

Chapter 2

Advertising's Role in Marketing

❖ WEB REVIEW QUESTIONS

1. What is the definition of marketing?

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

2. Explain the marketing concept.

The marketing concept is an approach that suggests marketing should focus first on identifying the needs and wants of the customer, rather than on finding ways to sell products that may or may not meet customers' needs.

3. Why is the concept of exchange important to marketing and how does it connect to a communication industry such as advertising?

Marketing helps to create **exchange**, that is, the act of trading a desired product or service to receive something of value in return. The company makes a product and offers it for sale at a certain price; the customer gives money to the company to buy that product. Money is exchanged for goods.

Marketing also facilitates communication exchange. Advertising provides information, as well as the opportunity for customer-company interaction.

4. Why did branding develop and what does advertising contribute to branding?

Branding is the process of creating a special meaning for a product, one that makes it distinctive in the marketplace and in its product category, just as your name makes you unique in your community. That special meaning, or brand image, is the result of communication, as well as your own personal experiences with the product. A brand, and the advertising behind it, creates familiarity—we're more comfortable buying brands we know

5. Explain the concept of added value. In what ways does advertising contribute added value?

Added value describes the results of a marketing or advertising activity that makes a product more valuable, useful, or appealing to the consumer. The reason marketing and advertising activities are useful, both to consumers and to marketers, is that they add value to a product. Advertising not only can showcase the product's value but also may add value by making the product appear more desirable or more of a status symbol. Providing news and useful information of interest to consumers is another way that advertising adds value.

6. Explain the brand management function.

Some companies may have a product or brand management organization structure with managers who handle the marketing responsibility. A product or brand manager is the person responsible for all the strategic decisions relating to the brand's product design and manufacture as well as the brand's pricing, distribution, and marketing communication.

7. Why are suppliers important to marketing? Are they involved with advertising?

The materials and ingredients used in producing the product are obtained from other companies who are referred to as suppliers and vendors. Their work also determines the quality of the final product, and the ingredients they provide, as well as the cost of their materials, is a big factor in determining the product's price.

Suppliers are also partners in the communication process. Their marketing communication may relate to the brand, particularly in the practice called ingredient branding, which means acknowledging a supplier's brand as an important product feature.

8. Explain how co-op advertising works.

Through cooperative (or co-op) advertising allowances, the producers share with the reseller the cost of placing the advertisement.

9. What are the four main types of markets and how do they work?

- *Consumer Markets:* Consumer markets consist of people who buy products and services for personal or household use. As a student, you are considered a member of the consumer market for companies that sell jeans, athletic shoes, sweatshirts, pizza, music, textbooks, backpacks, computers, education, checking accounts, bicycles, travel, and vacations, along with a multitude of other products that you buy at drug and grocery stores, which the marketing industry refers to as package goods.

- *Business-to-Business (Industrial) Markets:* Business-to-business markets consist of companies that buy products or services to use in their own businesses or in making other products. Ads in this category usually are heavier on factual content than on emotional appeals.
- *Institutional Markets:* Institutional markets include a wide variety of profit and nonprofit organizations—such as hospitals, government agencies, and schools—that provide goods and services for the benefit of society. Ads for this category are very similar to business-to-business ads in that they are heavy on copy and light on visuals and emotional appeals.
- *Channel Markets:* The channel market is made up of members of the distribution chain, which is what we call resellers or intermediaries. Resellers are wholesalers, retailers, and distributors who buy finished or semifinished products and resell them for a profit. Microsoft and its retailers are part of the reseller market. Prestone is a wholesaler that distributes its de-icing fluid and other products to retailers. Companies that sell such products and services as trucks, cartons, and transportation services (e.g., airlines, cruise ships, and rental car agencies) consider resellers their market. **Channel marketing** is more important now that manufacturers consider their distributors to be important partners in their marketing programs. Giant retailers, particularly Wal-Mart, are becoming more powerful and can even dictate to manufacturers what products their customers want to buy and how much they are willing to pay for them.

10. What is a situation analysis?

A situation analysis identifies the brand's strengths and weaknesses, as well as corporate and market opportunities and threats.

11. What are the three key marketing decisions that guide a marketing plan, as well as the advertising?

- *Objectives:* Marketers set objectives for their marketing efforts. Examples include increasing sales levels or share of the market.
- *Segmenting and Targeting:* Marketers must identify groups within the market whose needs and wants intersect with the product and its features—this is called segmentation.
- *Differentiation and Positioning:* Planners assess the competition and decide where their product's point of differentiation lies and then make decisions about how to present or position the product within this competitive environment relative to consumer needs. Positioning refers to how consumers view and compare competitive brands or types of products.

12. What are the elements in the marketing mix?

Product, price, place, and promotion

13. What is a full-service agency?

In advertising, a **full-service agency** is one that includes the four major staff functions—account management, creative services, media planning and buying, and account planning, which is also known as research. A full-service advertising agency will also have its own accounting department, a traffic department to handle internal tracking on completion of projects, a department for broadcast and print production (usually organized within the creative department), and a human resources department.

14. How does the commission system work and how does it differ from a fee system?

A commission is the amount an ad agency charges the client as a percentage of the media cost. Most advertisers now use a fee system either as the primary compensation tool or in combination with a commission system. The fee system is comparable to the means by which advertisers pay their lawyers and accountants. The client and agency agree on an hourly fee or rate. This fee can vary by department or it could be a flat hourly fee for all work regardless of the salary level of the person doing the work. Charges are also included for out-of-pocket expenses, travel, and other standard items. All charges are billed to the client, and no commission is added to the media cost.