updated to be more comfortable for the adult body.

But the middle-class, comfort-oriented segment is not enough for Levi's to be profitable, so it also caters to at least two other important market segments. In response to the enormous number of consumers who shop at giant, low-cost retailers such as Walmart and Target, Levi's has a value-priced line,

target marketing The process by which an advertiser focuses its marketing efforts on a target market.

target market The market segment or group within the market segment toward which all marketing activities will be directed.

product concept The consumer's perception of a product as a "bundle" of utilitarian and symbolic values that satisfy functional, social, psychological, and other wants and needs.

marketing mix Four elements, called the 4Ps (product, price, place, and promotion), that every company has the option of adding, subtracting, or modifying in order to create a desired marketing strategy.

four Ps (4Ps) Product, price, place, and promotion used by every company.

[The target market is] those consumers the company wishes to appeal to, design products for, and tailor its marketing activities toward.

Levi's Signature. The Signature collection appeals to budget-conscious families with children such as Family Thrifts and Big Sky Families. And at the top end, Levi's met the needs of young, twenty-something, image-conscious consumers with its Warhol Factory X Levi's jeans. The line retails for \$250 and is sold at high-end retailers such as Nordstrom.



Source: Redfx/Alamy Stock Photo

The way the marketer mixes and blends these different elements creates the company's marketing strategy—often called the **marketing mix**. For convenience, marketing educator E. Jerome McCarthy developed a mnemonic device to help recall these four functions: *product*, *price*, *place*, and *promotion*—or the **four Ps (4Ps)**.³⁷

The 4Ps are a simple way to remember the basic elements of the marketing mix. But within each element are many marketing activities a company can use to fine-tune its product concept and improve sales. Advertising, for example, is one instrument of the communication (promotion) element. The remainder of this chapter focuses on the relationship between advertising and the other elements of the marketing mix.

The Marketing Mix: A Strategy for Matching Products to Markets

When a company defines its target market, it knows exactly where to focus its attention and resources. Marketers and advertisers generally try to shape their basic product into a total **product concept**: the consumer's perception of a product or service as a bundle of utilitarian and symbolic values that satisfy functional, social, psychological, and other wants and needs. Companies have many strategic options they can employ to enhance the product/service concept and make sales. The company can design special features for its target market (such as certain colors or special sizes). It can establish proper pricing. And it can determine the criteria for locating stores or dealers and prepare the most convincing advertising messages.

Marketers categorize these options under four headings: (1) *product*, (2) *price*, (3) *distribution*, and (4) *communication*.³⁶

check yourself ✓

1. What is the relationship between the target market and the 4Ps?

product element The most important element of the marketing mix: the good or service being offered and the values associated with it—including the way the product is designed and classified, positioned, branded, and packaged.

product life cycle Progressive stages in the life of a product—including introduction, growth, maturity, and decline—that affect the way a product is marketed and advertised.

early adopters Prospects who are most willing to try new products and services.

primary demand Consumer demand for a whole product category.

introductory phase The initial phase of the product life cycle (also called the *pioneering phase*) when a new product is introduced, costs are highest, and profits are lowest.

pull strategy Marketing, advertising, and sales promotion activities aimed at inducing trial purchase and repurchase by consumers.

LO4-4 List the elements of the marketing mix and the role advertising plays in each.

ADVERTISING AND THE PRODUCT ELEMENT

In developing a marketing mix, marketers generally start with the **product element**. Major activities typically include the way the product is designed and classified, positioned, branded, and packaged. Each of these affects the way the product is advertised.

Product Life Cycles

Marketers theorize that just as humans pass through stages in life from infancy to old age, products also pass through a **product life cycle** (see Exhibit 4-10).³⁸ A product's place in the life cycle influences the target market selected and the marketing mix used. There are four major stages in the product life cycle: *introduction*, *growth*, *maturity*, and *decline*.

When a company creates a new product category, nobody knows about it. For example, Apple's introduction of the iPad created a new category: the tablet. Through market segmentation, the

company will try to identify those prospects who are known to be **early adopters**—people or organizations willing to try new things—and begin promoting the new category directly to them. The idea is to stimulate **primary demand**—consumer demand for the whole product category, not just the company's own brand.

