Chapter Objectives

After reading this chapter, you should be able to:

• Explain the concept and purpose of advertising in the promotional mix
• Identify the different types of advertising media
• Discuss the planning and selection of media
• Identify media measurement techniques
• Explain techniques used to evaluate media
• Summarize how media costs are determined
• Explain promotional budget methods

Market Talk

There are many forms of advertising to fit all kinds of budgets. A large company such as Procter & Gamble typically spends 25 to 30 percent of its revenues on advertising, while a small firm might consider spending 2 percent. Types of ads vary greatly, from carefully crafted television national ad campaigns, to print ads in newspapers and magazines, to sponsor’s logos on race cars, to simple leaflet distribution.

Quick Think

When planning an advertising budget and strategy, do you think it is important to study how and where the competition is advertising?
DECA Events These acronyms represent DECA competitive events that involve concepts in this chapter:

- AAM
- ADC*
- ASM
- BMDM
- BSM
- FMAL
- FMML
- HLM
- HMDM
- EMDM
- FMAL
- FMML
- HLM
- HMDM
- MMS
- QSRM
- RMS
- RFSM
- SEM
- SMDM
- TMDM
- TMDM

Performance Indicators The performance indicators represent key skills and knowledge. Relating them to the concepts explained in this chapter is your key to success in DECA competitive events. Keep this in mind as you read, and write notes when you find material that helps you master a key skill. In these DECA competitive events, you should follow these performance indicators:

- Explain the types of advertising media
- Explain the nature of direct advertising strategies
- Describe considerations in using databases in advertising

The event with an asterisk also includes:

- Select advertising media
- Select placement of advertisements
- Use past advertisements to aid in promotional planning
- Prepare promotional budget

Some events include these performance indicators:

ADC

- Explain the nature of online advertisements
- Prepare advertising budget

EMDM

- Explain the nature of online advertisements
- Select strategies for online advertising

SEMM/SMDM

- Calculate media costs
- Select advertising media
- Choose appropriate media vehicles for sport/event
- Buy ad space/time
- Prepare promotional budget

DECA PREP

ROLE PLAY Check your understanding of DECA performance indicators with the DECA activity in this chapter’s review. For more information and DECA Prep practice, go to the Marketing Essentials OLC through glencoe.com.
Advertising Media

Advertising and Its Purpose
Advertising is everywhere—television, radio, magazines, newspapers, stores, the World Wide Web, billboards, theaters, sports arenas, and even on highway road signs. The average person is exposed to more than 2,000 advertisements every week.

In advertising, advertisers control the message, where it will be seen or heard, and how often it will be repeated.
Promotional and Institutional Advertising

There are two main types of advertising: promotional and institutional. Promotional advertising is when the goal is to increase sales. The targets of promotional advertising are consumers or business-to-business customers. Promotional advertising can introduce a new business, change a company image, promote a new product, advertise an existing one, or encourage the use of a particular service. Sometimes, the goal of promotional advertising is to encourage potential customers to ask for information, call for an appointment, go online, or enter a store. This is called generating leads or developing prospects.

Promotional advertising is an effective way to support direct selling efforts, sales promotion activities, visual merchandising, and display efforts.

Institutional advertising tries to create a favorable image for a company and foster goodwill in the marketplace. There are many institutional advertising techniques used today. Connecting its name to a worthy cause helps a company make a good impression on customers.

Recall What are the two types of advertising?

Mass Advertising

Mass advertising enables companies to reach large numbers of people with their messages. Certain media, such as television and radio, lend themselves to mass advertising. Thanks to today’s sophisticated technology, advertisers can also carefully target their messages to select audiences. This is known as targeted advertising. Advertising demonstrates the features and benefits of a product or service. As a result, business customers and general consumers are encouraged to buy the product or service.

Types of Media

Media are the agencies, means, or instruments used to convey advertising messages to...
the public. The four general categories of advertising media are print, broadcast, online, and specialty. **Figure 19.1** on page 404 illustrates visual examples of the different types of advertising media.

**Print Media**

**Print media** includes advertising in newspapers, magazines, direct mail, signs, and billboards. This is one of the oldest and most effective types of advertising.

**Newspaper Advertising**

Newspapers continue to be an important advertising outlet for many consumer-oriented products and services. In 2004, there were 1,456 daily newspapers in the United States. These local papers provide a timely way for companies to reach their target audiences. Many retailers and local companies rely on daily newspapers to advertise their products and services. These papers also offer a variety of options for the size, location, and frequency of insertion of ads. This flexibility enables companies to select the options that best suit their budgets and advertising goals.

