

Reading 1:

An Historical Perspective on Advertising and Media

Never in the history of advertising have there been so many dramatic changes in the industry happening in such a short time. You need to understand the nature of these changes and why they are taking place, not only from a technological perspective, from the broader perspective of social and economic evolution. Our discussion of advertising history will address these issues.

There is, of course, any number of perspectives one might use to explain how advertising and media are evolving. Technology is perhaps the most obvious. The communications revolution of the past 30 years, and more recently, the development of the Internet and the “information highway” promise to truly revolutionize the way we do advertising. However, we will argue that economic theory provides an even more useful lens. Technology doesn’t just happen. It represents a tremendous investment of time and money – economic resources! Hence, we would expect that, in the end, the evolution of advertising and media technology can be attributed to the economic needs of society.

As a preliminary to understanding this perspective, let us consider the way marketing and advertising evolved at the Pillsbury Company. The Section will then proceed in the following order:

- ❑ “A Window to the History of Advertising: The Pillsbury Company” provides an introductory perspective by looking at the historical development of marketing and advertising as it relates to the Pillsbury company.
- ❑ “Stages of Economic Development” will provide a comprehensive framework for understanding various patterns in the evolution of advertising and marketing over time.
- ❑ “Underlying principles of economic development” provides a brief primer regarding the theory behind the evolution of the market
- ❑ “Advertising in the Preindustrial Stage” will discuss advertising prior to the industrial revolution.
- ❑ “Advertising in the Industrializing Stage” will discuss advertising during the industrial revolution.
- ❑ “Advertising in the Industrial Stage” will discuss advertising during the mid-20th century, prior to the dramatic changes of the 1980s and 1990s.
- ❑ “Advertising in the Postindustrial Stage” will discuss recent and emerging trends in the development of advertising.
- ❑ “The Advertising History Toolkit” summarizes the practical implications of the principles discussed in this section.
- ❑ “Concept Summary” summarizes the key concepts that you should understand after reading this section.

A WINDOW TO THE HISTORY OF ADVERTISING: THE PILLSBURY COMPANY¹

Pillsbury is one of America's great marketing companies, and advertising has played a key role in its marketing success. But it was not always this way. From the founding of the company in 1869, continuing into the 1930s, the company's major concern was not marketing at all; it was production. Charles A. Pillsbury built his first flourmill with two things in mind: the availability of high-quality wheat and the proximity of waterpower. The fact that the resulting flour was going to be purchased to meet the needs of people was at best an afterthought.

This orientation made sense when you consider the historical setting. People had needed wheat flour for years. So the question was not *whether* people needed flour, but *how* to produce flour cheaply enough and in large enough quantities so people could buy it. This is illustrated in Exhibit 1-1.

¹ Adapted from Robert J. Keith, “The Marketing Revolution,” *Journal of Marketing* 24 (January 1960), pp. 35-38.

The need for the cheap, high-quality flour was gradually met, and the company began to realize that it had to do more than produce flour economically in order to be successful. As early as the turn of the century, Pillsbury experimented with developing and advertising new flour-milled products (see exhibit 1-1). By the 1930s, the company's new-product development efforts were in full swing.

**Exhibit 1-1:
The Stages of Pillsbury's Marketing Evolution***

Evolutionary Stage	Market Need	Corporate Orientation	Primary Role of Advertising
Production Era	Low-cost, uniform-quality flour	High-volume, low-cost production	Promotion by wholesalers and retailers to inform customers of product availability
Sales Era	Quality, variety, and convenience	New flour-milled product development, supported by vigorous sales efforts	Heavy brand advertising to stimulate a need for Pillsbury products
Marketing Era	Products designed to fit personal needs and life styles	Market research and consumer-driven product development, supported by coordinated marketing efforts	Heavy advertising to match brands with specific consumer needs
Strategic Planning and Control Era	Families of products that have both functional and symbolic value to consumers	Strategic control of product lines to give the company a long-term competitive advantage	Strategic communications to match family brand with consumer life styles

* This chart represents the evolution of marketing (and advertising) from the perspective of a single company.

Thus, Pillsbury entered a new era, an era in which the company needed to change its orientation from production to sales. Following the new orientation, management focused on building an efficient sales organization, which would be able to dispose of all of its output at a favorable price. This program was backed up by a vigorous program of consumer research and advertising.

Just as Pillsbury's production orientation was right for the late 1800s, its sales orientation made sense for the 1930s and 40s. Eventually, supply caught up with demand. As plenty of cheap flour became available, Pillsbury sought a way to capitalize on company strengths to compete in the new marketplace. The company had initially excelled because of its production capabilities. In the new competitive environment, developing new flour-milled products provided an ideal approach. It built on the company's basic production expertise to develop products that offered customers quality, convenience, and variety. A sales orientation was needed to make sure the products were sold.

Just as the supply of uniform-quality, inexpensive flour eventually caught up with demand, so did the supply of quality convenience-oriented flour-milled products. By virtue of its intensive product research effort, Pillsbury discovered that it could produce literally hundreds of new and different products, many more than the company could hope to market successfully. For the first time, management was forced to make judgments regarding which ones were most attractive for the company to produce and market?

This led to the third era, beginning in the 1950s. Given the breadth of products Pillsbury could produce, the critical factor now became what people would buy. The company began to focus on satisfying the needs and desires of both its actual and potential customers. This was the marketing era.

In the 1980s, Pillsbury entered yet another phase of development where it placed increasing emphasis on strategic planning and control. The host of new products developed during the Marketing Era had now been on the market long enough that competitive products had been introduced. Every company offered essentially the same kinds of products. So the major marketing issue became how to ensure that Pillsbury products occupied a prominent position on the shelf in supermarkets, thus making it more convenient to buy Pillsbury rather than a competing brand. This meant working closely with retailers, offering a full and exciting line of products, and developing an aggressive on-going promotional program to establish a healthy brand franchise.

In response to these needs, the company found itself investing in specialized capabilities. For instance, it became very good at developing and marketing new flavors of instant cake mixes. It had the right research facilities, the production capability, wholesale and retail relationships, consumer knowledge, and general marketing expertise needed to introduce new flavor cake mixes successfully to the market.

In the era of marketing control, management began asking whether cake mixes were the kind of business in which company expertise should be invested. If the instant cake mix category were not growing, the investment would probably not be successful over the long-run unless it led to production, cost, and distribution advantages that enabled Pillsbury to dominate a larger proportion of the supermarket shelves than could its competitors. Management sought strategic control over the company's future by evaluating each product in light of what it would take from and contribute to the overall strength of Pillsbury's product lines and distribution capabilities.

Pillsbury's market evolution is not unique. The four stages through which the company passed are common to many companies. In the *production era*, companies typically did not use much advertising, because people didn't need to be reminded that they needed their products. Certainly, this was true for flour. They only needed to know where they could buy it at a reasonable price. Pillsbury was content to leave this task to wholesalers and retailers that specialized in getting products to the people who wanted them.

During the *sales era*, people did need to be reminded of the availability and superiority of a company's products. Pillsbury used national magazine advertising to stimulate a need for Pillsbury products. The need was based on the establishment of brand superiority through product differentiation, using product quality, convenience, and variety, as evidenced by Pillsbury's development of quality flour-milled products.

The emphasis manufacturers branding continued into the *marketing era*. However, in place of product differentiation, the companies developed a new orientation. "Better" became a relative term. Better for what -- Nutritional value? Special occasions? Desserts? Pillsbury used television advertising to position its products in the minds of consumers. The advertising was designed to make each product appear better than specific competitive products with respect to specific consumer needs. These needs varied from one segment of the market to another.

Finally, as companies entered the *marketing control era*, their advertising began to reflect the larger question of: "What kind of business are we in?" In Pillsbury, the answer was typified by the campaign theme that launched the Pillsbury brand into the decade of the 1980s: "She's a 1980 lady, but she bakes like an old fashioned girl." Many women found themselves caught between conflicting values. Modern values emphasized a career outside the home and a very busy schedule. Traditional values emphasized a more domestic life style, which was symbolized by baking. Pillsbury helped the 1980 woman bridge the gap by providing her with a broad range of high-quality, convenient baking products.

Pillsbury's advertising orientation has continued to evolve, but the company has maintained the general movement toward the maintenance of strategic product lines and coordinated advertising campaigns to support these lines.

STAGES OF ECONOMIC DEVELOPMENT

Now, let's superimpose Pillsbury's experience on a broader economic perspective, as suggested by Exhibit 1-2. Economists have divided the history of modern marketing into several different stages.² These tend to be replicated across countries and economies, as long as they are governed by principles of free enterprise.

