Advertising and Promotion (Canadian) 6th edition Guolla Solutions Manual

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CHAPTER 2
ORGANIZING FOR INTEGRATED MARKETING COMMUNICATIONS

Chapter Overview

The purpose of this chapter is to familiarize the student with the ways that organizations organize for purposes of developing and executing integrated marketing communications programs. A description of the role and functions of advertising agencies is provided, as is an explanation of how agencies are compensated and evaluated. The chapter also discusses organizations that provide specialized integrated marketing communication services including direct-response, sales promotion and interactive agencies as well as public relations firms. It is important for students to understand that a variety of different organizations may play a role in the development of a company's IMC program.

Learning Objectives

1. Identify the role of the advertising agency and the services it provides.
2. Describe methods for compensating, and evaluating advertising agencies.
3. Contrast the role and functions of specialized marketing communications organizations.
4. Evaluate the perspectives on the use of integrated services across agencies or within one agency, and agency-client responsibilities and partnerships.

Chapter and Lecture Outline

I. ADVERTISING AGENCIES

A. Advertising Agency Decision

Companies can employ the services of an external advertising agency or use an in-house agency.

1. In-House Agency —companies set up their own internal ad agencies. The design varies from as small as an advertising department to as large as an external agency. In the latter case, the in-house agency will operate as a separate entity and control advertising and promotional expenditures in millions of dollars. This option is usually chosen so that costs are minimized and control over the agency's activities is maximized.
2. Advertising Agency —Though organizations have the capability of performing advertising services themselves, they elect to use outside agencies for the following reasons: (1) the skills offered, (2) objectivity and (3) experience.

B. Advertising Agency Industry

Figure 2-1 captures the state of the major players in the Canadian advertising agency industry. Most agencies are an amalgamation of other agencies like sales promotion, digital, PR etc. and are part of large international consortiums. Not captured in the table are smaller regional or local agencies that remain independent. However, these firms presumably represent a substantial portion of the money spent on agencies. Instructors can review the background and clients of ad agencies for student interest. Their websites show their work and are generally very creative. New trends highlighted in the chapter can be examined also.

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C. Full Service Advertising Agencies

These agencies offer their clients a full range of services including account/client services, planning and research services, creative services, digital creative services, production services, media services, , specialized services (e.g., sales promotion, direct, PR, interactive).

- Account services—the link between the advertising agency and its clients. **Account executives** serve as the liaison between the agency and client and are responsible for coordinating the agency's efforts in planning, creating and producing ads.
- Planning and research services—full-service agencies provide a variety of marketing services to their clients and maintain departments such as research, strategy and planning. These departments assist the other services by ensuring that the marketing communication strategy addresses the communication issue accurately.
- Creative services—agency personnel in this department include **artists** and **copywriters** who are responsible for the creation and execution of the client's advertising messages. Creative services may also include print and broadcast production departments, which are responsible for actually producing the advertising messages and putting them into final form. Digital creative specialists are now part of marketing communication plans as customized messages for Internet media may be required.
- Production services—dedicated staff may be responsible for the physical development of ads in all or select formats. The **traffic department** coordinates all phases of production and sees that all ads are completed on time and deadlines for submitting the ads to the media are met.
- Media services—the media department is very important since clients are consolidating their media buying to save money and improve media efficiency. This department analyzes, selects and contracts for media space and time on behalf of clients.
- Specialized services—as implied in the term, full-service agencies, provide a variety of additional services to their clients so that a complete IMC plan can be delivered that includes all tools (e.g., sales promotion, PR, direct, digital).

Attention should be given to the two types or agency organization structures used by agencies. Under the **departmental system** each of the agency functions is set up as a separate department and is called upon to perform its specialty for all of the agency's clients. Agencies can use the **group system** in which individuals from each department work together as teams to service a particular account. Clients prefer the group system because agency employees become very familiar with their business and it ensures continuity in servicing the account.

II. AGENCY COMPENSATION

The services that advertising agencies provide may be compensated in a variety of ways including:

A. Commissions from media—the agency is compensated based on the time or space it purchases for its client. The commission is typically 15%. The commission system is criticized since it ties agency compensation to media costs and encourages agencies to rely on commissionable media (i.e., TV) that is more expensive than non-commissionable media. However, some prefer this system because it is easy to administer and forces agencies to compete on bases other than price. Advertisers have moved to a **negotiated** commission system that takes the form of reduced percentage rates, variable commission rates and minimum and maximum compensation rates.

B. Fee arrangements are of two types: a **fixed-fee method** where the agency charges a basic monthly fee for all of its services and credits to the client any media commissions earned. Under a **fee-commission combination** the media commissions received by the agency are credited against the fee. If commissions are less than the agreed-on fee, client must make up the difference.

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C. Cost-plus agreement—under this compensation method the client agrees to pay the agency a fee based on costs of its work plus some agreed-on profit margin. This system requires the agency to keep detailed records of costs incurred in working on a client's account.

D. Incentive-based compensation—while there are variations on this system, the basic idea is that the agency's compensation level will depend upon how well it meets predetermined performance goals for its clients such as sales or market share. Incentive-based compensation

E. Evaluation of agencies**—**given the substantial amounts of money being spent on advertising, demands for accountability are increasing. The agency evaluation process generally involves two types of assessments—**financial audits** and **qualitative audits**. An increasing trend among larger firms is to formalize this process.

F. Reasons for agencies losing clients—agencies are like their clients in the sense that they must solicit business, and often gain and lose business. The text offers a variety of reasons as to why agencies lose clients. Current issues of *Marketing Magazine* will be useful in providing the instructor with examples of account changes and the reasons the clients decided to change agencies.

III. SPECIALIZED SERVICES

In addition to advertising agencies, other outside organizations may provide marketers with specialized services that are important in developing and executing integrated marketing communication programs. Instructors can also review websites of specialized service agencies or review a few new developments shown in the chapter.

A. Creative boutiques—specialize in and provide only advertising creative services. Because of their specialty of creative ideas, clients look to these agencies for new inspiration to portray their brands or for specific messages to more focused target audiences.

B. Media buying services—work with media companies and package offering to clients to meet their media strategy and tactic decisions.