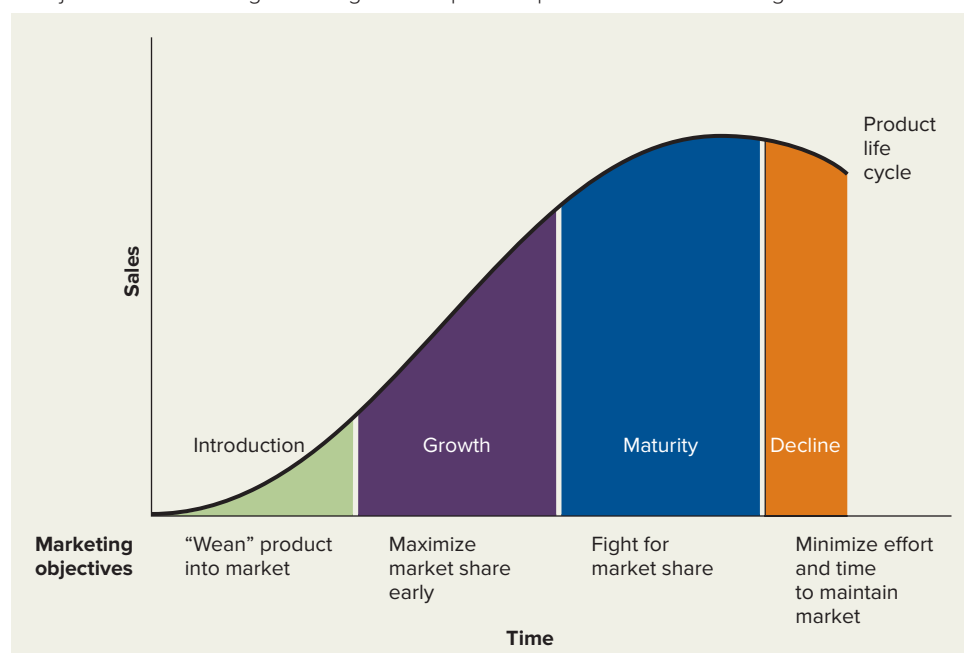
During the **introductory phase** of any new product category, the company incurs costs for educating customers, building widespread dealer distribution, and encouraging demand. It must advertise heavily at this stage to establish a position as a market leader and to gain a large share of market before the growth stage begins. Because Apple is a strong company with brands that people love, many consumers were willing to try the iPad. Less well-known companies face a steeper challenge.

Apple's challenge was getting consumers to demand the product through the channels of distribution. Consumers could order the iPad online at the Apple website, but Apple also wanted other retailers, such as Best Buy, to carry the iPad. Advertising and IMC that focuses on consumers is meant to motivate potential buyers to demand a product from retailers. This approach is called a **pull strategy** because marketers hope that consumer demand will “pull” the product through the distribution chain. Conversely, Apple wanted to be sure retailers would be anxious to stock up on

this new and unfamiliar product. Promotional efforts aimed at retailers or other distributors is called a **push strategy**. Push strategies target distributors rather than consumers and encourage them to stock, display, and advertise the product.

When sales volume begins to rise rapidly, the product enters the **growth stage**. This period is characterized by rapid *market expansion* as more and more customers, stimulated by mass advertising and word of mouth, make their first, second, and third purchases. Competitors jump into the market, but the company that established the early leadership position usually reaps the biggest rewards. As a percentage of total sales, advertising expenditures should decrease, and individual firms will realize their first substantial profits. The iPad proved both popular and profitable, even as competing products using Microsoft's and Google's operating systems were introduced.

▼ **EXHIBIT 4-10** A product's life cycle curve may vary, depending on the product category, but almost every product or service passes through these stages. Marketing objectives and strategies change as the product proceeds from one stage to the next.



push strategy

Marketing, advertising, and sales promotion activities aimed at getting products into the dealer pipeline and accelerating sales by offering inducements to dealers, retailers, and salespeople.

growth stage

The period in a product life cycle that is marked by market expansion as more and more customers make their first purchases while others are already making their second and third purchases.

maturity stage

That point in the product life cycle when the market has become saturated with products, the number of new customers has dwindled, and competition is most intense.

selective demand

Consumer demand for the particular advantages of one brand over another.

decline stage

The stage in the product life cycle when sales begin to decline due to obsolescence, new technology, or changing consumer tastes.

position

The way in which a product is ranked in the consumer's mind by the benefits it offers, by the way it is classified or differentiated from the competition, or by its relationship to certain target markets.



Glide dental floss exists in a mature product category. To differentiate itself from competing floss products, the brand emphasizes its smoothness and ease of use in tight spaces between teeth.