*Exhibit 1-2:
A Synoptic History of Advertising**

Stage	Characteristics of the Stage				
	Dominant Advertiser	Advertising Public	Object Promoted	Role of Advertising	Media
Preindustrial	Producers/sellers or merchants	Local consumers	Basic commodities and crafts	Promote immediate sales	Voice and signs
Industrializing	Wholesalers	Retailers	Unbranded products	Announce product availability and establish wholesaler reputation	business newspapers ("price currents")
	Local business people	Local consumers	Local products	Create awareness and desire	Newspapers
	Manufacturers	National consumers	New products	Create new product awareness, understanding, and desire	Billboards, newspapers, magazines
	Mail-order retailers	National consumers	Specialty products	Announce availability and stimulate desire	Catalogs
Industrial	Manufacturers of differentiated brands	National consumers	Nationally differentiated brands	Create awareness and brand image	Magazines, network radio
	Manufacturers of segmented brands	National consumers	Nationally segmented brands	Awareness and product positioning	Network television, spot radio and television, magazines
	Retail chains	National consumers	Assortments of related products	Create retail store image	National television
	Local retailers	Local consumers	Sale items	Generate store traffic	Newspapers
	Retail chains	Life-style groups	Strategic assortments of products and services	Create store/family-brand image	Integrated systems of communication media

² Philip Kotler, "Defining the Limits of Marketing," in Boris W. Becker And Helmut Becker, eds., *Combined Proceedings of the 1972 Conferences* (Chicago: American Marketing Association, 1972), p. 49.

Post Industrial	Manufacturers	Retail chains	Family brands	Win retail support for product lines	Trade promotion and support
	Direct marketers	National customers	Strategic groups of products	Solicit and process immediate sales	All types of media
	Relationship marketers	Current customers	Current products and services	Service on-going customer needs	Interactive media
	Business-to-business marketers	Organizational customers	Organizational products and services	Establish supplier credibility and generate sales leads	Business-to-business and interactive media
	Global marketers	Global segments	Global products	Messages requirements vary, depending on market needs	Global and local media
	Not-for-profit organizations	Affluent and/self-actualizing consumers	Ideas, social and charitable causes	Stimulate social change, activity, and financial contributions	Integrated systems of communication media

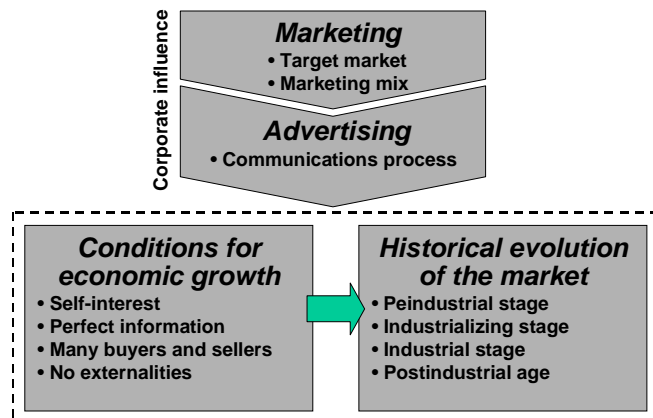
1. The **preindustrial stage** covers the period when most people were engaged in hunting, herding, farming, or handicrafts, and most human effort is devoted to meeting basic needs for food, clothing, and shelter. For Western civilization, this period covered roughly the time from the beginning of history to the beginning of the 19th century.
2. The **industrializing stage** encompasses what we refer to as the *industrial revolution*, a time when large companies were formed to increase productivity by using machines and principles of mass production, addressing growing urban populations with low-cost, uniform quality products. It began in Europe in the late 18th century, and in the United States, it lasted from the beginning of the 19th century until after World War I.
3. The **industrial stage** saw the maturation of the country's industrial base. Markets became saturated, as industry was able to meet basic needs for most of the population. Mass markets developed for the inexpensive consumer luxury and convenience products we have now come to know as *consumer package goods*. In the United States, this stage continued into the 1970s
4. The **postindustrial stage** is characterized by two related factors: (1) the aging of traditional products, with a corresponding growth of competition, and (2) the growing affluence of society. The first, and most important, factor is competition. The maturation of products naturally engenders competition. High profits lure competitors into the market, each copying the most attractive features of existing competitors, offering them at a lower price. This is what causes the product life cycle to act the way it does. The current competitive pressures of the market have been intensified still further by lower trade barriers and growing international trade. While this has happened on the supply side of the equation, on the demand side, the moneyed portions of society have begun to lose their preoccupation with acquiring physical goods and have become more concerned with the quality of their lives in a much broader sense. Some have become less materialistic in their orientation -- voluntarily retiring earlier, shifting to more fulfilling but lower paying occupations, and so forth. Others have changed their purchase patterns to include more services and product lines that represent the kinds of people they are or want to become. While new products are entering the market at an unprecedented rate, the traditional products that people have come to depend on in their day to day living (soaps, cosmetics, food products, etc.) have become well established, with a number of virtually identical alternatives in each category. Consumers are relying on retailers to

provide a service by gathering the kinds of goods and services people want, making them available at the time, in the place, for the price, in the form, and in the assortment they desire.

The stages we have described represent general patterns. Not all countries are presently at the same stage, and the dates of transition from one stage to another vary as well. Even within the United States, different regions and groups of people have participated unevenly in the various stages. The more affluent parts of the country have entered the postindustrial stage, but many Indian tribes are living a relatively isolated life on reservations, where they are struggling to bring in their own industry to enter the industrializing stage. In the mountain regions of Appalachia, there are people who are living a subsistence existence that appears most characteristic of the preindustrial stage. Similarly, third-world countries, and former Communist-block countries, lag substantially behind the development of modern industrial economic societies.

Our focus on the economically well-established portions of society is not due to a lack of concern for the other groups. It merely reflects the fact that advertising is typically addressed to the people who have the most purchasing power. Furthermore, the market continues to change rapidly. Competition is driving prices down and quality up for all segments of society, thus increasing everyone's standard of living. This, in turn, is enabling an ever-growing number of people to participate in the modern service-oriented life-style we have described.

Exhibit 1-3:
The Role of Marketing in Market Evolution



Underlying Principles of Economic Development

Before we proceed to discuss the specific stages of economic development in greater detail, we should spend some time considering the principles that govern the movement from one stage to the next. The rationale can be derived directly from basic neoclassical economic theory. Exhibit 1-3 illustrates the process through which marketers identify target customers and shape market offerings to meet needs. Their motivation, of course, has very little to do with economic evolution. They act in *self-interest*. They simply want to make a profit. Their customers, in turn, act in their own *self interest*, buying only those things that meet their needs. As long as there are alternatives (many buyers and sellers), the customers know about the alternatives (perfect information), and no one takes advantage -- no one benefits from or suffers because of someone else's purchase (absence of externalities) -- the market will evolve through the stages we are about to discuss.

Exhibit 1-4:
The Dynamics of Market Evolution

Exhibit 1-4 illustrates the simplicity of the process. Marketers recognize unmet needs in the market. They innovate with products and services to address these needs. When successful, the needs are met and demand falls off. In order to increase profits, marketers search for new unmet needs through which they might stimulate sales. And so the cycle continues.

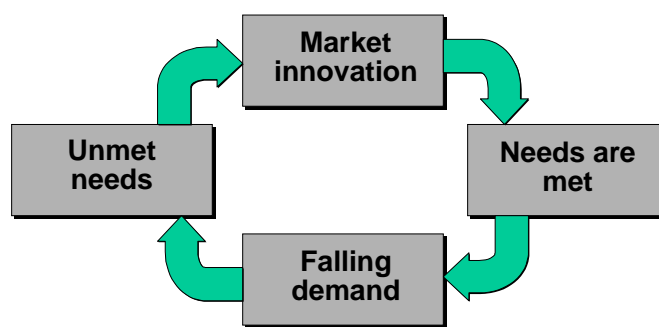
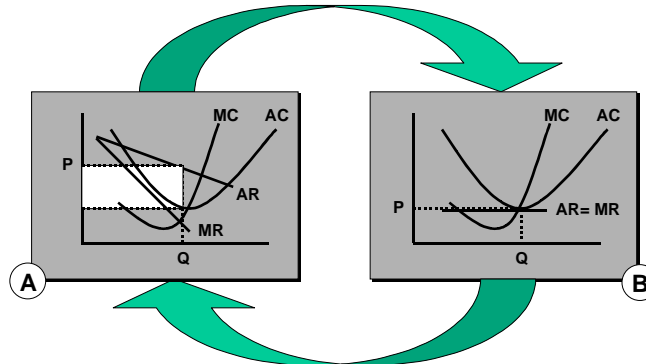


Exhibit 1-5:
The Interaction of Equilibrating and Disequilibrating Forces in the Market

Exhibit 1-5 provides a more rigorous analysis. The movement from one era to the next reflects the dynamic interaction of two forces. First, there is a natural tendency of markets to move toward equilibrium. The kind of market innovation described in Exhibit 1-4 sets a product apart from the competition, thus commanding a premium price and high economic profits. This is reflected in the relatively inelastic demand represented in Box A. However, the profits catch the attention of competing