C. Sales Promotions Agencies—provide promotional services that include promotional planning, creative, research, tie-in coordination, fulfillment, premium design, and contest/sweepstakes management.

D. Public Relations Firms—develop and implement programs to manage an organization's publicity, image, and affairs with consumers and other relevant publics including employers, suppliers, stockholders, government, labor and the general public.

E. Direct Response Agencies—provide their clients a variety of services including data base development and management, direct mail, research, media services, and creative and production capabilities.

F. Interactive Agencies—develop web sites, kiosks, Internet ads, and other forms of interactive advertising.

IV. IMC PLANNING: AGENCY RELATIONSHIPS

A trend in the advertising industry is to combine all of the above services under one roof. These **one-stop service agencies** bring together service providers so that the client needs only to use their firm to receive all of the marketing support s/he requires. Advantages and disadvantages of these arrangements include:

A. Integrated IMC Services—The advantages and disadvantages of the one-stop shop include:

1. Advantages of integrated services:

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- Greater control of the promotional process allows for more synergy among each of the communication program elements
- More convenient for clients to coordinate all promotional efforts with one agency
- Agencies with IMC capabilities can create a single image for the client

2. Disadvantages of integrated services:
   - Synergy and economies of scale are often not achieved by a single agency handling all communication areas
   - Internal conflicts often arise within various departments within a large agency over areas such as advertising, public relations or sales promotion
   - Limits client's ability to take advantage of specialists in IMC areas

B. Agency-Client Responsibility—Another topic covered in this section is whether the client or advertising agency should have the primary responsibility for planning and coordinating the IMC process. Most marketers believe it is their responsibility to set strategy for and coordinated integrated campaigns while agency executives see this as their domain. The major barrier is a lack of people in agencies with the broad perspective and skills needed to make IMC work effectively. Internal turf battles, agency egos, and fear of budget reductions are also cited as major barriers to successful integrated marketing campaigns.

C. Agency-Client Relationships—A summary of recent research on the nature of agency-client relationships is presented with a number of survey findings. This material can be selectively used to give an idea as to the present situation.

Teaching Suggestions

Students are often interested in working for an advertising agency. This chapter will help to familiarize them with other major participants in the IMC process and the important role they play. While most students are familiar with advertising agencies, they are less likely to know anything about direct response and sales promotion agencies, public relations firms and interactive agencies. You might note that there are some excellent career opportunities available in these areas.

It is important for the instructor to keep up to date with events that are taking place. Good sources of information on advertising are publications such as *Marketing Magazine, Strategy, Advertising Age, AdWeek,* and *BrandWeek.* For excellent articles and sources of information on sales promotion students should be referred to *Promo* magazine. We suggest that use of the outline provided here be supplemented by additional articles from the media listed above. We have also found strong student interest in identifying which current advertisements have been created by various agencies. Most major agencies have excellent websites that contain client rosters, examples of their advertising, information about their advertising philosophy, approaches to branding and other IMC content.

In addition, books written by those in the business on the advertising world are also well received. There are some very interesting books on the advertising industry that could be suggested readings for students. Some of these provide insights into the workings of the advertising world while others discuss the perspectives that agencies operate from. Some suggestions include:

- Rosser Reeves, *Reality in Advertising*
- Alison Fendley, *Saatchi & Saatchi, The Inside Story*

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- Kevin Goldman, *Conflicting Accounts (The Creation and Crash of the Saatchi & Saatchi Advertising Empire)*
- David Ogilvy, *Ogilvy on Advertising*
- David Ogilvy, *Confessions of an Advertising Man*
- Eric Clark, *The Want Makers*
- John Oliver, *The Image Makers*
- John O'Toole, *The Trouble With Advertising*
- Martin Mayer, *Madison Avenue, U.S.A.*

Vignette

1. What is significant about these campaigns that allowed Leo Burnett to win the award?

This question gets to the heart of the matter regarding why advertising is creative, since Leo Burnett is clearly recognized for its creative work. Clearly, there is no right answer, but an opportunity to develop arguments as to why judges saw the campaigns worthy of praise. Astute students will recognized that the stories consistently focus on the consumption or life experience of consumers rather than the pre-purchase are purchase process. Inherently, the consumption side is more interesting or illuminating and is often a great inspiration for creativity and effective ads.

IMC Perspective 2-1

1. What new direction would you anticipate Sid Lee moving towards in the future?

   The story of Sid Lee is remarkable given the amalgamation of major industry players world-wide as presented earlier in the chapter. Each snippet gives an idea of Side Lee's work and allows students to see how it is unique or how it could help solve a communication problem or take advantage of a communication opportunity. Instructors could look for examples of each of these to initiate the discussion. The question is a lead in to the positioning and creativity that is so important in the first half of the text. This is a relatively simple question to explore in that it reviews the vignette's facts, whereby Sid Lee is responsible for very innovative creative executions that have led to important and relevant communication and business results. An additional key point for students to realize that some of the most creative communication observed in Canada is the work of marketing suppliers (i.e., agencies) and not the actual managers of the products advertisers. While this is relatively elementary of instructors, it is quite illustrative for unfamiliar students. The question encourages an open-ended debate to generate discussion that hopefully would lead to some consensus on the criteria for selecting creative campaigns. It acts as an entry point for much of the material over the next few chapters and can generate some excitement for the early material in the text and the course.

IMC Perspective 2-2

1. Explain why a media agency is so critical for advertising.

   These examples show that a media agency is critical for arranging special execution of the creative strategy and therefore shows the strong interdependency of both media and creative. This point reinforces the idea of IMC very well since deciders from all major agencies should be "at the table" to ensure consistency across all elements of the strategy.

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Answers to Review Questions

1. How are the characteristics of a full-service agency contrasted with the characteristics of specialized communication agencies?

   Full service agencies provide their clients with services including planning, creating and producing the advertising, account planning, marketing research, developing media strategies and selecting and purchasing media. Some full service agencies also provide non-advertising related services including strategic market planning, direct marketing, promotional programs, interactive marketing and web site design, and public relations. The importance of the services provided by a full service agency will depend upon the client. Some companies want agencies that are very strong in the creative area and can develop ads that strike a responsive chord with consumers. Companies that are competing in markets where brand image and identity is very important may put a major emphasis on creative capabilities in selecting and agency. Some companies want agencies that are very strong in media strategy and buying and can maximize their media expenditures.