Another type of local paper is called a shopper. Shoppers contain little editorial content, but they are delivered free to residents who live in specific areas.

National newspapers, such as *USA Today* and the *Wall Street Journal*, are distributed throughout the country. Advertisers can purchase ad space in the newspaper to reach the entire circulation or buy less expensive space targeted only to specific regions or cities.

Local and national papers often have online editions and sell advertising space for both formats. What are the advantages of newspaper advertising? It is estimated that 55 percent of adults in the United States read a newspaper every day. Advertisers want their ads to be seen, and this high number of readers is very important. Since a newspaper's reach is known, advertisers can target their advertising to people living in certain areas or with certain interests. A newspaper may even offer different neighborhood sections within the same city.

Responses to newspaper ads and coupon sales can be dated and easily tracked. The cost of newspaper advertising is another advantage. It remains relatively low because the paper and print quality is lower and the expense of printing is less than for magazines and direct mail.

Newspaper advertising does have limitations, however. Some newspapers are distributed to subscribers outside the business's target market. Also, newspapers have a limited shelf life because they are read and then thrown away each day. Many newspapers are still printed with black ink or with just a limited number of color pages. Ads are less visually appealing than those found in colorful magazines and direct mail.

**Magazine Advertising**

Magazines are distributed locally, regionally, or nationally. They can be published as weeklies, monthlies, and quarterlies. *U.S. News & World Report*, *Time*, and *Newsweek* are examples of national weekly magazines. Regional magazines are often developed to serve the needs of a metropolitan area or region. *Southern Living* is an example of a regional magazine. Some national magazines have regional, state, and city editions.

Magazines can also be classified as consumer or business-to-business. More than 3,000 consumer magazines such as *Reader's Digest*, *TV Guide*, *Seventeen*, *Forbes*, and *Sports Illustrated* are read for personal pleasure or interest. Advertisers can target their audiences through the characteristics of a magazine's subscribers.

Business-to-business magazines, also known as trade publications, interest professionals in specific fields. Examples include *Mass Market Retailers*, *Advertising Age*, and *Women's Wear Daily*. These publications are cost effective for advertisers who want to reach a target audience with little wasted circulation.

Both consumer and business-to-business magazines have a longer life span than newspapers. People tend to keep magazines for a more extended period of time. This increases the chance that they, and the ads in
them, will be reread or passed along to others. People also read magazines more slowly and thoroughly than newspapers. Magazines are generally printed in color and have better print quality than newspapers. Magazines also offer a variety of presentation formats, including full-page ads, two-page spreads, gatefolds (a page folded into itself), return cards, and heavy stock inserts.

There are drawbacks to magazine advertising. The cost of advertising in magazines is higher than newspaper advertising. In addition, magazines are often printed a month or two in advance of publication. The deadline for submitting ads is several weeks or months before actual publication, and this requires careful planning.

Direct Mail

Direct marketing is a highly focused form of advertising. The two types of direct marketing are printed direct mail sent to a home or business and electronic direct mail delivered to an e-mail address. Such direct marketing is a good way to keep current customers aware of new products, services, and upcoming sales. It is also a cost effective way to generate leads and qualify prospective customers.

Printed direct-mail advertising takes many forms, including newsletters, catalogs, coupons, samplers, price lists, circulars, invitations to special sales or events, letters, and more. Large retailers and manufacturers send direct-mail catalogs and price lists to current and prospective customers.

The success of direct-mail advertising depends on carefully selecting its target. Direct mail is most effective with existing customers. However, in order to grow, a company must find new customers. Direct-mail advertisers seek new customers first by analyzing their existing customers to build a customer profile. Then, they acquire the names of people or organizations that fit the same profile. Direct

**DIRECT MAIL and ETHICS** The Direct Marketing Association (DMA) encourages its members to follow ethical guidelines for the practice of direct mail advertising. In this ad, several banks and banking associations are promoting awareness of direct-mail scams.

*Why does this group advertise Operation Hope?*
Advertising Media

- **Promoting Images and Products**  Media are the agencies, means, or instruments used to convey advertising messages to the public. Below are some examples of advertising media. The advertising media should be determined much in the same way as the advertising message: by the appeal and the target audience.

**What are some other advertising media?**

### MAGAZINES AND NEWSPAPERS
Magazines offer a high level of reader involvement and messages that can be seen repeatedly. Online magazines represent a new advertising opportunity for marketers. Newspapers are a convenient way for a local advertiser to present a message in selected geographic areas.