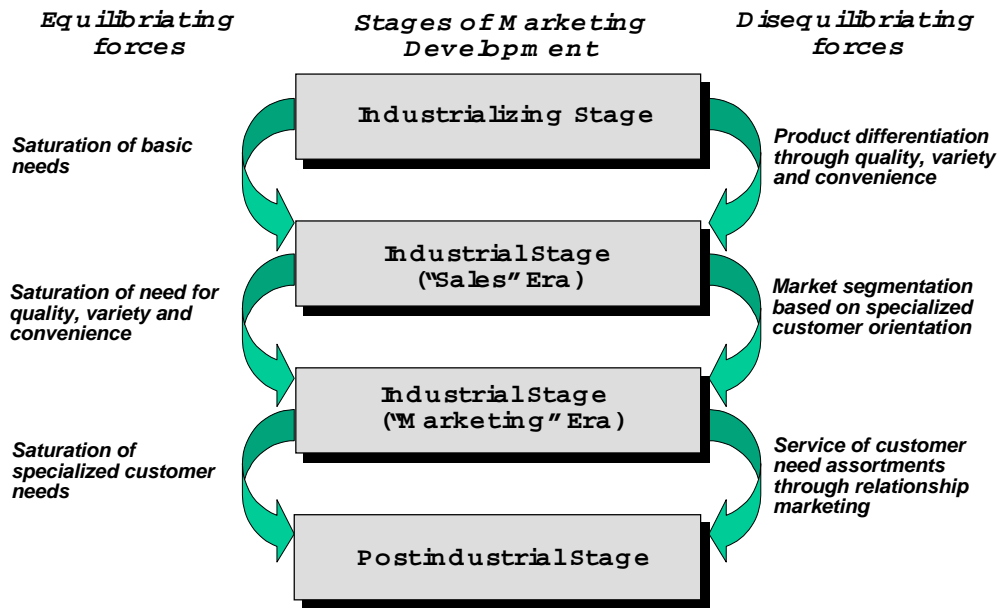
The equilibrating effects of market evolution



The disequilibrating effects of marketing innovation

firms, who then begin producing similar products. The market moves toward equilibrium, where the demand becomes ever more elastic (Box B). This *equilibrating* force reduces profits and stimulates marketers to innovate. They create new, differentiated products with relatively inelastic demand, thus *disequilibrating* the market once again. As we shall see, the dynamics of saturating one level of needs after another drives the evolution of the market, as illustrated in Exhibit 1-6. The general types of innovation tend to change as the market moves from one stage to another.

Exhibit 1-6:
How Equilibrating and Disequilibrating Forces Express themselves in Market Evolution



Advertising in the Preindustrial Stage

During the preindustrial stage, people with products to sell would simply set up a booth in the town market. Those who wanted to buy would seek out the booth, and the exchange would be completed. The need for advertising developed as the marketplace grew larger and became more complex.

1. As markets grew, it was not always easy for buyers to find the goods they desired. Some kind of advertising was needed to make the shopping task easier. Merchants typically took a direct approach and simply called out the nature of their wares. They would also put out signs or displays of the items they had to sell.
2. Potential buyers did not always go to the market for the purpose of buying what the sellers wanted to sell. In fact, many potential buyers were merely passing through with no intention of buying anything. Thus it was necessary to stimulate the buyers' appetite to get them into the proper buying mood. Merchants would do this by calling out to passers by, by putting up prominent signs to catch their attention, or by actually displaying their wares. This was particularly effective with food, where smell provided a powerful message to hungry passers-by.
3. New products for which nobody was looking would sometimes become available. People had to be told that these products existed. These were harder to advertise because of low literacy rates. Therefore, merchants tended to depend on word-of-mouth advertising, or personal sales messages delivered by conversing with shoppers.
4. Finally, there were often competing sellers offering the same products. Sellers were then faced with convincing buyers that their products were best. Again, signs and displays were important, as were logos that came to represent what we now know as trademarks – a kind of visual branding.

The essence of this early advertising is captured by the distinction among various perspectives on advertising. First, we can consider the *advertisers* who were most prominent during each stage. For each type of advertiser, the advertising tended to differ according to the *publics* being addressed, the *objects* being promoted, the *role* played by advertising in the overall marketing problem and primary *media* used.

Note the parallels between the marketplace of old and its modern-day equivalent. Think of today's shopping mall, supermarket, or department store. Many of the same problems exist: guiding people to the products they want to buy, putting people in a buying mood, stimulating their interest in a new product, or persuading them to favor one competing brand over another.

The difference is that the modern marketplace usually does its advertising in a more sophisticated fashion. The "criers" are replaced by public address systems. The crude signs and displays are replaced by dazzling neon lights, eye-catching packaging and professionally designed merchandising systems. Furthermore, most of this is done by highly skilled specialists, whereas in ancient times, the advertising was generally done by the merchants themselves.

Why the difference? Part of it is technology. But the main difference is that the need for advertising was not felt as keenly then as it is today. The major problem in the preindustrial stage was how to obtain the goods to sell. Hence, the most creative people tended to spend their time looking for better ways to establish trade relationships -- places where goods could be obtained, and methods of transporting them to the places where they were needed.

In today's modern marketplace, the goods are readily available. The markets are larger and more complex, and the tasks of advertising are now of paramount importance.

Advertising in the Industrializing Stage

In the preindustrial stage of economic development, it was the industrial revolution and the emergence of mass markets that drove market development. These worked in a cycle to reinforce each other. The industrial revolution created tremendous increases in productivity through the use of machinery, modern methods of standardization, and mass production. This, coupled with breakthroughs in bulk transportation, signaled by the advent of the steamship and railroad, led to the possibility of selling beyond the local market. Multiple markets provided the potential sales volume needed to support large-scale manufacturing, which drew people to the cities for jobs. But living in the cities meant people couldn't raise their own food or make their own products. This further contributed to the need for mass-market consumer goods.

While manufacturers made the products available, the burden of marketing fell on the wholesalers. Wholesalers acquired a working knowledge of sources of supply, sources of transportation and market requirements, arranging for product shipments to the appropriate locations. During this stage, advertising played a number of different roles. Four of them are particularly significant.

Exhibit 1-7:
Industrializing Pattern 1: Wholesalers advertised in business newspapers called "Price currents"

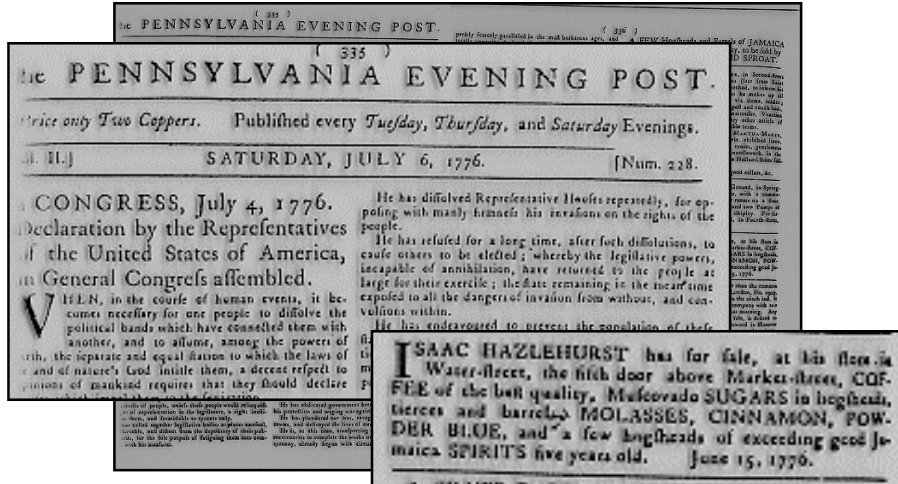


Exhibit 1-8:

1. **Advertising by wholesalers.** First, the wholesalers needed a vehicle for advising retailers regarding sources of supply, and where and when various kinds of shipments would arrive. The

vehicle was a type of business newspaper known as a *price current* (Exhibit 1-7).³ The goods, of course, were the unbranded products obtained from the production-oriented manufacturers.

Industrializing Pattern 2: As cities grew, retailers used newspapers to deliver new and information (advertising) regarding product and service availability.



2. **Advertising by local businesses.** As local markets grew, local business began to advertise their products and services more vigorously to potential customers in their market areas, primarily through newspapers (Exhibit 1-8).