   Specialized agencies offers particular services that clients may value over the same service provide by a full service agency due to stronger competency. For example, creative boutiques have developed in response to some companies' desires to use only the creative talent of agency. These smaller agencies often turn out excellent creative work and do not have the bureaucracy and politics of larger agencies. Companies also feel that by working with a smaller creative boutique they can get more attention and better access to creative talent than they would at a larger agency. Another reason why a company might use a creative boutique is that there are companies available to handle other parts of the advertising and promotional program.

   Similarly, media specialist companies provide an important service by specializing in the analysis and purchasing of media time and space. Also, because media specialist companies purchase large amounts of time and space, they often receive large discounts and can save a client money on media purchases or provide them with more exposure from a media budget. Agencies, as well as their clients, have recognized that it is very difficult to staff and operate a media department that can provide the same level of service as media specialist companies. Thus, agencies have been unbundling media buying from the services they offer clients.

2. Why is compensating with the performance by results approach optimal in comparison with other methods?

   Agencies are historically compensated in three ways: through commissions from the media, fee arrangement or percentage charges. Compensating agencies through media commissions occurs when the agency receives a specified commission from the media on any advertising time or space it purchases for the client. Under the fixed-fee method the agency charges a basic fee for all of its services and credits to the client and credits any media commissions earned. Agencies are also compensated through a fee-commission combination, whereby the media commissions received by the agency are credited against the fee. The cost-plus system occurs when the client agrees to pay the agency a fee based on the cost of its work plus some agreed-on profit margin.

   These methods have given way to an improved performance-based system where advertisers use incentive-based systems where agency compensation is tied to performance. The performance measures may include objective measures such as sales and/or market share as more subjective measures such as evaluations of the agency's creative work. As more marketers adopt an integrated marketing communication perspective and move away from traditional mass media, changes in compensation systems are taking place. This may include a combination of compensation systems such as a negotiated set fee or media commission rate as well as incentives.

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There are several reasons why companies are moving away from the traditional 15 percent commission system and using an incentive-based method of compensating their agencies. One of the major reasons for this change is that companies are demanding greater accountability from their agencies and feel that an incentive-based compensation system is one way of achieving this. Companies feel that if agencies really want to be true partners, they will be willing to share in the sales performance of the product or service with them. For many companies, advertising plays a major role in determining the sales success of their product or service. Incentive-based compensation systems also encourage agencies to look beyond traditional mass media advertising and to consider how other IMC tools that might be more effective in driving sales.

There are a number of reasons why an agency might be reluctant to accept an incentive-based compensation system. A system in which the agency is compensated based on the brand's performance in the marketplace has the potential to be a fair system, but may be fraught with problems as well. If the basis for evaluation is tied to communications objectives (as will be discussed later in this text) the system has may be acceptable to the agency. On the one hand, tying the compensation to market performance measures such as brand share and/or sales could be unfair. As the student will learn later in this text, it is very difficult—if not impossible—to tie market share and sales figures directly to advertising. For example, while the advertising may be working very well, other marketing variables may hinder sales and/or market share performance. Excellent advertising will not compensate for poor product quality, over pricing or a poor distribution system. Thus, if one were to see poor performance of the brand in the marketplace, the advertising agency might be punished for problems beyond their control. On the other hand, agencies see incentive based compensation methods as a way of differentiating themselves and proving to clients that they are confident in their ability to develop advertising that will have a favorable impact on sales. Since clients are expecting more accountability from their advertising and promotional programs, and agencies may feel that their willingness to work under an incentive based compensation system will increase their likelihood of getting a company's advertising business.

3. What are the similar and dissimilar functions of each of the specialized marketing communication agencies?

   All agencies share a similar function of providing marketing communication recommendations to resolve the communication issue faced by its client. Each is also tasked with offering a customized service with expertise that may not be readily found elsewhere. Furthermore, each has a responsibility of ensuring that their staff is well versed in the latest trends and tools to provide optimal service.

   While the core service may be consistent to some degree, each agency offers a specialty that others cannot match and this specialization suggests different processes for delivering service and a unique skill-set to ensure client satisfaction.

4. What are the issues of using one full-service agency versus multiple specialized agencies?

   Some marketers prefer to have all of their IMC activities performed by one agency rather than using multiple agencies that specialize in various areas such as direct marketing, sales promotion, interactive marketing, and public relations. These companies feel that by having all of the IMC functions performed by one agency makes it easier to develop and implement a consistent and uniform program where everyone is working with the same information and toward the same goals and objectives. They also feel that giving one agency control of entire IMC program achieves greater synergy among each of the communication elements. It also makes it easier for the client when all of the promotional elements such as advertising, direct mail, event marketing, sales promotion, interactive marketing and public relations are handled by one large agency.

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Answers to Application Questions

1. The chapter distinguished between full service and specialized agencies. Using Figure 2-1 as a guide for different agency names based in Canada, examine the websites of different types of marketing communication agencies. Using the websites as the main source of information, identify which types of services each agency offers.

   This Internet application questions encourages students to investigate and see what creative work is done by different agencies. In doing so, the services offered by each should be readily seen, thus demonstrating what is occurring in the field. The part of the questions suggests to students early on that they can and should be thinking critically of all marketing communication recommendations that they observe while studying this material.

2. Which type of compensation system that an agency faced most often from its clients is an environment where a young advertising graduate would most like to work?

   This is a projective question where students could be describing where they would like to work in the industry. Some might like the pay by performance approach since they enjoy the added pressure and this system places on the creative supplier. Presumably, the environment might be a bit more entrepreneurial and offer great opportunity for career advancement. Others who have certain skills may appreciate the fixed fees, noting that they would like to be recognized for producing their work. Whatever the answer, the key point is for student to look at all facets of how an agency operates to decide where they may like to consider working.