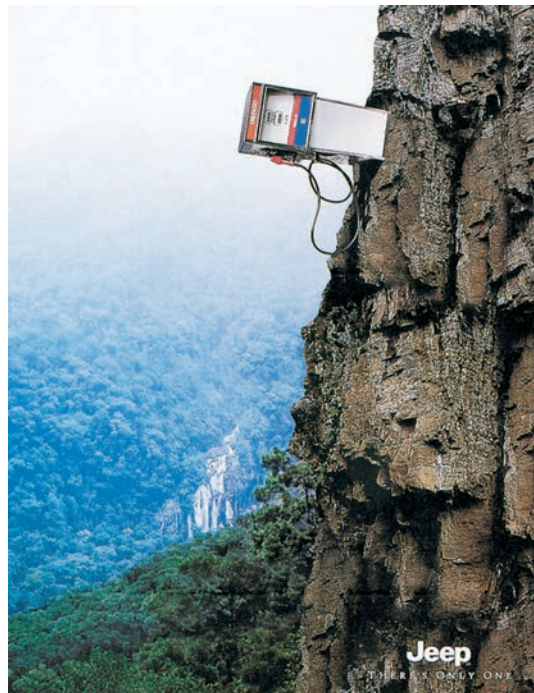
Source: The Procter & Gamble Company

In the **maturity stage**, the marketplace becomes saturated with competing products and the number of new customers dwindles, so industry sales reach a plateau. Competition intensifies and profits diminish. Companies increase their promotional efforts but emphasize **selective demand** to impress customers with the subtle advantages of their particular brand. At this stage, companies can increase sales only at the expense of competitors. The strategies of market segmentation, product positioning, and price promotion become more important during this shakeout period as weak companies fall by the wayside and those remaining fight for market share.

Late in the maturity stage, companies may have to scramble to extend the product's life cycle. Without innovation or marketing support, name brands eventually see their sales erode. For example, by 2016, sales of tablets were leveling. Apple, in response, developed several variations of the iPad,

including the mini and the Pro, to cater to increasingly selective consumer demand. Professor Brian Wansink, who directs the Brand Lab at the University of Illinois Urbana-Champaign, suggests that the reason many old brands die is less for life cycle reasons and more for marketing neglect. He points out that aging brands often pack plenty of brand equity. The challenge for marketers is to determine which brands can be revitalized and then decide how to do it.

If they're not revitalized, products will finally enter the **decline stage** because of obsolescence, new technology, or changing consumer tastes. At this point, companies may cease all promotion and phase the products out quickly, as in the case of record turntables and albums, or let them fade slowly away with minimal advertising.



At a time when sport utility vehicles were so popular that competing companies all seemed to be offering the same benefits, Jeep (www.jeep.com) positioned itself as the "only one" to go anywhere on the planet. Positioning is important in tight markets to help differentiate similar products.

Source: Jeep and FCA US LLC

Product Classifications

The way a company classifies its product is important in defining both the product concept and the marketing mix. As Exhibit 4-11 shows, there are many ways to classify tangible goods: by markets, by the purchasing habits of buyers, by the consumption rate or degree of tangibility, or by physical attributes.

Product Positioning

Once an advertising person understands the product's stage in the life cycle, how it's classified, and how it's currently perceived by the marketplace, the first strategic decision can be made: how to **position** the product. The basic goal of positioning strategy is to own a concept that establishes the product in the prospect's mind. Levi's owns "jeans" (or at least they did for a long time).

▼ **EXHIBIT 4–11** Product classifications.

| By Market | By Rate of Consumption and Tangibility | By Purchasing Habits | By Physical Description |
|---|--|--|---|
| Consumer goods Products and services we use in our daily lives (food, clothing, furniture, cars). | Durable goods Tangible products that are long-lasting and infrequently replaced (cars, trucks, refrigerators, furniture). | Convenience goods Purchases made frequently with a minimum of effort (cigarettes, food, newspapers). | Packaged goods Cereals, soft drinks, cleaning products, and so forth. |
| Industrial goods Products used by companies for the purpose of producing other products (raw materials, agricultural commodities, machinery, tools, equipment). | Nondurable goods Tangible products that may be consumed in one or a few uses and usually need to be replaced at regular intervals (food, soap, gasoline, oil). | Shopping goods Infrequently purchased items for which greater time is spent comparing price, quality, style, warranty (furniture, cars, clothing, tires). | Hard goods Furniture, appliances. |
| | Services Activities, benefits, or satisfaction offered for sale (travel, haircuts, legal and medical services, massages). | Specialty goods Products with such unique characteristics that consumers will make special efforts to purchase them even if they're more expensive (designer clothes, luxury cars, fancy restaurants). | Soft goods Clothing, bedding. |
| | | Unsought goods Products that potential customers don't yet want (life insurance, funeral services, fire extinguisher) or don't know they can buy (new products), so they don't search them out. | Services Intangible products. |

BMW owns “performance,” Maytag owns “reliability,” Apple owns “beautiful design,” and Jeep owns “rugged.” The ad on the previous page illustrates well Jeep’s slogan, “Go anywhere. Do anything.” By developing a unique position for the brand in the consumer’s mind, the marketer helps the consumer remember the brand and what it stands for.