*Exhibit 1-9:
Industrializing Pattern 3: New Products*

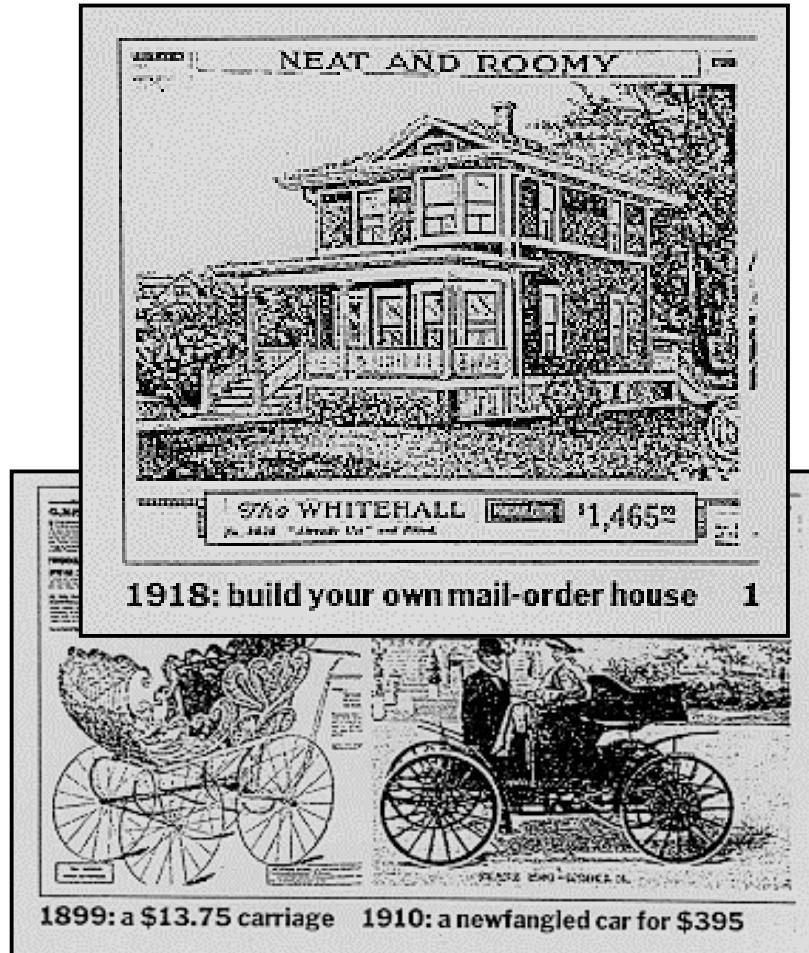


1. **Advertising by manufacturers of new products.** The third pattern involved innovative manufacturers who sought to develop basic demand for their new products beyond their immediate market areas. The most notorious examples consist of the patent medicine advertisers who sought to stimulate a desire for their various remedies during the second half of the nineteenth century. They used newspaper, magazine, and billboard advertising to develop their markets. Other more

³ David P. Forsyth, *The Business Press in America: 1750-1865* (Philadelphia: Chilton Press, 1964).

respectable products, including everything from soaps to railroads, also used advertising to develop initial consumer acceptance. But the products included everything from root beer to Kodak cameras. Exhibit 1-9 illustrates an ad from 1888 advertising the new Kodak camera.

**Exhibit 1-10:
Industrializing Pattern 3: Mail-order Retailers**



2. **Advertising by mail-order retailers.** The fourth pattern resulted from efforts by large retail companies, such as Montgomery Ward and Sears Roebuck, who combined wholesale and retail approaches by marketing specialty items that would not normally be available from stores in small cities and towns through national catalog advertising. Their advertising activities played a major role in creating the national mass market, as we know it today.⁴

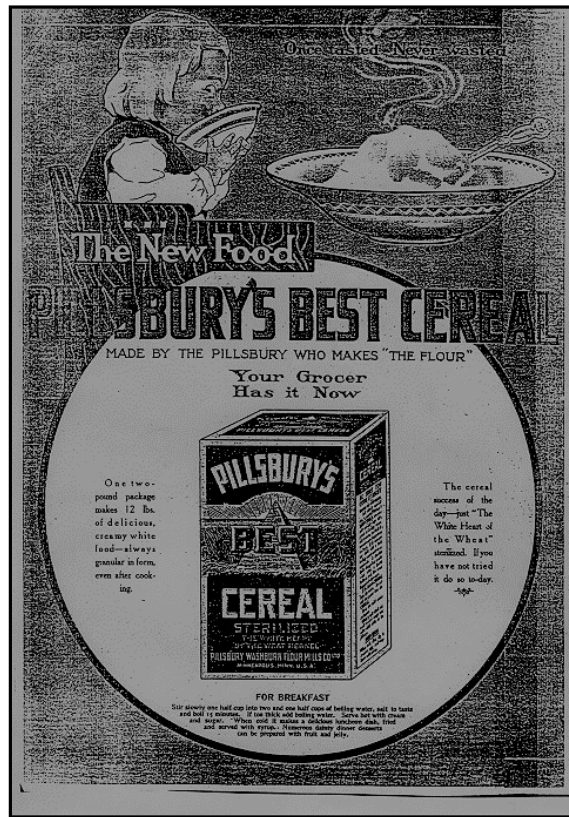
Advertising in the Industrial Stage

Advertising characteristics in the industrial stage of economic development grew out of a simple principle: Businesses are naturally driven to meet their most pressing needs. During the preindustrial stage, people needed basic products. The largest companies grew in response to this need and naturally responded by emphasizing production and distribution. This left advertising in the hands of wholesalers and retailers.

⁴ Peter F. Drucker, "Marketing and Economic Development," *Journal of Marketing* 22 (January 1958), pp. 252-259.

During the industrial stage, the need for basic products was filled, and the emphasis had to change. Large manufacturing companies such as Pillsbury shifted from a product to a sales orientation. They began looking for new products that could be made, using their basic production technology. For instance, Pillsbury began using their flour-milling capability to produce new products, such as breakfast cereals (Exhibit 1-10) and cake mixes (Exhibit 1-11). The company began looking to advertising as a tool for stimulating consumer needs for their new products and brands, following the pattern of new-product advertising during the industrializing stage. Advertisers addressed the mass market through mass advertising – mass-circulation magazines, in the beginning, such as “Look” and “Life.” These provided a visual support for an even bigger mass medium – radio – and then, an even bigger one television

Exhibit 1-10:
In the Early 1900s, Manufacturers Such as Pillsbury Used their Basic Production Capacity to Produce New Products for the Market



What caused companies to change their orientation? Remember that the basic products being produced in the industrializing stage were unbranded. As more and more products became available, the wholesalers took a more active part in setting prices and playing one manufacturer off against the other. This hurt profits. Companies responded with strategies designed to give it more control over its wholesalers. The company strengthened its sales force, emphasized new product development, packaged and branded its products, and engaged in heavy national brand advertising.

Exhibit 1-11:

Product Differentiation Tended to Focus on Quality, Variety and Convenience

JOIN THE PILLSBURY PARADE

"Because Pillsbury's Best"

Millions of women go into grocery stores every day for Pillsbury's Best Flour — a constant parade of shrewd, economical women.

Ask them why — they'll tell you because they've found a way to save money. They give their families the exceptionally fine baked goods they make with Pillsbury's Best. Their families like these fine baked foods so well that they eat more of them, and less of other more expensive foods. The result is a better fed family, at a lower cost. Flour is by far the lowest priced food you buy. And, as always, Pillsbury's Best is an economical flour because it prevents costly, wasteful flour failures in baking. It makes foods so good that your family will prefer them to other things which cost more and are less nourishing.

Remember, many of America's leading bakers use Pillsbury's Flour to make their finest bread, cakes, rolls and pastry.

BUY PILLSBURY'S PANCAKE FLOUR
because
IT'S THE MODERN WAY TO MAKE MODERN PANCAKES — ECONOMICALLY!

BUY PILLSBURY'S CAKE FLOUR
because
IT HAS GIVEN THOUSANDS OF WOMEN A NEW IDEA OF "PERFECT CAKES"!

BUY PILLSBURY'S WHEAT BRAN
because
EVERYONE LIKES THE FLAVOR OF MUFFINS MADE WITH NATURAL BRAN!

There's one thing you'll find only in market made with natural LOOSE bran — the rich, nutty flavor of natural wheat. And there's another thing — a new valuable source of the vitamins so many of us need. Two good things — for the price of one! (The finest Pillsbury made recipe is an every day's.)

There are thousands of women who had never been satisfied with the cake they had — until they used Pillsbury's Cake Flour. Then they had a new idea of "perfect cakes" — delicious for home bakers & even made better. For your own satisfaction, try it.

A "modern" pancake is an improved one, it's flatter, more tender, more delicious — the kind you make with Pillsbury's Pancake Flour, a special mixture of the finest ingredients money can buy. They're made in a modern way, too — simply and made so tender, soft and moist it's a real treat.

Right on the box is a recipe for delicious waffles! And if you like buttermilk — make your own! (Recipe on box.)

Better Homes and Gardens
Sept. 1932

While the time of transition varied by industry -- as early as the late 1800s for products such as soaps and tobacco and as late as the mid 1900s for products such as unprocessed meats and produce -- manufacturers in general began heavy national advertising emphasizing brands. Early brands include such notables as Coca-Cola, Jello, Wrigley's Spearmint gum, and Kellogg's Corn Flakes. Each sought to sell the public on its own special qualities. These qualities were often physical - actual characteristics that made their products different from others. But they were also psychological. Often they were nothing but an image. Wheaties breakfast cereal became the "breakfast of champions," not because of its healthful qualities, but because of an image built by advertising around the fictitious "Jack Armstrong, all American boy." Later, Wheaties employed sports stars to reinforce the same theme. Regardless of the characteristics being promoted, advertising played a key role in developing a brand's image.