### DIRECT MAIL
Direct-mail advertising sends a message directly to your home or computer. It encourages customers to try new products and usually offers them an incentive for doing so.

### TRANSIT ADVERTISING
Transit advertising uses public transportation facilities and vehicles to bring messages to people.

@ Online Action! Go to the Marketing Essentials OLC through glencoe.com to find a project on advertising media.
marketing specialty firms sell lists of people's mailing addresses, phone numbers, and e-mail addresses. Names can be sorted according to many different demographic criteria to match the profile of existing customers.

Direct-mail advertising enables advertisers to be highly selective about who will receive the mailing and when the person receives it.

Direct-mail advertisers have a wide choice of printed advertisement formats, such as letters, catalogs, and postcards—limited only by postal regulations. Direct mail also includes electronic advertising campaigns. This flexibility enables direct mailers to test various creative approaches providing valuable input for perfecting future campaigns.

There are disadvantages to direct mail. It can yield a low level of response in relation to the number of items sent. A return of 10 percent for printed direct mail is usually considered excellent. Poorly planned and executed direct mail campaigns usually yield less than a one-half percent response.

Direct mail also has an image problem. Many people think of printed or electronic direct-mail advertising as junk mail.

The cost of printed direct mailing can be high because it includes producing and printing each piece of the mailing, collating it, buying mailing lists, and paying for postage to send it.

**Directory Advertising**

The best example of a directory that accepts advertising is the telephone directory. In the White Pages, businesses and residents receive a free alphabetical listing of their phone numbers and addresses. In the Yellow Pages, businesses pay for an alphabetical listing and, if desired, a display ad. The listings and ads appear under general category headings.

Directory advertising has some unique advantages. It is relatively inexpensive and can be used to target all demographic groups. For example, telephone directories are found in 98 percent of American households. Directories are usually kept for at least a year or until another is provided. This advantage, however, can also be a disadvantage. Advertisers cannot adjust their information, offers, or message until a new directory is distributed.

**Outdoor Advertising**

Both local, regional, and national businesses use outdoor signs for advertising. There are two types of outdoor signs: non-standardized and standardized. Nonstandardized outdoor signs are used by companies at their places of business or in other locations throughout the community. An example is a sign displaying the company’s logo at the entrance to its office building.

Standardized outdoor signs are purchased from advertising companies and are provided only in standard sizes. Examples are advertisements to be placed on billboards.

Other types of standardized outdoor signs are posters, painted bulletins, and spectaculars. Posters are pre-printed sheets put up like wallpaper on a wall or billboard. They are changed three to four times each year. Painted bulletins are painted signs that are changed every six months to a year. Spectaculars are outdoor signs purchased or rented from an advertising company. They use lights or moving parts to attract attention. They are common in densely populated metropolitan areas.

Outdoor advertising is highly visible and relatively inexpensive. It provides a 24-hours-a-day, 7-days-a-week message, and can be located to reach specific target markets. Drawbacks of outdoor advertising include limited viewing time, inability to target a specific audience, and increasing government regulations. Outdoor advertising is often restricted to roadways and areas zoned for commercial and industrial uses.

**Transit Advertising**

**Transit advertising** can be found on public transportation. It includes printed posters inside trains, taxis, and buses; ads on public benches, bus stop shelters, kiosks, newsstands, and trash cans; and station advertising located near or in subways and in railroad, bus, and airline terminals.
Transit advertising reaches a wide, and sometimes captive, audience. This type of advertising is economical and has a defined market, usually in urban areas.

**Broadcast Media**

Broadcast media encompass radio and television. Over a lifetime of 70 years, the average person will spend nearly ten years watching television and almost six years listening to the radio. You can see why advertising through broadcast media is popular. Most of the 1,200 commercial television stations are affiliated with one of the major networks—ABC, CBS, NBC, or Fox. There are about 11,600 local cable systems. More than 85 percent of the estimated 111.4 million households with a television set are cable television subscribers.

**Television Advertising**

Television is the ultimate advertising medium for many businesses because it can combine all the creative elements necessary—sight, sound, action, and color—to produce a compelling advertising message. As a result, television is a very effective medium for demonstrating a product’s features and benefits. Television advertising allows companies to direct their advertising messages to audiences with a specific interest such as news, movies, or sports.