3. Again, using Figure 2-1 as a guide for different agency names based in Canada, examine the websites of different specialized marketing communication agencies.. Using the website as the main source of information, identify which type of services each type offers.

   This exercise is an opportunity to achieve the goal of introducing students to all sources of marketing communication services. It is much like question 1 and can be a useful exercise for in-class discussion or mini-presentations where students showed each other the work of different agencies.

4. Given the evaluation of different agencies in the above questions, is the use of a full-service agency or the use of multiple specialized agencies the recommended approach for smartphone brands? For breakfast cereal brands? For energy drink brands?

   Multiple agencies could be suitable for smartphone brands since there are numerous target audiences to direct marketing communication towards across a multitude of segmentation variables with a product still in a growth phase. This could suggest more focused campaigns requiring customized IMC tools to provide a convincing message. Breakfast cereal is a mature product category with less opportunity or need for multiple target audiences. Combined with the fact that many brands have existed for decades, a single agency with one point of contact for all marketing communication may be more suitable. Energy drinks present and interesting option to consider both options, however, in the case of Red Bull and all of their varied marketing communication activities, it suggests a multiple agency approach. While the Sid Lee vignette mentions the agency's involvement with Red Bull the vast international operations of Red Bull would suggest it using additional agencies.

Additional Questions (not in text)

A. Discuss the reasons why traditional advertising agencies have been developing IMC capabilities. What changes might these agencies have to make to improve their service?

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IMC capabilities are developed in agencies because their clients are shifting their promotional dollars away from mass media advertising to other areas of marketing communication. By expanding their capabilities, traditional agencies can offer a full range of IMC services and provide a total communications solution to their clients. By expanding their IMC capabilities and services, traditional agencies can also make money from other areas of their clients promotional spending.

The greatest change that traditional agencies have to make to improve their IMC capabilities is to develop or acquire expertise in these other areas. Traditionally agencies have been experts in areas related to advertising including creative and media. Agencies have been acquiring these capabilities by purchasing companies such as interactive agencies, public relations and direct marketing firms or promotional agencies. Others have been working to develop these IMC skills internally through their hiring and training processes.

The decision as to whether to expand service offerings may not be as easy to make as one might wish. The changes in the advertising marketplace—that is monies shifting from advertising to direct marketing, promotions and other areas may necessitate this expansion just to survive. Certainly the trend, even among smaller agencies, to provide these services is evidence that they recognize that they need to bring these monies "in house." Beyond the requirement of the agency side, the client is now becoming more sophisticated and demanding. These clients are now recognizing the need to provide an integrated communications mix, and if it is not provided by their agency they will seek such services elsewhere.

B. Discuss the pros and cons of using an in-house agency. What are some of the reasons why companies might change from using an in-house agency and hire an outside agency?

Some of the reasons why firms use in-house agencies include: (1) cost savings; (2) control; and (3) increased ability to coordinate marketing and promotional activities. Negative aspects include: (1) internal employees may have less experience and inferior skills than their external counterparts; (2) they may be less objective about the product and its capabilities; and, (3) they may be less flexible with respect to what they are willing and able to do with the product and/or brands programs. Companies often use an in-house agency when they have sufficient and capable staff to conduct the advertising and promotional activities themselves; they have a very large advertising and promotional budget and wish to save the costs of fees and commissions; and/or when they believe that the ability to coordinate and control the promotional activities is more feasible with this design.

Companies change from using an in-house agency and hire an outside agency for various reasons. Marketers feel that the use of an outside agency provides greater objectivity with respect to the advertising. When an in-house agency is used, management may get too close to the advertising process and product and lose its objectivity when evaluating the ads. Outside agencies can provide a more objective perspective on the market and business that is not subject to internal biases and politics. Companies often move from in-house to outside agencies as they become larger and their advertising and other marketing communication needs become greater. Rather than continuing to expand the in-house agency, companies will move to using an outside agency that has the multiple services and expertise needed by the company. It should be noted that perhaps the major reason why outside agencies are used is that they provide the client with the services of highly skilled individuals who are specialists in the advertising area. Outside agencies also offer more flexibility to an advertiser as they can always switch agencies and hire a new one if they are dissatisfied with the work being done. It is much more difficult to terminate an in-house agency and hire new personnel to replace them.

C. Discuss the reasons why marketers switch advertising agencies. Find an example of a company that has recently changed advertising agencies and analyze the reasons given for the change.

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The relationship between a client and an agency is influenced by a variety of factors. These include perspectives on compensation policies, the demands clients place on agencies, the level of service the agency provides, the personalities of agency and client personnel, the performance of the client's product or service, the perceived quality of the agency work in various areas (including account planning and management, creative, media, use of non-traditional media), and changes in the competitive situation. Changes in top management of a client may also affect the agency client relationship. New management may prefer a particular agency or certain approach to advertising and promotion which can affect the client's relationship with the agency.

An advertiser may decide to switch agencies for a number of reasons. These reasons can apply to long-term clients as well. When marketers are having problems such as stagnant or declining sales or losses in market share they will often look to advertising. Often the problems are blamed on advertising agencies. In the competitive world or advertising, agencies are always looking for new business and major advertisers know they can attract a great deal of interest and attention when they put their accounts up for review.

IMC Exercise

Find several examples of companies who have switched advertising agencies recently. Conduct research using sources such as *Marketing Magazine, Strategy Magazine, The National Post, Advertising Age, AdWeek* and *The Globe and Mail* to determine the reasons why the company decided to change agencies and their rationale for choosing their new agency. Discuss the implications of your findings with respect to client-agency relationships. Find examples of advertising and other promotional programs that were developed by the old agency and examples of ads developed by the new agency. Do you think the advertising campaign and messages being developed by the new agency are better and/or more appropriate for the company than those of the old agency? Why or why not?

IMC Comprehensive Project

The assignment for this chapter is for the students to determine how they will organize for advertising and promotion both internally and externally.