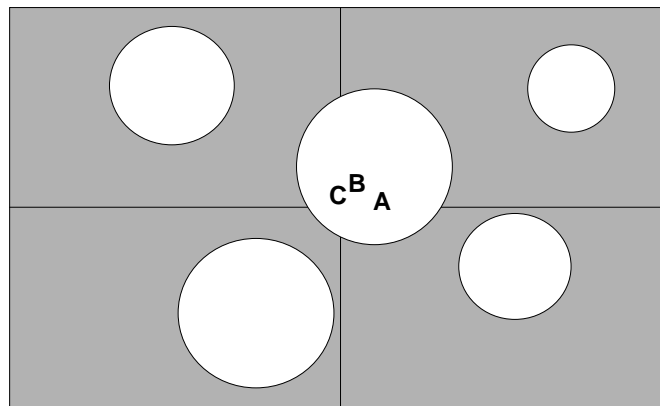
Actually, the industrial stage of economic development can be divided into two separate sub-stages -- the eras of product differentiation and market segmentation. In addition, retailing experienced dramatic changes during the same period of time.

1. **The sales era (era of product differentiation).** The first consists of the early days of packaged goods and brand advertising. The key years of this stage were between 1920 and the period just following the Korean War. Manufacturers pursued a strategy of *product differentiation*, seeking to make their brands different and better than the competition by offering consumers quality, variety, and convenience. Quality was reflected in the superior formulations of national brands, such as Colgate, Pillsbury, and Heinz. We see the vestiges of this today, where we have national brands that sell for a premium over store or generic brands. Variety was reflected in the many different flavors that appeared for every basic product, from Jello to Betty Crocker cake mixes. And convenience was reflected in the movement toward easy-to-prepare foods and other products. People could bake cakes by simply adding water and mixing. Exhibit 1-11 illustrates product differentiation, as practiced at Pillsbury during the 1930s. The company not only offered quality products ("Pillsbury's Best"), but also variety (many different types of flour-milled products)

The key to the era of product differentiation is its "mass-market" orientation, as suggested by Exhibit 1-12. Market segments existed, in principle, at least. But consumers did not aspire to products that catered to their individual needs. For their part, marketers found it more profitable to share the market as a whole than to specialize in smaller market segments. All else being equal, brands A, B, and C would share buyers from all segments. Specialty brands would have an advantage in a given segment, but virtual inaccessibility to others, thus giving them a lower level of sales. Product differentiation provided mass marketers with a means of increasing market share.

Again, from a media standpoint, the need was for ways to reach the mass market. Hence, the rise of mass circulation magazines, radio, and television.

Exhibit 1-12:
The Mass-Market Orientation of Product Differentiation Strategy



2. **The marketing era (era of market segmentation).** As one would expect, the advantage gained by offering quality, variety, and convenience could not last forever. First of all, consumers eventually saturated themselves with the most obvious products. This became most obvious following the release of pent up buying power from the Second World War, and even more, the Korean War. Consumers could buy all the basic products they needed. Furthermore, the quality, variety and convenience of basic products were easy to copy. And they were copied. Gradually, each product category became saturated by competing brands, each offering consumers essentially the same benefits. Manufacturers responded by looking once again for ways of separating themselves from the competition. The answer was *market segmentation*, where manufacturers sought to find unique groups of consumers who needs could be addressed through more specialized products. This, in turn, led to the concept of product positioning. Positioning sought to associate a particular brand with a particular set of customer needs, thus separating the brand from its competitors.

Exhibit 1-13:

In the Era of Market Segmentation, Brands Sought to Position Themselves to The Special Needs of Specific Groups of Consumers



Exhibit 1-13 provides an example from the toothpaste market. Of course, the market is defined by the basic need to brush one's teeth. However, the factor driving brand choice varies from segment to segment. Many people are driven by the desire to avoid tooth decay. Many others by a desire for fresh breath. The ad for Rembrandt, shown in Exhibit 13, appeals to consumers who are interested in whiter teeth.

Exhibit 1-14 illustrates the theory of market segmentation. As the number of brands competing in the mass market becomes larger, the share available for each competitor falls. At some point, the difficulty of maintaining a profitable volume in the mass market falls low enough that some competitors begin specializing in the needs of individual segments. In the baking field, some companies began specializing in health-oriented products, others in exotic flavors, and so forth.

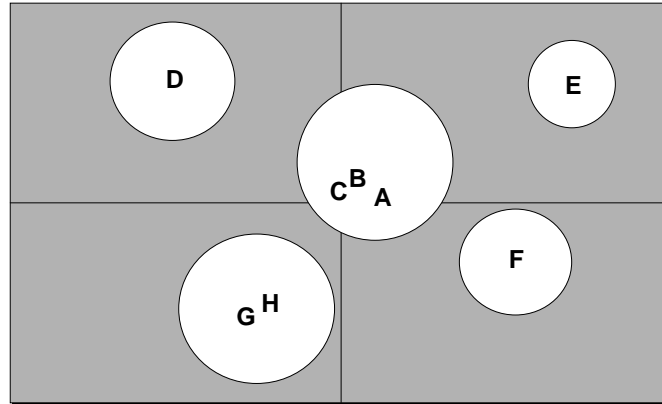
From a media standpoint, market segmentation created a dramatically new market need. Now, instead of focusing on the market market, marketers were looking for media that would efficiently reach the kinds of people who would be interested in their particular product or brand. The response to this need was three-fold: First, advertisers used the nature of the message to segment television viewers, assuming that those who were interested would pay attention, and those who were not would simply tune out the advertising⁵. Second, media planners became much better at identifying differences in the audience composition of different media. This was done primarily through demographics. However, in the early 1960s, Target Group Index began publishing data that linked media to product usage⁶ (Garfinkle 1963). Modern syndicated product-media research services such as Simmons and MediaMark Research (MRI) are more recent incarnations of this

⁵ Haley, Russell I. (1971). "Beyond Benefit Segmentation," *Journal of Advertising Research* 11:4 (August), 3-8.

⁶ Garfinkle, Norton (1963). "A Marketing Approach to Media Selection," *Journal of Advertising Research* 3:3 (September), 7-15.

same basic idea. Third, media entrepreneurs began developing highly specialized media. These began with specialty magazines, but more recently, cable channels extended this into radio and television. Direct mail also became a popular means of targeting highly specialized groups of consumers.

Exhibit 1-14:
The Strategy of Market Segmentation



3. **Trends in retailing: Self-service retailing driven by sales and FSIs to generate store traffic.** Manufacturers were the dominant marketing force in both product differentiation and market segmentation. However, retailers were also changing. As early as the 1920s and 1930s, supermarkets began emerging as a major force in package-goods retailing. In similar fashion, large general merchandise chains such as Montgomery Ward and Sears Roebuck began replacing general stores. As cities grew and retail competition became keener, retailers developed vigorous advertising programs to draw people into their stores. The stores relied on principles of customer self-service to hold down costs and deliver desired products more efficiently. In order to make this strategy work, store became more aggressive in their efforts to stimulate store traffic and high sales volume. These efforts eventually evolved into the highly sophisticated use of sale items and freestanding inserts (FSIs) in local newspapers (Exhibit 1-15).

Exhibit 1-15:

This Kroger Ad Illustrates How Retailers Became Very Proficient in the Use of Free-Standing Newspaper Inserts to Generate Traffic in their Stores

LOOK WHAT YOU GET FREE

THIS WEEK AT KROGER
WHEN YOU BUY ONE OF THE SAME ITEM

Prices And Items Good Mon. August 9 Thru Sun. August 11, 1991
WAYNE, OAKLAND & MACOMB COUNTIES
Check Your Neighborhood Store For Exact Business Hours. Hours Are Given In Hours & Days. While While Awa Open 1 AM To 10 PM. Daily And Longer & Sat. To 1 P.M.

<p>25¢ Off Label 24-Ounce Bottle Regular Or Light</p> <p>MRS. BUTTERWORTH'S With In-Store Manufacturer's Coupon</p>	<p>5-Lb. Bag, New Crop, All Purpose</p> <p>WHITE POTATOES SAVE \$1.97</p>	<p>9-Ounce Frozen Florentina, Onion & AuGratin</p> <p>KROGER LITE COD ENTREES SAVE \$1.99</p>	<p>24-Ounce Loaf</p> <p>KROGER GIANT WHITE BREAD SAVE 99¢</p>
<p>10% To 10%-Ounce Can Chicken, Mushroom, Turkey Or Beef</p> <p>FRANCO AMERICAN GRAVIES With In-Store Manufacturer's Coupon</p>	<p>24-Ounce Bottle</p> <p>SNO BOL CLEANER With In-Store Coupon</p>	<p>6-Count Package Butter Or Butter Light</p> <p>POP SECRET MICROWAVE POPCORN SAVE \$1.99 With In-Store Coupon</p>	<p>1-Lb. Package Hygrade's Sliced</p> <p>BALL PARK BOLOGNA SAVE \$2.49</p>
<p>15-Ounce Box, Herbed, Napoli Style Bow Macaroni, Napoli Style Or</p> <p>PRINCE THIN SPAGHETTI SAVE 29¢</p>	<p>In The Pastry Shopper 3-Count Cheese Or</p> <p>CHERRY CHEESE COFFEE CAKES SAVE \$2.99</p>	<p>7-Ounce Bottle Medicated</p> <p>SELSUN BLUE SHAMPOO SAVE \$1.79</p>	<p>22-Ounce Bottle</p> <p>SUNLIGHT DISH LIQUID SAVE \$1.99</p>
<p>Juicy California</p> <p>JUMBO CANTALOUPE Each 78¢</p>	<p>1/2% LOWFAT OR SKIM MILK (Gallon only) \$1.44</p>	<p>2-Liter Bottle, Plus Dispense</p> <p>PEPSI-COLA 88¢</p>	<p>5-Lbs Or Larger Package Fresh</p> <p>ASSORTED PORK CHOPS \$1.38</p>

PLUS THESE WEEKLY SPECIALS

DOUBLE COUPON 50¢

WEEKENDS MON. TUE. WED. THURS. FRI. SAT. SUN. 5 6 7 8 9 10 11

SEE YOUR LOCAL FOLDER SIGN FOR DETAILS

- Retail chains and national image advertising.** In order to effect further economies of scale, retailers began organizing their store into chains. The most obvious purpose was to achieve economies of scale in buying and wholesale functions. However, the chains were also able to field huge national advertising budgets to create retail images that benefited the entire chain, as illustrated by the WalMart ad shown in Exhibit 1-16. This principle of retail chain advertising applies to everything from department store chains to fast-food retailers and restaurant chains.