Products may be positioned in different ways. Xerox repositioned itself as “the Document Company,” moving from the narrow, crowded copier market to the broader, growing document-handling market. With one stroke, Xerox redefined the business it is in, differentiated itself from competition, and created a new number one position for itself.³⁹

Product Differentiation

Product differentiation calls attention to product differences that appeal to the preferences of distinct target markets. In advertising, nothing is more important than being able to tell prospects truthfully that your product is different or unique. Unfortunately, in response to increased competitive pressures, burgeoning innovation and technology, and various constraints on distribution, new-product development cycles have shortened dramatically. As a result, many brand managers find themselves launching new products that are “only 85 percent there.” So it’s not surprising that many “new” products fail to impress consumers. (See Exhibit 4–12.)

▼ **EXHIBIT 4–12** What’s new? Not much. Consumers didn’t think these products were as new as they claimed to be, as indicated by the grades awarded.

| Product | New and Different | Purchase Probability | Price/Value | Overall Grade |
|---|-------------------|----------------------|-------------|---------------|
| Airwick Botanicals | F | A | A | B |
| Mr. Clean Glass & Surface Cleaner | F | A | A | B |
| Spic & Span with Bleach | F | A | B | B |
| Aspirin-Free Bayer Select | F | B | B | C |
| Sugar Twin Plus low-calorie sweetener | F | B | A | C |
| Lady Power Clear Roll-On antiperspirant | F | B | A | C |

perceptible differences Differences between products that are visibly apparent to the consumer.

hidden differences Imperceptible but existing differences that may affect the desirability of a product.

induced differences Distinguishing characteristics of products effected through unique branding, packaging, distribution, merchandising, and advertising.

branding A marketing function that identifies products and their source and differentiates them from all other products.

brand That combination of name, words, symbols, or design that identifies the product and its source and distinguishes it from competing products—the fundamental differentiating device for all products.

Nothing is more important than being able to tell prospects truthfully that your product is different.



Imperceptible differences are important, but can be difficult to communicate to consumers. Great ads communicate these differences and show how they address needs and wants of consumers, even when doing so requires nuance. This ad from Gastrina does accomplish this effectively.

Source: Dabur

Differences between products that are readily apparent to the consumer are called **perceptible differences**. Snapple, for example, gained popularity on the basis of its unique ingredients and taste.⁴⁰ **Hidden differences** are not so readily apparent. Diet Mountain Dew may look and taste the same as regular Mountain Dew, but it is differentiated by the use of artificial

sweeteners, which significantly reduce the calorie content of the beverage. Hidden differences can't be seen, but advertising can let consumers know about them.

For many product classes, such as aspirin, salt, gasoline, packaged foods, liquor, and financial services, advertising can create **induced differences**. An induced difference is one that cannot be established perceptually, nor does it exist in imperceptible but real product attributes. Instead, it is a matter of consumer perception. How does Coke differ from Pepsi? How does the iPhone differ from the Samsung Galaxy? Some might argue in no significant way (much as that might shock a fanatic fan of one of these products). Indeed, the immense loyalty that each of these brands inspires testifies to the power of **branding**. Brand loyalty is created through the accumulation of consistent advertising campaigns, favorable publicity, special-event sponsorship, and good word of mouth.⁴¹

Product Branding

The most important way that any product can differentiate itself from competing products is through the power of a **brand**—that



Chanel is one of the top perfume brands in the world. To reinforce its image of luxury and glamour, Chanel ads feature stars such as Nicole Kidman and Keira Knightley.

Source: Chanel S.A.

individual brand

Assigning a unique name to each product a manufacturer produces.

family brand

The marketing of various products under the same umbrella name.

national brands

Product brands that are marketed in several regions of the country.

private labels

Personalized brands applied by distributors or dealers to products supplied by manufacturers. Private brands are typically sold at lower prices in large retail chain stores.

licensed brands

Brand names that other companies can buy the right to use.

Advertising . . . is much more effective if it exploits the brand's positioning.

combination of name, words, symbols, or design that identifies the product and its source. Without brands, consumers couldn't tell one product from another, and advertising them would be nearly impossible.

A manufacturer may establish an **individual brand** for each product it makes. Procter & Gamble, for example, markets its laundry detergents under the individual brand names Tide, Gain, Cheer, and Era. P&G promotes to a distinct target market for each product and has created a separate personality and image for each brand. However, this strategy is very costly.