IMC Project Assignment for Chapter 2

Your assignment at this stage of the project is to determine how you will organize your company for advertising and promotion. You must develop an internal organization chart and specify whether you are going to use a centralized or decentralized system and whether you will use an in-house agency or hire an outside agency. If you decide to hire an outside agency you should specify what type of criteria you will use for selecting an agency. Do you plan on using a full service agency or a creative boutique? What type of agency compensation system do you plan to use and why? How will you evaluate the performance of the agency? Attention should also be given as to whether you will be using any specialized marketing communication services such as direct-response agencies, sales promotion agencies and public relations firms. Would you prefer to use a large agency that has all of these integrated services capabilities?

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Teaching Note
California Milk Advisory Board

Case Overview

This case examines the integrated marketing communications program developed by the California Milk Advisory Board (CMAD) on behalf of the California Cheese industry. It focuses on the "Happy Cows" campaign created by the Deutsch LA advertising agency for the CMAB as well as the effective use of other promotional tools that support the award winning advertising. These successful initiatives have created broad awareness and dramatically increased sales of California-produced cheeses over the past decade. The case can be used to illustrate best practices in integrated marketing communications and the use of a variety of IMC tools including media advertising, public relations, consumer promotion, trade promotion, in-store and on-premise merchandising, and Internet marketing. The case works well with both Chapters 7 and 8. It illustrates the importance of consistency in marketing communications over time, particularly in light of all-too-frequent tendencies to do otherwise. Lastly, it demonstrates the different metrics that are used to evaluate marketing element effectiveness and identify program improvements.

The case can also be used toward the beginning of the course to provide an overview of a successful IMC program or toward the end of the course as a summary of how various IMC tools are used synergistically to support an overall strategy. Students are introduced to the "Happy Cows" campaign later in the case study which focuses on the creative strategy for the humorous ads and how it has created a successful bond between consumers and Real California Cheese. There are several exhibits from the campaign in the case study including a TV Commercial Photo Board in Exhibit 1.

As of 2014, the California Milk Advisory Board continues to promote real California cheese through a comprehensive website. Many of the older commercials can be seen on YouTube.com.

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Discussion Questions

1. **Analyze the "Happy Cows" campaign that was developed for the California Milk Advisory Board to promote Real California Cheese from an integrated marketing communications perspective. Why do you think the campaign has been so successful?**

The "Happy Cows" campaign uses a variety of IMC tools to create awareness of, and preference for, Real California Cheese. Advertising through various media including television, radio, print, outdoor and online is a major component of the campaign. However, the web site also plays an integral role as it includes links to the commercials as well as cheese recipes, nutritional information, interactive games, promotional offers and a merchandise store. Other important components of the IMC campaign include publicity/public relations, as stories about Real California Cheese and the state's cheese makers have been featured in a number of local, regional and national media. These stories have a strong impact on consumers and help awareness of Real California Cheese. Sales promotion is also an important part of the IMC campaign as both consumer and trade promotions are used extensively. Consumer promotions such as sampling, coupons, and premium offers are an important part of the campaign as are trade promotions with retailers and food service companies.

The "Happy Cows" campaign has been so successful because it is a fully integrated program that connects with consumers at a variety of touch points and does an outstanding job of creating brand awareness and preference for Real California Cheese. The tagline for the campaign, "Great Cheese comes from Happy Cows. Happy Cows come from California," provides a very strong creative platform around which the IMC program has been developed. From a creative perspective, the Deutsch LA agency has developed award winning ads that resonate well with consumers and have established an emotional bond between them and the contented California bovines. The campaign has established and maintains awareness of the Real California Cheese trademark and has created a preference for cheese bearing the seal.

2. **What was the role and importance of the Real California Cheese certification mark in implementing the positioning and IMC program elements? How and where was it implemented? Do you think it made a difference to the program?**

The Real California Cheese certification mark was created for the industry as a unifying symbol that provided synergy for all promotional efforts. When consumers see it in one context, it draws upon other associations. It's worth discussing all the places the mark has been utilized, as illustrated in the attachments (TV and outdoor ads, on foodservice boxes, menus, retail packages, coupons and premiums, and the website). The mark has also served to support smaller brands that couldn't afford such an extensive marketing effort on their own. Unifying activities in support of the mark has also impressed trade intermediaries (a key to expanding distribution), by consolidating funds to create greater impact, and more marketing activity. Students can be asked if there are any downsides to this strategy. For example, could negative association accrue to premium cheese brands because of the broad association of the mark with lower-priced cheeses? Do students think awareness of the mark is more subliminal than conscious? Can subconscious associations build over time?

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3. Discuss the role of advertising in establishing the Real California Cheese brand personality? What were the constraints the advertising agency had to work around in developing the campaign? How would you describe the personality that was created? What are the pros and cons of the advertising approach? Can the campaign be continued indefinitely? If not, how might it be changed or adapted going forward?

The humorous "Happy Cows" ads have played an important role in creating a brand personality for Real California Cheese as they create an emotional bond between consumers and the product. The agency decided that rather than focusing on the cheese, the campaign would revolve around the idea that California cheese is better because it comes from happy cows. Deutsch's creative team felt the campaign should be all about California and its life style, health consciousness, blue sky and great weather. It was a short path from there to the campaign big idea which is that if the people like California better, maybe the cows do as well. Thus, was born the tag line, "Great Cheese comes from Happy Cows. Happy Cows come from California." The ad campaign has maintained a singular focus and has centered on the cows' responses to the unique aspects of their California environment as the source of new creative ideas.

The constraints on the development of Real California Cheese advertising include:

- That the advertising cannot showcase any one brand, so none are featured
- That because it represents such a wide variety of product attributes, specific attribute sell is difficult
- That only broadly inclusive benefits can be featured

It is not uncommon for a brand's ad campaign to face constraints or obstacles to overcome. These might include the need to provide health warnings, address recent negative public relations stories, or reverse misperceptions. These issues must be communicated explicitly to the advertising agency creative department before they start to develop the advertising.

The pros and cons of using humor to create an affectionate bond with consumers versus hard-sell, product attribute focused advertising can be discussed. The brand personality created for Real California Cheese is fun and loveable. The advertising makes people smile and feel good about the ads and this positive affect may carry over to the brand. The approach has resulted in high awareness and a positive emotional response toward Real California Cheese. You might ask your students if they feel that humorous, playful advertising is the best way to promote Real California Cheese. What are other examples of campaigns where humor has been used effectively to create brand awareness and sell a product/brand? You might ask students if they recommend keeping the approach going forward and how long they think the "Happy Cows" campaign can be used before consumer become tired of it.