Most television advertisements are 30- or 60-second spots. An exception is the infomercial, which is a 30- or 60-minute advertisement. Infomercials promote products such as cookware, exercise equipment, and appliances, using a talk-show type setting. Viewers can order the advertised merchandise by calling a phone number, visiting a Web site, or writing to an address.

There are disadvantages to television advertising. Television has the highest production costs of any type of media and a high dollar cost for the TV time purchased. Prime-time and special event costs can be prohibitive. For example, a 30-second network TV ad for Super Bowl XLI cost $2.5 million, while ABC charged $1.7 million for a 30-second ad during the 2007 Academy Awards.

Smaller companies cannot usually afford network television advertising, or may buy time in less desirable time slots.

In 2007, Apple introduced the iPhone, a multimedia/Internet-enabled phone with a multi-touch screen. Months before it went on sale, the iPhone generated an unprecedented $400 million in free advertising through news stories.

**Radio Advertising**

More than 10,000 AM and FM radio stations reach 96 percent of all people age 12 and over in a given week. This ability to reach a wide audience makes radio an extremely efficient and cost-effective advertising medium.

Radio is a mobile medium that can be heard just about anywhere. It is also a timely medium—radio advertisers can update their messages, ads, and offers daily, even hourly. Radio has the immediacy of newspapers without the high production costs of television.

Radio advertisers can carefully target their audience when they select the station on which to broadcast their ads. Most radio station programming targets a specific segment of the radio listening market.

Radio advertisements are presented in 10-, 20-, 30-, or 60-second time periods. These messages are effective in encouraging people to buy because the announcer or actors—along with background music, jingles, slogans, and sound effects—add excitement, drama, or humor.

However, products and services can only be described, not seen. Advertisers cannot rely on visual involvement to hold a listener’s attention. That is why a catchy jingle is important. Radio advertisements also have a short life span.

**Online Advertising**

Online advertising is a form of advertising that uses either e-mail or the World Wide Web. It is still a small part of overall advertising spending, but it is growing steadily. Online advertising sales totaled $9.7 billion in 2006, generating more than 1 trillion impressions.
An impression is a single appearance of an ad on a computer user's screen.

Electronic direct-mail advertising is sent via e-mail. Today, much advertising of this type is sent to pre-qualified groups of people. This is known as opt-in e-mail because recipients requested it or authorized it. Many of these e-mails enable the recipient to click through to a company's Web site. This enables most companies to track exactly how many people visited their site by clicking on a link in the e-mail. It is also cost-effective, and it is easy to update and personalize the message for each recipient.

**Banner and Pop-Up Ads**

Most online advertising appears as banner ads. A banner ad comes in various shapes and sizes, but it is usually a rectangle seen at the top, bottom, or side of a Web page.

Similar to banner ads but smaller in size, button ads are placed in a strategic position on a Web page. Some advertisers use pop-up interstitial ads, which are TV-like spots that pop up between Web pages and are inserted in audio or video streams, either live or on-demand. A viewer must click on the ad to get to the advertiser's Web site or close the ad window to resume surfing.

Online advertisers have found that bold colors, top-of-page placement, animation, calls to action, and limited frequency of exposures help increase the number of click-throughs. Even using these techniques, online advertisers report response rates as low as 1 percent. In other words, for every 100 banner ads, only one in 100 users clicks on the online ad to visit the advertiser's Web site.

**Specialty Media**

Specialty media, which are sometimes called giveaways or advertising specialties, are relatively inexpensive, useful items featuring an advertiser's name or logo.

To be successful as advertising tools, specialty items must be practical, used
frequently, and placed in locations with high visibility. Common items that fit this description include hats, calendars, pens and pencils. Specialty items carry the identity of the business sponsoring them and an advertising message.

The distribution of the items is usually limited. In addition, the items might be given to people who would never consider buying the product or patronizing the business.

Other Advertising Media

Businesses are constantly creating innovative means of transmitting their messages to potential customers. Examples include sports arena billboards, ads in movie theaters and home video rentals. Some advertisers, such as pharmaceutical manufacturers, use DVDs and CD-ROMs.

In-Store Advertising

Increasingly, retailers are using in-store advertising techniques, such as electronic shelf ads, supermarket cart displays, instant coupon machines, floor mats, and sound systems to advertise products within their stores.

Media Planning and Selection

Media planning is the process of selecting the advertising media and deciding the time or space in which the ads should appear to accomplish a marketing objective. To select and compare different types of media, companies use media-planning software, media-cost data, and audience information.