On the other hand, a company might use a **family brand** and market different products under the same umbrella name. When Heinz promotes its ketchup, it hopes to help its relishes too. This decision may be cost-effective, but one weak product in a line can hurt the whole family.

Because it is so expensive for manufacturers to market **national brands** (also called *manufacturer's brands*), some companies use a *private-labeling* strategy. They manufacture the product and sell it to resellers (distributors or dealers) who put their own brand name on the product. **Private labels** are typically sold at lower prices in retail stores and include such familiar names as Kenmore, Craftsman, and DieHard (Sears), Kirkland (Costco), 365 (Whole Foods), Lucerne (Safeway), and Great Value (Walmart). The responsibility for creating brand image and familiarity with private label brands rests with the distributor or retailer, who is also the principal benefactor if the brand is successful.

Branding decisions are critical because the brands a company owns may be its most important capital asset. Imagine the value of owning a brand name such as Coca-Cola, Nike, Porsche, or Levi's. *Bloomberg Businessweek* ranks Coca-Cola as the most valuable brand in the world, followed by Microsoft, IBM, GE,

Nokia, and Toyota.⁴² Some companies pay a substantial fee for the right to use another company's brand name. Thus, there are **licensed brands** such as Sunkist vitamins, Coca-Cola clothing, Porsche sunglasses, and Mickey Mouse watches.

The Role of Branding

Brands offer consumers instant recognition and identification. They also promise consistent, reliable standards of quality, taste, size, or even psychological satisfaction, which adds value to the product. In one survey, 44 percent of consumers ranked brand name as the most important factor when making a major electronics purchase. Price, by the way, ranked second.⁴³

Brands are built on differences in images, meanings, and associations. It's up to manufacturers to differentiate their products clearly and deliver value competitively. The product has to taste better, or get clothes cleaner, or be more environmentally friendly.⁴⁴ Advertising for an established brand, particularly a



The world's most valuable brand, for the third year in a row, is Amazon (www.amazon.com). How does Amazon use color, design, and simplicity to make its brand so recognizable? What comes to mind when you think about Amazon as a brand, and how do those thoughts compare with the ones you have for other retail brands?

rvlsoft/Shutterstock

brand equity The totality of what consumers, distributors, dealers, and competitors feel and think about a brand over an extended period of time; in short, it is the value of the brand's capital.

copy points Copywriting themes in a product's advertising.

price element In the marketing mix, the amount charged for the good or service—including deals, discounts, terms, warranties, and so on. The factors affecting price are market demand, cost of production and distribution, competition, and corporate objectives.

psychological pricing Using price as a means of influencing a consumer's behavior or perceptions; for example, using high prices to reinforce a quality image, or selling at \$2.99 instead of \$3.00 to make a product appear less expensive.

well-differentiated one, is much more effective if it exploits the brand's positioning.⁴⁵ Ideally, when consumers see a brand on the shelf, they instantly comprehend the brand's promise and have confidence in its quality. The goal is *brand loyalty*—because it serves both the consumer and the advertiser. For the consumer, it reduces shopping time. For the advertiser, it builds **brand equity**, the totality of what consumers, distributors, dealers—even competitors—feel and think about the brand over an extended period of time. In short, it's the value of the brand's assets.

Strong brand equity offers a host of blessings to a marketer: customer loyalty, price inelasticity, long-term profits. A loyal customer can be nine times as profitable as a disloyal one.⁴⁶ But building brand equity requires time and money. Brand value and

preference drive market share, but market share and brand loyalty are usually won by the advertisers who spend the most. Charlotte Beers, the former head of J. Walter Thompson, believes companies must maintain consistency in their message by integrating all their marketing communications—from packaging and advertising to sales promotion and publicity—to maintain and reinforce the brand's personality and avoid mistakes such as changing the distinctive color of a Ryder rental truck.⁴⁷

Product Packaging

The product's package is a component of the product element that can determine the outcome of retail shelf competition. In fact, packaging may be a particular brand's one differential advantage—and it's the marketer's last chance to communicate at the point of sale. Package designers (who sometimes work in agencies) must make the package exciting, appealing, and at the same time functional. The four considerations in package design are *identification*; *containment*, *protection*, and *convenience*; *consumer appeal*; and *economy*. These functions may even become **copy points**—copywriting themes—in the product's advertising.

ADVERTISING AND THE PRICE ELEMENT

As we all know, the **price element** of the marketing mix influences consumer perceptions of a brand. Companies that don't compete on price typically use image advertising to create a particular perception of the company or personality for the brand. Companies that are more price-competitive may regularly use sale advertising, clearance advertising, or loss-leader advertising.