4. What role does consumer promotion play in generating trial and awareness of Real California Cheese? How do the consumer promotion tactics reinforce or supplement other marketing elements such as advertising, trade promotion, or public relations?

The CMAB uses a variety of consumer promotion tools including sampling, coupons, and premiums. The role of coupons and sampling in generating trial and awareness for the wide range of California cheeses can be discussed, as well as how consumer promotion has more effectively taken the place of traditional in-store merchandising. The importance of sampling should be highlighted, as it generates trial among consumers who otherwise might not try various types of cheeses. The combination and synergy of sampling quality products and accompanying the samples with coupons, significantly increases the odds of purchase (as evidenced by the very high in-store redemption rates). The cross-coupons on packages of wine, crackers, luncheon meats,

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bread and tortillas cost effectively create reminder advertising for California cheeses throughout the store. Students can be asked to brainstorm other cross-promotional partners. Mention should also be made of the self-liquidating premiums (such as the cow puppets, Janice and Diane, from the commercials) that reinforce the ad campaign in the home and the high-quality coffee table books about the state's high-quality artesian cheeses, which have a positive halo effect on all California cheeses.

5. Discuss the role of public relations in the CMAB's integrated marketing communications program? What type of press coverage and stories could be generated about Real California Cheese? What were the different public relations angles that were used to generate the interest of the different media?

The objectives of the public relations campaign for the CMAB are to convince the various constituents including consumers, retailers, food professionals, restaurants, and the food media (magazines, newspapers, trade publications and television stations) that California produces high quality cheeses. Many of these constituents had long viewed the cheeses of Wisconsin, Vermont, and Europe as superior to California cheeses. To improve the image of California cheeses, dairies are encouraged to enter national and international cheese competitions. The awards won by California cheese producers are announced through press releases and various media run stories that reach consumers as well as the food service industry.

The different types of press coverage, with correspondingly different public relations angles, should be discussed. These include the following:

- Recipe-related stories that are sent to newspapers and food magazines
- Business-related stories sent to trade publications as well as business and marketing media such as *Business Week, Advertising Age, and Brand Week* that focus on sales growth and marketing awards
- Stories targeted to travel magazines regarding ideas for visits to state cheese makers (akin to winery visits)
- Foodservice magazine stories about national account gains and successful in-store promotional programs

A third leg of the public relations program has been the "influencer" program which has included cheese tastings for chefs, culinary professionals and the food media to create greater familiarity with individual products, and collateral materials or brochures such as "Entertaining with Cheese" and "Wine and Cheese Pairings" that are distributed through high-end specialty wine and cheese shops, as well as offered online.

6. What has been the role of the Real California Cheese website? How does it reinforce or support the other parts of the integrated marketing communications program?

The home page of the Real California Cheese website, which is shown in Exhibit 7 of the case, should be used for this portion of the discussion as it shows the various sections of the site which include current commercials; recipes to encourage product usage; information regarding where to purchase Real California Cheeses; product coupons and Real California Cheese merchandise (T-shirts, mugs, aprons with the logo); dairy visit information, including a map of all the state's dairies that are open for visits; an explanation of the product quality behind the RCC seal; consumer education information about cheese types, storage and handling; information for food professionals and pizza shops; and a library of past and present press releases. The web site is

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designed to be consistent with the imagery from the advertising campaign. Visitors to the site can see the products, learn about cheeses, view merchandise and even purchase it online. Various parts of the site cater to specific groups such as industry professionals, restaurant chefs, dairy farmers and the media. The most popular parts of the site are the sections where visitors can click and watch commercials as well as the recipe section. Another popular part of the site which is the kids section which includes cute drawings of the cows that kids have sent to the CMAB as well as the Happy Cows Farm Game.

7. Which marketing metrics did the CMAB use to evaluate their IMC program? Are there any others you feel they should focus on? Which do you feel are most important?

There are a range of metrics that are used to determine the effectiveness of the CMAB's marketing efforts and the IMC program. Marketing-related measures include Nielsen and IRI market share data which show how well Real California Cheese is doing in terms of sales and market share. Advertising-related metrics include aided and unaided awareness of advertising for Real California Cheese, brand awareness and message recall. The effectiveness of the various consumer promotions can be measured by coupon, rebate, and premium offer redemption rates. For direct marketing efforts, response rates and further inquiry requests can be measured by type of offer, mailing list, and creative message. Trade promotion effectiveness can be assessed by retail distribution levels, point-of purchase displays, and share of retailer advertising and displays. A variety of measures can be used to assess the impact of the web site including the number of hits, web link click through rates, the number of pages viewed, time spent on the site and keyword search draw. Public relations metrics might include the number of PR mentions by type of media, the number of stories run in various newspapers and magazines, and coverage on food-related television programs. Creative awards in the areas of marketing advertising, public relations, Internet marketing and consumer promotions can also be used to assess the impact of the IMC program.

8. In light of consumer trends (demographics, food trends, and media "consumption"), are there other advertising or promotion opportunities that should be pursued by the California Cheese industry?

This question encourages students to utilize their own creativity and apply their knowledge of integrated marketing communication tools derived from the course material. Students can be asked to suggest ways to extend the "Happy Cows" campaign in a different direction or even suggest an entirely new campaign idea they feel might more effectively achieve the future growth objectives of Real California Cheese. They can brainstorm new promotional partners or consumer promotion program ideas. You might also discuss relevant demographic trends such as the growth in the Hispanic population, the aging of Americans (who experience calcium deficiency as they age), increased interest in low carbohydrate foods, and increases in out-of-home and on-the-go consumption. Students can be asked what types of integrated marketing strategies and tactics, as well as other product forms might capitalize on these trends?