The development of large self-service retail chains is consistent with what we would expect in an increasingly competitive market. One of the key elements of competition was the dramatically increasing level of consumer knowledge. This meant that people could serve themselves, thus reducing costs. By combining many products into a single store, retailers were able to increase sales volume even further, thus enabling them to accept lower margins in return for higher sales volume. This established the seeds of a change that was not to reach full fruition until the 1980s, with the advent of the post-industrial stage of economic development.

Exhibit 1-16:
This WalMart Ad Illustrates the Way Chain Stores Exploited National Advertising to Establish a Universal Image



Advertising in the Postindustrial Stage

Eventually, not only the mass market, but its constituent market segments became saturated as well. There was no specific time frame for this that holds for every market, but the general transition might be pegged around 1980. Whereas market segmentation and product positioning used brands as indicators of the kind of product consumers were buying, in the postindustrial stage of economic development, consumers already knew about various types of products and product variations. For instance, Coca-Cola originally introduced Tab in the late 1960s as a diet cola drink. By the 1980s, however, everyone knew about diet colas. If Coke drinkers wanted a diet version, they would buy diet Coke. Coke, then, became a *family*, or *umbrella*, brand. Instead of representing a specific kind of product, it represented a more general concept -- a leading brand of cola. It is a brand people had confidence in. Regardless of the specific product they wanted -- regular, diet, caffeine-free, or whatever -- they buy it because it frees them from having to worry about which brand is best.

Again, the change in the market can be explained in terms of forces from both the supply and demand sides of the market. We have just talked about demand -- how consumers viewed the market. On the supply side, the time between a product's initial introduction and the entrance of a host of fierce competitors became shorter and shorter. Thus, while new products were continually being introduced to the market, the average product was still later in its product life cycle. This meant more competitors, closer substitutes, and lower profit margins. Efficiency, became the watchword.

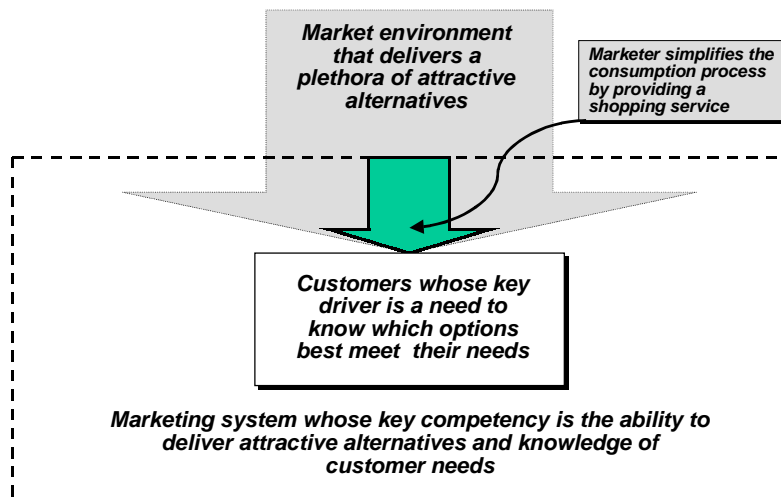
This sets the stage for what you see in the market today. Downsizing, tighter budgets, a growing emphasis on productivity are not passing anomalies in the market. They are signs of the times. They won't go away; they'll get worse. That's the bad news. The good news is that consumers are getting more for their money. And, of course, we're all consumers. In many cases, prices are actually falling. In virtually every case, quality is increasing relative to price.

Part of the movement toward efficiency involves an extension of market segmentation theory. When market segmentation first appeared in the industrial stage of economic development, it addressed groups of consumers who shared a common product need. Now, segmentation addresses *life-style groups*, or groups of people who share groups of needs -- growing out of basic patterns of thinking, feeling, and behaving. For instance, advertising might be addressed to "achievers," who are constantly looking for new challenges in life, versus "belongers," who tend to avoid challenges and prefer to spend their time at home with their family and friends.⁷

Returning to the demand side of the equation, we note that consumers are not only faced with more choices and better information, but their needs are also changing. This is especially true of the more affluent portions of society. While affluent consumers represent only a portion of the population, they are the ones who command the greatest buying power, and hence, are of greatest interest the marketers. These people have enough money to meet their real needs. Instead of new products, they begin to look for leisure, services or deeper meanings.

Consider what is happening already to many of today's professional school graduates. Men and women are now taking the same kinds of professional jobs. They marry and form households with combined incomes that range as high as \$100 thousand a year or more in the first few years out of college.

Exhibit 1-17:
Marketers in the Postindustrial Stage



Of course, the life style that accompanies this income has its drawbacks. Balancing two careers becomes a problem. The pace can be frenetic. Money is often less of a concern than trying to cope with pressure and make life more satisfying. Among other things, they are not usually interested in investing large amounts of time shopping. Exhibit 1-17 illustrates marketers' response. The dominant consumer need is how to find the products they want as efficiently as possible. Marketing success depends on the marketers' ability to deliver this benefit.

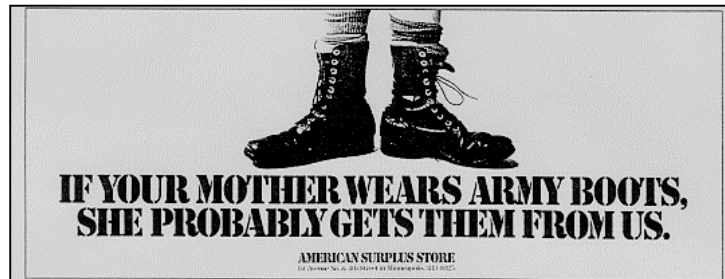
In summary, then, the maturation of the market in the postindustrial stage has had two major impacts: First, it has forced marketers to be more efficient. From a media perspective, this means that the halcyon days of big media budgets and television campaigns are gone. Marketers are now looking for the most efficient ways of delivering their message, linking networks of various different types of media into a single synergistic communication program – *what we have come to call integrated marketing communications*. Now days, everything has become a potential advertising medium, from the uniforms a company's employees wear to the cash register tapes of the stores in which products sell.

⁷ Arnold Mitchell, *The Nine American Life Styles* (New York: Warner Books, 1984).

Second, market maturation has driven both marketers and their customers to reduce transaction costs by developing on-going marketing relationships. We have already mentioned the growing importance of family brands, as efforts to manage customer relationships through a kind of *brand equity*. From a media perspective, relationship marketing suggests a need for more interactive media, through which customers can indicate the kinds of advertising information they are likely to want, and where advertisers can increase their efficiency by eliminating messages to people who are not likely to be receptive.

Now, consider some of the specific trends that grow out of this general picture of a maturing marketplace:

Exhibit 1-18:
This American Stores Ad Illustrates How a Retail Store Name Comes to Represent the Collection of Products Carried in the Stores



1. **Shift of advertising emphasis from manufacturers to retailers.** The traditional emphasis on manufacturer brands gives consumers more, not less information to process. Family brands reduce information needs by providing a single name to represent an entire assortment. They come to stand for the qualities the products hold in common, thus minimizing the effort required to evaluate purchases.⁸ In the most dramatic case, the family brand will be the name of a retail chain that carries a particular type of product assortment. People know what kinds of products, prices, and service they will get at Rite Aid, Kroger supermarkets, Sears, K-Mart, or Marshall Fields. Rather than worry about where to find a specific product or brand, they simply go to the kind of store that carries the product they want and select from among the brands available. In the postindustrial stage of economic development, power is shifting from the manufacturer to the retailer because of the function retailers perform. And those manufacturers that are surviving are beginning to look more like retailers. Their brands are coming to represent collections of products and services that certain types of consumers can count on to meet their needs. The American Stores ad shown in Exhibit 1-18 illustrates the principle. Consumers know that if they want military clothing and supplies, they can get these at American Stores. If American Stores were a manufacturer of military clothing and supplies for civilians, the effect would be the same.
2. **Shift in promotional strategy from "pull" to "push."** Along with the shift from manufacturer to retailer power comes a corresponding shift in promotional strategy. The original source of manufacturer power was "pull" advertising. In the beginning of the industrial stage of economic development, they wrested marketing control from wholesalers by packaging and branding their products. Then by advertising the nature of these new packaged goods, they were able to build a consumer franchise that forced wholesalers and retailers to carry them. But, as we have seen, this kind of "pull" advertising is becoming less effective. Retailers can make or break a brand by simply deciding to carry or not carry it, or to grant it favorable or unfavorable shelf space in their stores. Therefore, manufacturers have been driven to shift their promotional strategy from *pull* to *push*, targeting more of their efforts to wholesalers and retailers through trade magazines, trade shows, the Internet and other business-to-business media. This is illustrated by the Sony ad shown in

⁸ James H. Leigh. "Recall and Recognition Performance for Umbrella Print Advertisements." *Journal of Advertising* 13:4 (1984), pp. 5-18.