Key Factors Influencing Price

Companies typically set their prices based on market demand for the product, costs of production and distribution, competition, and corporate objectives. Interestingly, though, a company often has relatively few options for determining its price strategy, depending on the desired product concept.

Marketers believe that consumers are often less concerned with a product's actual price than with its perceived price relative to competitors. Many premium brands, such as L'Oréal, tout the fact that they cost more. Setting a high price to make a product seem more valuable is an example of **psychological pricing**.



Apple's product packaging is so beloved people record opening a new box and then post the experience online, a practice known as unboxing. Apple's products inspire great loyalty among the brand's users. How does the packaging and the experience of opening an Apple package complement the brand's image? What does Apple's careful consideration of the user experience say about the company?

Source: DomCritelli/Shutterstock

place (distribution) element How and where customers will buy a company's product; either direct or indirect distribution.

direct distribution The method of marketing in which the manufacturer sells directly to the customers without the use of retailers.

network marketing A method of direct distribution in which individuals act as independent distributors for a manufacturer or private-label marketer.

reseller Businesses that buy products from manufacturers or wholesalers and then resell the merchandise to consumers or other buyers; also called *middlemen*. The most common examples of resellers are retail stores and catalog retailers.

distribution channel The network of all the firms and individuals that take title, or assist in taking title, to the product as it moves from the producer to the consumer.

BEST BUY

What's not to love?

SAMSUNG \$199.99
Other Colors Available
Samsung Galaxy Watch Active
Smartwatch 40mm...

Save \$200 on the Samsung Galaxy S10 and S10+ with qualified activation.

verizon AT&T Sprint Unlocked

Microsoft Surface
\$599.00
Save \$100
Microsoft Surface Pro - 12.3" Touch Screen - Intel Core i7 - 4GB...

HP
\$749.99
Save \$100
HP ENVY x360 2-in-1 15.6" Touch-Screen Laptop - Intel Core i5...

HP
\$899.99
Save \$100
HP ENVY x360 2-in-1 15.6" Touch-Screen Laptop - Intel Core i7...

Support for all the tech under your roof.
Members get exclusive pricing and more.

Free shipping
on orders \$35 and up.

Ready in one hour
with store pickup.

Dorm-ready tech gifts.
Discover the perfect tech gifts for new grads.

Retailers frequently focus on value pricing as a way of attracting consumers. One key to Best Buy's success in a challenging retail environment has been its focus on offering quality technologies at attractive prices. Letting consumers know they can save and get their merchandise quickly is a message stressed in the company's ads.

Source: Best Buy Co., Inc.

Image advertising may be used to justify the higher price. The important thing is that the price be consistent with the brand image; you can't charge a Rolex price for a Timex watch. And similarly, the brand's advertising must be consistent with its pricing strategy.

Suave

When listing her priorities, the average mom ranks doing the floors higher than doing her hair.

Say yes to beautiful without paying the price.

Advertising conveys information about both price and how much price should matter in choosing a brand. This ad for Suave, a value-priced personal care brand, suggests the consumer can "Say yes to beautiful hair without paying the price."

Source: Suave by Unilever United States

ADVERTISING AND THE DISTRIBUTION (PLACE) ELEMENT

Before the first ad can be created, the **place (or distribution) element** must be decided. It is important for marketers to understand that the method of distribution, like the price, must be

consistent with the brand's image. People will not pay Nordstrom prices at Target.

Companies use two basic methods of distribution: *direct* or *indirect*.

Direct Distribution

When companies sell directly to end users or consumers, they use **direct distribution**. Avon, for example, employs sales reps who sell directly to consumers. Medical equipment suppliers and insurance companies often sell and distribute their products and services directly to customers without the use of wholesalers or retailers. In these cases, the advertising burden is carried entirely by the manufacturer.

An interesting method of direct distribution today is **network marketing** (also called *multilevel marketing*), in which individuals act as independent distributors for a manufacturer or private-label marketer. These people sign up friends and relatives to consume the company's products and recruit others to join. Through a gradual, word-of-mouth process, they form a "buying club" of independent distributors who buy the products wholesale direct from the company, use them, and tout them to more and more friends and acquaintances.

The Internet may be the ultimate direct distribution vehicle. As we will discuss in Chapter 12, websites allow marketers such as Dell and even artists like those on Etsy to make direct contact with their customers, develop interactive relationships, and consummate the sale of their products or services, all at a lower cost than any other method. As consumers become more comfortable buying online, services such as AirBnB and Uber have transformed vacation lodging and transportation, respectively.