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Chapter 2
Organizing for IMC: Role of Agencies

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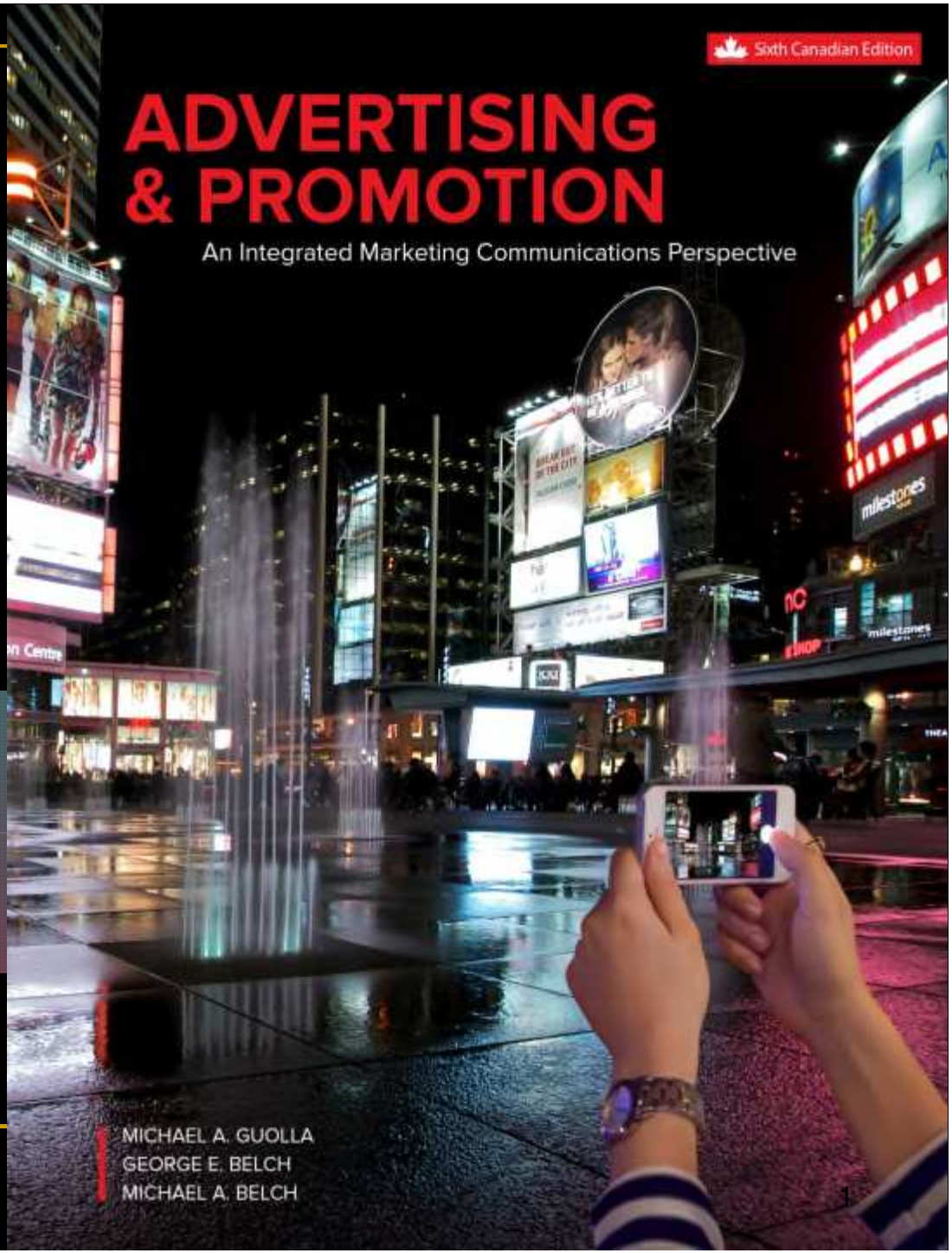

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Learning Objectives

1. Identify the role of the advertising agency and the services it provides.
2. Describe methods for compensating and evaluating advertising agencies.
3. Contrast the role and functions of specialized marketing.
4. Evaluate the perspectives on the use of integrated services across agencies or within one agency, and agency-client responsibilities.

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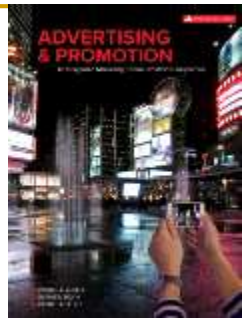
Leo Burnett Returns to the Top



What is significant about these campaigns that allowed Leo Burnett to win the award?

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LO1 Advertising Agencies

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Advertising Agency Decision

- In-House
- External
- Agency-of-record (AOR)

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Pros

- Cost Savings
- More Control
- Better Coordination

The In-house Agency

Cons

- Less Experience
- Less Objectivity
- Less Flexibility

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Mentus specializes in creating ads for bioscience companies

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Advertising Agency Industry

- Most major agencies offer specialized services so that they can provide their clients with an ever-broader range of IMC services.
- Larger multiservice firm is a *marketing communication agency*.
- Global advertising campaigns are facilitated by using larger international agencies.

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Exhibit 2-2 TAG Heuer uses a global campaign featuring different celebrity ambassadors for various countries.

© Tag Heuer

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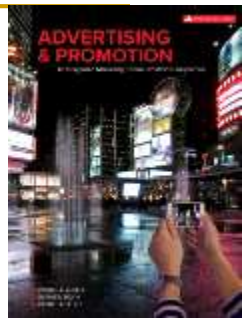
Agency of the Year for Sid Lee



In what new direction would you anticipate Sid Lee moving in the future?

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Advertising Agency Industry

- Account Management
- Planning and Research
- Creative Concepts
- Interactive Services
- Production
- Media Buying
- Other Special Services

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The Creative Brief

- Agency's creative department uses a Creative Brief to guide the development of advertising ideas and concepts.