To establish the media plan and select the right medium to use, advertisers address three basic questions:

1. Can the medium present the product and the appropriate business image?
2. Can the desired customers be targeted with the medium?
3. Will the medium get the desired response rate?

The media plan provides the opportunity to present a compelling message and project the desired business image to the target market.

Key Terms and Concepts

1. Describe the two main types of advertising.
2. List the six different kinds of print media.
3. What is media planning?

Academic Skills

Math

4. In 2003, total advertising expenditures for TV (network, local, and cable) were $48.9 billion. What percentage was spent in each category if network TV totaled $20.4 billion, local TV $16.2 billion, and cable TV 12.3 billion?

Social Studies/History

5. Use the Internet or your local school or community library to research the history of print advertising over time. Prepare a two-page written report.

Check your answers at the Marketing Essentials OLC through glencoe.com.
Media Measurement

Media planners must concern themselves with the correct medium to use and its costs as well as how to measure overall advertising effectiveness.

To understand media measurement, you need to become familiar with several key terms. First, the number of homes or people exposed to an ad is called the **audience**. A single exposure to an advertising message is called an **impression**. **Frequency** is the number of times an audience sees or hears an ad.
advertisement. **Cost per thousand (CPM)** is the media cost of exposing 1,000 readers or viewers to an advertising impression. Cost per thousand is the comparison tool used to determine the effectiveness of different types of media.

The audience for print media is the total number of readers per issue. Readership in print media is measured by surveys or estimated by circulation. The audience figure is normally higher than its circulation because more than one person can read a single issue of a printed newspaper or magazine. From an advertiser’s viewpoint, the audience figure better reflects the actual number of people exposed to an ad.

Television audience measurement is based upon diaries and meter data collected by Nielsen Media Research for a sample of TV viewers in more than 200 TV markets. The measurement of viewing behavior occurs during what are known as sweeps months—February, May, July, and November. The Arbitron Company measures radio audiences in more than 260 markets by collecting diaries of listening behavior. Online audiences are measured through surveys and computer software tracking systems to calculate the number of people who viewed a particular ad.

Knowing the potential audience, how frequently your advertisement will be seen, and its CPM can tell you whether the rates charged by various media are right for your advertising budget.

### Media Rates

To reach customers, advertising uses a set format that is defined in terms of time (a 30-second television commercial) or space (a half-page newspaper ad). Media costs vary greatly, not just with type of media but also with geographical location and audience. For example, a quarter-page newspaper ad in a large city daily newspaper could cost four to eight times more than the same-sized ad in a small-town weekly. It is virtually impossible to quote exact rates for each type of media advertising.

Businesses can look up rates in the publications of Standard Rate and Data Service. This company publishes rate cards for most major media according to general categories, such as print media or broadcast media.

Another service important to both advertisers and print media is the Audit Bureau of Circulations (ABC). Print media publishers subscribe to the ABC to verify their circulation figures. A circulation audit is **crucial** to publishers because it enables them to verify circulation numbers to advertisers. Circulation figures are important selling points when publications try to attract and maintain their advertisers.

### Newspaper Rates

Newspaper advertising rates are divided into two categories depending on whether the ad is a classified ad or a display ad.

Classified ads are grouped, or classified, into specific categories, such as help wanted, real estate, personals, or auto sales. They are effective for selling everything from services to houses to job openings. People or businesses that buy classified ads usually pay by the word or line of type.

Display ads enable the advertiser to depict the product or service being advertised. Advertisers use a mix of art or photographs, headlines, copy, and a signature or logo of the product or business. Display ads are generally larger than classified ads. Their cost is based upon the amount of space used and the ad’s position in the newspaper.

Newspapers quote display advertising rates by the column inch. A column inch is an area that is one column wide by one inch deep. If a newspaper quotes a column inch rate, you simply multiply the number of inches by the number of columns to determine the total number of column inches. Then, multiply the total column inches by the rate. For example, if the rate for a column inch is $17, then a single ad (called an insertion) that measures four inches long by three columns will cost $204.

\[
\text{Rate} = \text{Cost per Column Inch} \times \text{Total Column Inches} \\
\text{Total Cost} = 17 \times 4 \text{ inches} \times 3 \text{ columns} = 204
\]

### Factors That Affect Rates

Advertising rates can vary depending on when an advertisement will appear in a paper.
Businesses that advertise in the newspaper frequently may contract with a newspaper to guarantee that they will use a certain amount of space for a specified time period. They are granted contract rates, which are discounted from the open rate. Contracts can be written in a number of ways. A yearly frequency contract guarantees that an advertiser will use a minimum number of column inches each week for 52 weeks. A bulk space contract guarantees that a minimum number of inches will be used when the advertiser chooses, within a 12-month period.