Exhibit 1-19. The ad seeks to build retail support by telling dealers about the advantages of Sony products and service.

**Exhibit 1-19:
Sony Uses Advertising Win Support from Wholesalers and Retailers**



- The development of integrated marketing communications.** We have already mentioned the growing importance of *integrated marketing communications* (IMC). One of the casualties of increasing demands for efficiency is sloppy media planning. There was a time when media planning was formulaic and, often times, inefficient. Different media were handled by different people, in different departments, with little real coordination. Now, every message and every medium are being scrutinized for maximum efficiency. Even more important, they are being evaluated in terms of the way they interact with each other in their impact on consumers. Direct mail is being coordinated with television, point of purchase, specialty advertising, etc. to bring about a specific set of desired effects. The differences among different kinds of promotion, and between promotion and other elements of the marketing and business in general, are no longer as obvious as they once were. They are all becoming part of a single integrated set of business tools. Exhibit 1-20 provides an example. It shows how magazine advertising was used by Better Homes and Gardens to promote its web site, which, in turn, reinforced the content of its magazine.

Exhibit 1-20:
Better Homes & Gardens Used Magazine Advertising and Its Web Site to Reinforce Each Other as Part of an IMC Program



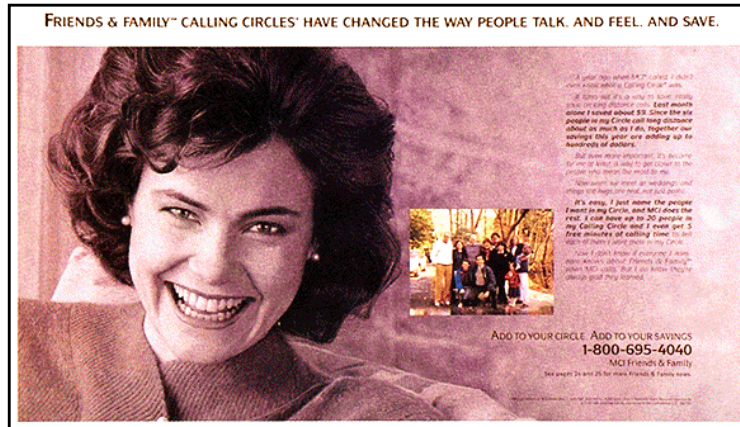
Exhibit 1-21:
Lands End Developed a Profitable Direct Marketing Business by Appealing to Consumers' Need for Convenient Shopping, Good Quality, and Reasonable Price



5. **The increasing importance of direct marketing.** In the "Marketing Era" of the industrial stage of economic development, we saw the rise of a new kind of direct marketer, using direct mail to address specific, highly responsive market segments. Now, we see and even greater use of direct marketing, moving into a host of other media as well. The role of direct market is now more than just highly targeted communications, but rather, on-going two-way communications. One of the responses to the increasingly busy lifestyles, and the corresponding demand for shopping efficiency, is the increasing importance of direct marketing. Retailers once referred to retail stores. But now they represent an increasingly broad range of channel arrangements, from 800 telephone numbers and credit cards to buying clubs. Major segments of the population now rarely visit stores, but rather buy what they need from a group of trusted direct marketers. For

instance, Exhibit 1-21 illustrates how Lands End used its popular catalog to build a profitable direct-marketing business.

Exhibit 1-22:
MCI Nurtured a Relationship with Its Customers by Offering Special Price Benefits to Groups of Long-Distance Customers

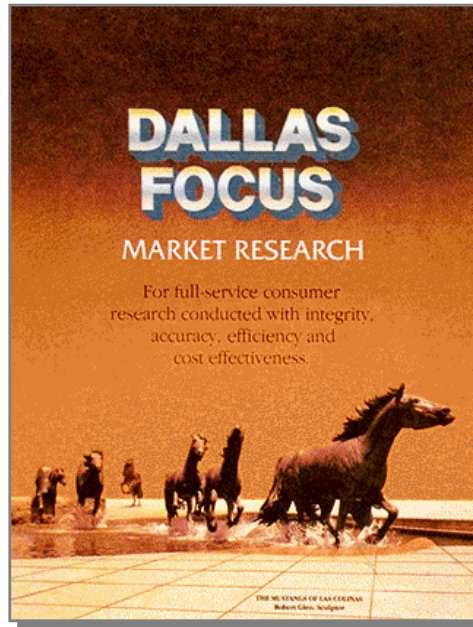


5. **The development of "relationship marketing."** We have also discussed the notion of relationship marketing. During the industrial stage of economic development, manufacturers sought methods of developing products that were uniquely attractive to consumers. But as we have seen, any unique product characteristics can be readily copied by the competition. What can't be copied is a company's knowledge and relationship with its customers. Indeed, customer relationships are a company's most valuable asset. As companies seek to increase marketing efficiency, they are addressing more of their advertising to nurturing their relationship with their existing customers. This is illustrated in the MCI "Friends and Family" program developed in the early 1990s, where customers received special rates when talking to people who were also part of the friends-and-family network (Exhibit 1-22). However, in the broader context, the other trends of the post-industrial period -- the emergence of retailers, push strategy, IMC and direct marketing all reflect the relationship marketing movement. Both retailers and large manufacturers build relationships with customers, using their ability to provide broad, attractive product lines. These relationships include links between manufacturers and channels of distribution, through increased use of a "push strategy." Another form of relationship is practiced in the form of direct marketing. Integrated marketing communications provides a useful method of building and nurturing customer relationships. Relationship marketing is often implemented through a process called *customer relationship management*, where marketers use everything from telephones to the Internet to stay in touch with customers, monitoring what they buy, what they want, and how they respond to marketing efforts.

6. **The increasing importance of business-to-business advertising.** Business-to-business marketing has traditionally relied on personal selling as its promotional mainstay, as illustrated by the Dallas Focus Market Research ad shown in Exhibit 1-23. However, with the rising cost of sales calls, and the general striving for increased efficiency, marketers are looking for other, more efficient, ways of facilitating transactions. This means integrating advertising with the host of other promotional tools available for applying integrated marketing communications to business-to-business problems. The most obvious, of course, is the inclusion of 800 numbers and other response mechanisms in industrial ads. However, the possibilities are almost endless, including everything from automatic electronic order generation systems to buying forums on the Internet.

Exhibit 1-23:

This Dallas Focus Market Research Ad Illustrates How Businesses Are Seeking to Make their Marketing Efforts More Cost Efficient through the Use of Business-to-Business Advertising



6. **The increasing importance of global marketing.** Global competition has played a key role in accelerating the move from the industrial to the postindustrial stage of economic development. Just as foreign suppliers have increased the competitive intensity in local markets, foreign markets have become increasingly important targets for domestic companies as well. Indeed, many companies have begun to transcend national boundaries, with marketing and advertising efforts addressing consumers needs, regardless of where the consumer might live. This is illustrated by the Russian Pepsi Cola ad shown in Exhibit 1-24.

From a media perspective, global marketing has received an enormous boost from the opening up of formerly closed markets, most of which now allow conventional advertising. Firms have rushed in to organize these markets through the development of new, high-quality, branded products. However, this is really a throwback to the late “production era” of the industrializing stage and “sales era” of the industrial stage of economic development. More recently, however, we have developed truly global markets, using global media – everything from satellite television to the Internet. People can now see American programming and advertising in Russia, and vice versa. Through the Internet, they can actual shop in any part of the world.