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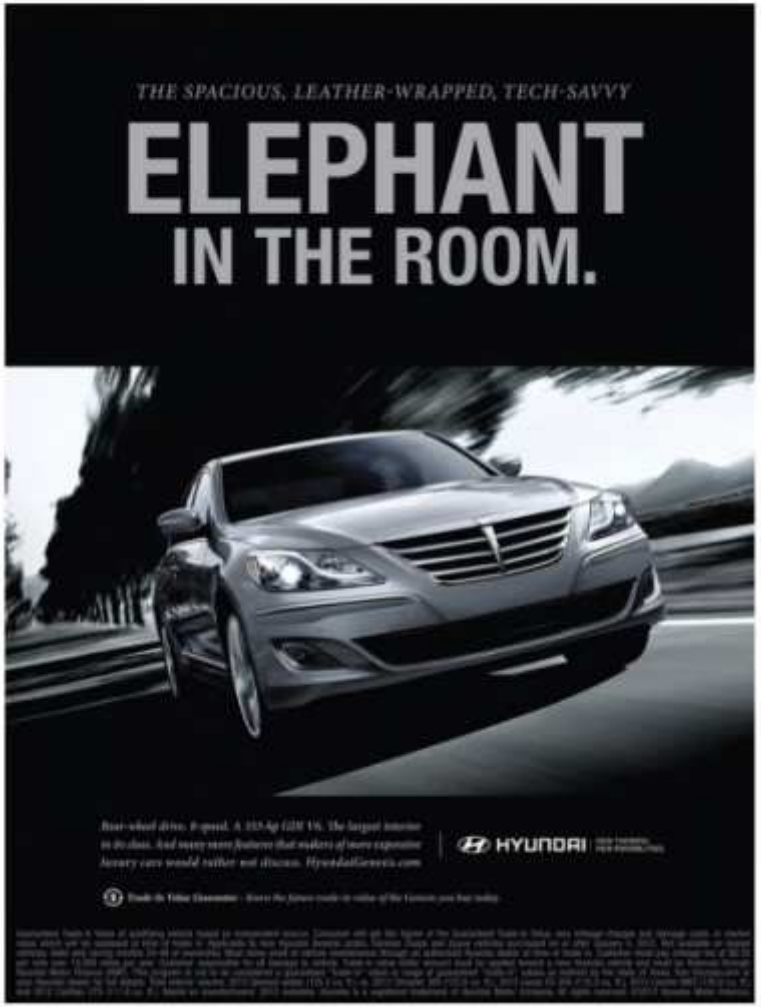
Exhibit 2-3 The agency Innocean developed creative ads for Hyundai to build the car brand in North America.



© Hyundai Motor America

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LO2 Agency Compensation and Evaluation

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Methods of Agency Compensation

- Media commissions
- Markups

Agency orders magazine ad space at cost of $100,000

Magazine bills agency $85,000

Agency bills client $100,000

Agency earns $15,000

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Methods of Agency Compensation

- Media commissions
- Markups
- Fees

Fixed-Fee Commission

Cost-Plus Agreement

Incentive-Based Compensation

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Advertising Agencies

- Financial Audit
  - Focuses on how the agency conducts its business.
- Qualitative Audit
  - Focuses on agency's efforts in planning, developing, and implementing the client's advertising programs and considers the results achieved.

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Reasons Agencies Lose Clients

Performance Quality	The client is dissatisfied with the advertising and/or service.
Declining Sales	Advertising is blamed when the client's sales decline.
Communication	A poor working relationship and weak personal communication exist.
Demands	The client expects service beyond the compensation paid.
Conflict	Rapport is lacking among those working together.
Conflicts of Interest	A change in either business creates an unworkable situation.
Conflicting View	Disagreement arises over the level or method of compensation.
Size Change	Either the agency or the client outgrows the other.
Strategy Change	A client strategy change requires a new agency.
Personnel Change	New personnel prefer to work with established colleagues.
Policy Change	Either party reevaluates the importance of the relationship.

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LO3 Specialized Services

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Specialized Services

1. Creative Boutiques
2. Media Buying Services
3. Sales Promotion Agencies
4. Public Relations Firms
5. Direct-Response Agencies
6. Digital/Interactive Agencies

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Role of Creative Boutiques

- Creative Boutiques
  - Provide only creative services
  - Full-Service Agencies may subcontract with Creative Boutiques
  - Other functions provided by the internal client departments

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Role of Media Buying Services Agencies

- Media Buying Services
  - Specialize in buying media, especially broadcast time
  - Agencies and clients develop media strategy
  - Media buying organizations implement the strategy and buy time and space

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Exhibit 2-5 Initiative is one of the leading media specialist companies.

Courtesy of Initiative

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Role of Sales Promotion Agencies

- Sales Promotion Agencies
  - Promotion Planning
  - Creative
  - Research
  - Coordination with Advertising
  - Premium Design
  - Contest/Sweepstakes Management
  - Database Marketing

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Role of Public Relations Firms

- Public Relations Firms
  - Planning PR Strategy and Program
  - Generating Publicity
  - Lobbying
  - Public Affairs
  - Managing Special Events
  - Research
  - Crisis Management

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Role of Direct-Response Agencies

- Direct-Response Agencies
  - Data Base Management
  - Direct Mail
  - Research
  - Media Services
  - Creative
  - Production

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Role of Digital/Interactive Agencies

- Interactive Agencies
  - Technology Expertise
  - Creative Website Design
  - Database Marketing
  - Digital Media Skills
  - CRM
  - Social Media Skills

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LO4

IMC Planning: Agency Relationships

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Agency Relationships

Companies must decide whether to use a specialized organization for each marketing communications function or consolidate them with a large advertising agency that offers all of these services.

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Integrated IMC Services

- Agencies that provide integrated services argue that the synergy in priceless.
- However, those who argue against integrated services claim that the synergy and economies of scale aren't there and that it is best to use specialized agencies.

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Agency-Client Relationships

Figure 2-6 Agency-client relationship disagreement

Characteristic	Agency Agreement	Client Agreement
Compensation fairness	40%	72%
Clear assignment brief	27%	58%
Client approval process	36%	54%
Value of procurement	10%	47%
Work well with other agencies	88%	65%

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Chapter Summary

- Two basic organization systems – centralized and decentralized.
  - Responsibility for all aspects of IMC Plan varies depending on the organization system
  - External agency or internal – key decision
  - Compensation and evaluation is key for performance – compensation is commission based, cost based or fee based
- Specialized marketing organizations may be used by clients for their unique expertise. IMC practiced by agencies may have a impact on this decision.

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