Indirect Distribution

Manufacturers usually don't sell directly to end users or consumers. Most companies market their products through a *distribution channel* that includes a network of *resellers*. A **reseller** (informally called a *middleman*) is the entity that operates between the producer and the consumer or industrial purchaser. It deals in trade rather than production.⁴⁸ Resellers include both wholesalers and retailers, as well as manufacturers' representatives, brokers, jobbers, and distributors. A **distribution channel** comprises all the firms and individuals that take responsibility for the product as it moves from the producer to the consumer.

The advertising a company uses depends on the product's method of distribution. Much of the advertising we see is not prepared or paid for by the manufacturer, but by the distributor or retailer.

An important part of the marketing strategy is determining the amount of coverage necessary for a product. Procter & Gamble, for example, distributes Crest toothpaste to virtually every supermarket and discount, drug, and variety store. Other products might need only one dealer for every 50,000 people. Consumer goods manufacturers traditionally use one of three distribution strategies: *intensive*, *selective*, or *exclusive*.

Intensive Distribution Soft drinks, candy, Timex watches, and other convenience goods are available at every possible location because of **intensive distribution**. In fact, consumers can buy them with a minimum of effort. The profit on each unit is usually very low, but the volume of sales is high. The sales burden is usually carried by the manufacturer's national advertising. Ads in trade magazines *push* the product into the retail "pipeline," and in mass media they stimulate consumers to *pull* the products through the pipeline. As a manufacturer modifies its strategy to more push or more pull, special promotions may be directed at the trade or at consumers to build brand volume.

Selective Distribution By limiting the number of outlets through **selective distribution**, manufacturers can cut their distribution and promotion costs. Many hardware tools are sold

intensive distribution A distribution strategy based on making the product available to consumers at every possible location so that the consumers can buy with a minimum of effort.

selective distribution Strategy of limiting the distribution of a product to select outlets in order to reduce distribution and promotion costs.



Maybelline utilizes selective distribution, and its ads convey style and quality, and by implication, higher prices. In contrast to the Suave ad you saw earlier, this ad suggests that to get the best value in a hair care product, the consumer must be prepared to pay more. Or as the saying goes, you get what you pay for.

Source: Maybelline New York

cooperative (co-op) advertising

The sharing of advertising costs by the manufacturer and the distributor or retailer. The manufacturer may repay 50 or 100 percent of the dealer's advertising costs or some other amount based on sales.

exclusive distribution

The strategy of limiting the number of wholesalers or retailers who can sell a product in order to gain a prestige image, maintain premium prices, or protect other dealers in a geographic region.

vertical marketing system (VMS)

A system in which the main members of a distribution channel—producer, wholesaler, and retailer—work together as a cooperative group to meet consumer needs.


Exclusive Distribution Some manufacturers grant **exclusive distribution** rights to a wholesaler or retailer in one geographic region. For example, a small city is not likely to have more than one Jaguar dealer. This is also common in high fashion, major appliances, and furniture lines. What is lost in market coverage is often gained in the ability to maintain a prestige image and premium prices. Ex-


clusive distribution agreements also force manufacturers and retailers to cooperate closely in advertising and promotion programs.

selectively through home-improvement centers and hardware stores. Automobile manufacturers limit the number of dealers that can sell their cars in each market. Levi Strauss sells through better department and chain stores. Manufacturers may use national advertising, but the sales burden is normally carried by the retailer. The manufacturer may share part of the retailer's advertising costs through a **cooperative (co-op) advertising** program, as we discussed in Chapter 3. For example, a Levi's retailer may receive substantial allowances from the manufacturer for advertising Levi's clothing in its local area. In return, the retailer agrees to advertise and display the clothing prominently.

Vertical Marketing Systems: The Growth of Franchising

To be efficient, members of a distribution channel need to cooperate closely with one another. This need gave rise to the **vertical marketing system (VMS)**, a system in which the main members of a distribution channel—producer, wholesaler, and retailer—work together as a cooperative group to meet consumer needs. This contrasts with conventional marketing

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The vertical marketing system gave rise to a number of successful business plans, such as franchising, in which franchisees pay a fee and operate under the guidelines of a parent company. Many Sonic restaurants are owned and operated by local business people who serve the unique needs of their community. The partnerships in vertical marketing serve the needs of both the local operator, who gains instant brand recognition, and the company, which supplies training, equipment, and food to the restaurants. What are some other businesses in your community that operate in a vertical marketing system?