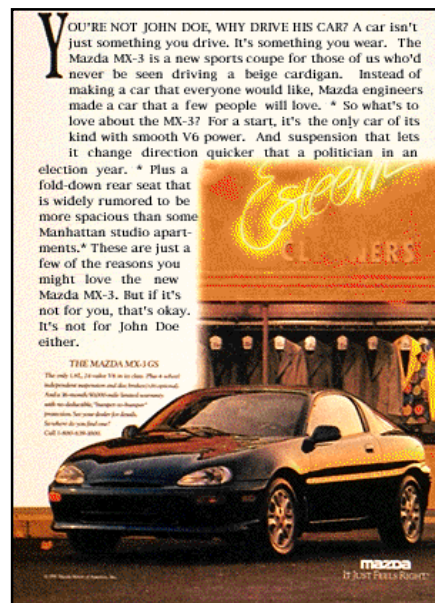
Exhibit 1-24:

This Russian Pepsi Cola Ad Illustrates the Globalization of Brands and Advertising Efforts



Exhibit 1-25:

This Mazda Ad Appeals to Consumers' "Higher-Level" Need for Individual Prestige



8. **The increasing appeals to higher level human needs.** One of the consequences of increasing customer affluence is the shift in consumer motivation towards products that add meaning to life. Manufacturers and retailers are advertising products as an expression of consumers' personalities, as suggested by the Mazda ad shown in Exhibit 1-25. In a parallel application of the principle, we

would expect that not-for-profit organizations will use advertising to promote social change in an attempt to increase the overall quality of life, as illustrated by Exhibit 1-26. The key here is that as income increases, so does the general ability to meet lower-level needs, such as physiological needs, safety needs, belonging needs, or the need for self esteem. According to Maslow's hierarchical theory of needs, meeting lower-level needs tends to unlock the desire for meeting higher order needs, namely, self-actualization. Products and services that provide an opportunity for self-expression, and not-for-profit organizations, that provide an opportunity for service and personal fulfillment, are in a particularly good position to address self-actualizing needs.

Exhibit 1-26:

This Ad Illustrates the Use of Advertising by Not-for-Profit Organizations to Promote Religion



THE DEVELOPMENT OF NATIONAL ADVERTISING AGENCIES

The institutions we now know as advertising agencies were spawned by needs of the industrializing stage of economic development. As mass, national markets developed, many companies strove to market new products or, in some cases, new brands of existing products in the national marketplace. Others began to market their wares on a regional basis, expanding beyond the traditional local markets.

How were they to advertise? The dominant advertising medium was the newspaper. Each city had one of its own. These were supplemented by a growing number of religious magazines, and later women's and general interest magazines, each varying in its circulation and geographic coverage. The problems of simply finding the appropriate media and placing the ads were enormous.

This created a classic marketing opportunity. Someone was needed to act as a broker between national advertisers and the independent newspapers and magazine media through whom they hoped to obtain national advertising coverage. In response to this need, men like Volney Palmer, originally sales agents for newspapers or magazines, expanded their businesses to include a broad range of media in key cities. Some provided copy writing services as well. Other men, such as George P. Rowell, developed what amounted to a media wholesaling operation. They would buy advertising space in newspapers and then resell it to advertisers at a profit.

Eventually, the agent (rather than the wholesaler) model won out. New agencies, such as N. W. Ayer & Son, specializing in religious magazines, and J. Walter Thompson, specializing in national women's magazines, sprang up quickly. These outgrew their specializations and became the large, diversified national and international agencies we know today.

CASE STUDY: ADVERTISING'S \$250 MILLION ACCIDENT⁹

What happens when you accidentally leave a soap-mixing machine on during your lunch hour? In October of 1879 this happened and what happened was that Ivory soap was invented. More air got mixed into the soap than usual, so it floated.

Exhibit 1-10:

In the Beginning, Ivory Used Advertising to Give the Brand Meaning



Of course, it was not called Ivory then. That is where Harley Procter and advertising came in. Procter quickly realized that the product needed a name that would catch consumers' imagination and give the product meaning in consumers' minds. The original name, "Procter & Gamble's White Soap," did not do this. Procter hit upon the idea of "Ivory" while listening to the 45th Psalm in church: "All thy garments smell of myrrh and aloes and cassia out of the ivory palaces whereby they have made thee glad."

Having established a name, he proceeded to spend an unprecedented \$11,000 in advertising to give the brand meaning in consumers' minds (Exhibit 1-10). Today, some 100 years, \$250 million in advertising, and 30 billion bars later, Ivory is still one of Procter & Gamble's best-selling products.

⁹ Adapted from Nancy F. Millman, "The Saga of P&G's Ivory Soap: Keeping a Brand Afloat 100 Years," *Advertising Age*, July 2, 1980, pp. 50-53.

So, what has made it successful? it was not just advertising. it was the product, supported by the entire marketing program. But advertising played a key role. In the beginning, other soaps on the market were harsh and irritating to the skin. Ivory was mild. Through advertising, the name "Ivory" came to symbolize purity and mildness. The fact that the soap floated was actually an important feature, making the soap easy to find in the murky river water that was pumped to people's houses. Through advertising, the floating was made into an important sales point, and later, it came to symbolize Ivory's purity, even after water systems were cleaned up.

Although Ivory was first marketed in 1879, it never passed through a stage comparable to *production era* at Pillsbury. It represents the "advertising by manufacturers of new products" pattern of advertising shown in exhibit 1-2. While commercially made hand soap was generally available at a very early date, Ivory's unique characteristics made it a "new product." Therefore, it required national advertising to inform consumers regarding its benefits.

LOOKING INTO THE FUTURE

We are studying advertising history to identify patterns and principles that will help us understand what is likely to happen in the future. If this really works, we should put the principle to the test. Where is advertising going?

While there is no guarantee regarding the future, it is not hard to extend the principles that have driven advertising in the past. The market has been driven by an on-going cycle of innovation, imitation, and saturation of market needs. The industrializing stage of economic development gave way to the industrial stage when supply caught up with demand. Manufacturers responded by packaging, branding, and differentiating their products. This gave way to market segmentation and product positioning when all the competing companies in a given industry offered the same differentiating product attributes. Product positioning gave way to family branding in the post-industrial stage, when companies saturated the basic segments with products offering the same basic characteristics. Companies began to compete by offering unique assortments rather unique products.

Now, project this into the future. What happens when competition begins offering similar product assortments? You can answer the question by asking yourself what kinds of consumer needs would emerge in this kind of environment. Busy consumers have no desire to shop around, unless it offers them some kind of advantage. The key to competition, then, is to ensure that consumers are being offered the best possible assortment value. This is possible, if companies are willing to do it. It means tracking consumer needs, investing in the quality and efficiency necessary to address them in the most economic manner, and communicating regarding these investments. Competitors can copy product or assortment innovations, but they cannot copy a company's information about and relationship with its customers. If companies lose their customers, it is because they have not made the investments necessary to keep them. This leads us to believe that the future will see companies making these investments in relationship marketing.

AN ADVERTISING HISTORY "TOOLKIT"

The following are some strategic questions you might ask regarding your company/product/brand as a result of your understanding of advertising history:

1. Does your product/brand address pent up needs? If so, you should probably focus more on building distribution support than customer acceptance. However, you should also look carefully at the development of competition, since you know that your consumer "gravy train" will soon fall prey to competing suppliers.
2. Does your product/brand address latent needs of which consumers might not be aware, or are consumers unaware of how it works? If so, you should generally use heavy advertising to educate them regarding the product and the needs it serves.
3. Does your product/brand address the needs of people who do not have ready access to what you are selling through conventional channels of distribution? If so, you should consider direct marketing, catalog selling, etc.

4. Does your product/brand address the mass market, competing with one or two other brands that have the same mass-market orientation? If so, you should probably use “pull” strategy featuring heavy advertising/promotion, combined with product differentiation through quality, variety and convenience.
5. Do you find that the market is crowded with fiercely competitive brands, all of which are competing on the basis of product differentiation? If so, you might consider looking for specialized markets, using a “pull” strategy, featuring market segmentation and positioning.
6. Do you find that virtually every segment of your market has become highly competitive, creating enormous price competition? If so, you are probably facing a classic “post-industrial” market. In fact, most products are now in this situation, or rapidly getting there. You might consider
 - ❑ Shifting from a “pull” to a “push” strategy, building a strategically efficient line of products, and working with retailers to ensure that it is readily available and well promoted at the retail level.
 - ❑ Increasing the efficiency of your sales calls (whether to retailers or other organizational customers) by using business-to-business advertising to generate sales leads.
 - ❑ Addressing specialized segments of the market through the use of direct marketing techniques, thus providing more convenience and efficiency that would be available through conventional wholesalers and retailers.
 - ❑ Focusing on “relationship marketing,” forming a partnership with customers which they can count on to meet their needs without any shopping or worry on their part.
 - ❑ Looking for broader opportunities in the global marketplace, both through selling in foreign markets, and in incorporating foreign products and technology into your product line.
 - ❑ Linking your product lines with higher-level consumer needs.

CONCEPT SUMMARY

Pre-industrial era

Industrializing era

- Wholesalers
- Local retailers
- New products
- Mail-order retailers

Industrial era

- Packaged goods manufacturers
- Large retailer chains
- Product differentiation strategy ("sales" era)
- Market segmentation strategy ("marketing" era)

Post-industrial era

- Growing retail power
- Shift from "pull" to "push" (how manufacturers have adjusted to the shift in power)
- Integrated marketing communications (IMC)
- Growth in direct marketing
- Emergence of relationship marketing

- Growth of business-to-business advertising
- Growth in global advertising and marketing
- Growth of not-for-profit organizations, drawing on higher-level needs