Source: Inspire Brands

retail cooperative A group of independent retailers who establish a central buying organization (a wholesaler) to acquire discounts from manufacturers and gain economies from joint advertising and promotion efforts.

franchising A type of vertical marketing system in which dealers pay a fee to operate under the guidelines and direction of the parent company or manufacturer.

promotion (communication) element Includes all market-related communications between the seller and the buyer.

marketing communications The various efforts and tools companies use to communicate with customers and prospects, including newspaper ads, event sponsorship, publicity, telemarketing, digital ads, and coupons, to mention just a few.



IT IS CRITICAL THAT [ADVERTISING PEOPLE]
UNDERSTAND HOW TO BLEND ALL THE TOOLS INTO AN
INTEGRATED MARKETING COMMUNICATIONS PROGRAM. ”

systems in which producers, wholesalers, and retailers are separate businesses that are all trying to maximize their profits.⁴⁹

There are three types of vertical marketing systems: corporate, administered, and contractual. In a corporate VMS, one company owns multiple levels of the distribution or production channel. An example would be a company such as Apple, which has its own retail stores as well as designing and manufacturing the products sold in those retail stores. An administered VMS is one in which one member of the production and distribution chain is dominant and calls the shots. An example of this type of system would be a large retailer such as Walmart, which dictates terms to its suppliers.⁵⁰

A contractual VMS involves a formal agreement between the various levels of the distribution or production channel to coordinate the overall process. One type of contractual VMS is a **retail cooperative**, in which a group of independent retailers buy from a jointly owned wholesaler. ACE Hardware is an example of a retail cooperative. Another type of contractual VMS is a *franchise*. For the last quarter century, the greatest growth has been in **franchising**—such as McDonald’s or Supercuts—in which retail dealers (or *franchisees*) pay a fee to operate under the guidelines and direction of the parent company or manufacturer (the *franchisor*). It’s estimated that more than 40 percent of all retail sales in the United States are made through franchise outlets. There are more than 3,000 franchise businesses operating around the world and more than 759,000 establishments in the United States today are members of a franchise.⁵¹

Franchising and other vertical marketing systems offer both manufacturers and retailers numerous advantages, not the least of which are centralized coordination of marketing efforts and

substantial savings and continuity in advertising. Perhaps most important is consumer recognition: The moment a new McDonald’s opens, the franchisee has instant customers. Moreover, a single newspaper ad can promote all of a chain’s retailers in a particular trading area.

Many marketers find that franchising is the best way to introduce their services into global markets. Subway, for example, is one of the fastest-growing franchise operations in the world with a total of nearly 40,000 stores in 102 countries. *Entrepreneur* reports the top five fastest-growing franchises as of 2019 were Taco Bell, Dunkin’, Jan-Pro, Orange Theory Fitness, and N2 Publishing.⁵²

ADVERTISING AND THE PROMOTION (COMMUNICATION) ELEMENT

Following decisions about product, price, and distribution, a company can plan its marketing communications, of which advertising is just one component. The **promotion, or communication, element** includes all marketing-related communications between the seller and the buyer.

Marketing communications (or *marcom*) refers to all the planned messages that companies and organizations use to support their marketing objectives and strategies. In addition to advertising, major marketing communication tools include *personal selling*, *sales promotion*, *direct marketing*, and *public*

relations activities. The extent to which an organization uses any or all of these tools depends on its marketing needs.

Each marketing communication tool offers particular opportunities and benefits to the marketer. In Chapters 15 and 16 we discuss how these tools can best be integrated into the *marketing mix*. Advertising experts must understand how to blend all the tools into an integrated marketing communications program.

For creating brand awareness, familiarity, and image, as well as for reinforcing prior purchase decisions, advertising is the communications tool of choice for many products. The following factors are particularly important for advertising success:

- Strong primary demand trend.
- Potential for significant product differentiation.
- Hidden qualities highly important to consumers.
- Opportunity to use strong emotional appeals.
- Substantial funds available to support advertising.

Where these conditions exist, companies spend large amounts on advertising, and the ratio of advertising to sales dollars is often quite high. For completely undifferentiated products, such as sugar, salt, and other raw materials or commodities, advertising is usually less important and the other marketing mix elements play a more significant role.

THE MARKETING MIX IN PERSPECTIVE

With the target market designated and the elements of the marketing mix determined, the company has a complete product concept and a strategic basis for marketing to that target. Now it can formalize its strategies and tactics in a written marketing and advertising plan. As part of the planning process, companies use marketing and advertising research. We will discuss this in Chapter 6 before dealing with the formal planning process in Chapter 7. But first we'll examine the process of human communication and some theories of consumer behavior.

check yourself ✓

1. How does a product's stage in the product life cycle affect the way the it's advertised?
2. What are the benefits of a strong brand?
3. What is the relationship of advertising and the marketing mix?

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