**Comparing Rates**

The cost per thousand (CPM) measurement is useful in comparing the cost of advertising to reach 1,000 readers in one newspaper with

A newspaper may charge a Monday through Thursday rate of $29 per column inch, a Friday rate of $30, a Saturday rate of $32, and a Sunday rate of $35 per column inch.

Where an ad appears is another factor. Display ads are usually sold at run-of-paper rates. Run-of-paper allows the newspaper to choose where to run an ad in the paper or magazine. However, for a higher rate, advertisers can run ads in guaranteed or preferred locations, such as the back cover. The use of color also affects the advertising rate. Color ads are sold at a higher price than black-and-white ads. The frequency of advertising affects the amount charged. The open rate, often referred to as the noncontract rate, is used for infrequent advertisers. It is the highest rate charged for a display ad.

**Green Pastures**

Almarai is the largest dairy foods company in the Middle East. The company was founded in 1976. Its headquarters are in Riyadh, Saudi Arabia. Almarai, whose name means *green pastures* in Arabic, has developed from a simple dairy farm into a large international business under the guidance of the governing royal family. Today, Almarai exports its dairy products all across the Middle East.

**A Focus on Local Tastes**

Similar companies in developing countries often achieve notable success only to lose the competition for markets once multinational competitors decide to enter the race for customers. A multinational company with well-funded and experienced marketing and advertising departments is hard to beat. But Almarai won such a challenge against giant Nestle by tailoring its marketing and advertising to Middle Eastern preferences. The company’s success rests on its focus on local taste for fresh, full-fat milk (sold in plastic bottles that look like old-fashioned glass milk bottles), regional products such as labneh (a soft cheese made from yogurt), and yogurt with no artificial color or flavor.

Why might multinational companies find it difficult to market their products in a foreign market?

Go to the *Marketing Essentials* OLC through glencoe.com to find an activity on international advertising.
the cost of advertising to reach 1,000 readers in another newspaper. The comparison is made by using the following formula:

\[
\text{Cost of the ad} \times \frac{1,000}{\text{Circulation}} = \text{CPM}
\]

Suppose the cost of an ad in the *Times* is $500, and the paper has a circulation of 500,000. Its CPM would be calculated as follows:

\[
\frac{500 \times 1,000}{500,000} = \frac{500,000}{500,000} = \$1 \text{ per 1,000 readers}
\]

Suppose the cost of an ad in the *Tribune*, a competing paper, is $600, and the paper has a circulation of 300,000. Its CPM would be calculated as follows:

\[
\frac{600 \times 1,000}{300,000} = \frac{600,000}{300,000} = \$2 \text{ per 1,000 readers}
\]

All other things being equal, an advertiser would probably choose the *Times* over the *Tribune* because it would cost less per 1,000 readers. Of course, all other things might not be equal. The *Tribune*’s circulation could include more of the advertiser’s target market, or the paper could offer a special ad placement. CPM is a convenient measure that enables advertisers to compare costs.

**Magazine Rates**

Magazine rates are based on circulation, the type of readership, and production techniques. To calculate the actual cost of magazine advertising, you need to become familiar with terms found on magazine advertising rate cards, including bleed, black-and-white rates, color rates, premium position, and discounts.

Bleed means that half- or full-page ads are printed to the very edge of the page, leaving no white border. Magazines generally charge between 15 to 20 percent extra for bleeds.

The lowest rates that magazines offer for display ads are black-and-white rates for black-and-white advertisements. Color rates are offered for color ads. Each time the magazine adds color to the ad, the rates increase.

**Magazine Rate Card**

**General Rates**

**RATE BASE**: Rates based on a yearly average of 1,100,000 net paid A B C
A member of the Audit Bureau of Circulation

<table>
<thead>
<tr>
<th>SPACE UNITS</th>
<th>BLACK &amp; WHITE</th>
<th>BLACK &amp; ONE COLOR</th>
<th>FOUR COLOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 page</td>
<td>$16,000</td>
<td>$19,630</td>
<td>$23,300</td>
</tr>
<tr>
<td>2 columns</td>
<td>11,620</td>
<td>14,560</td>
<td>18,170</td>
</tr>
<tr>
<td>1/2 page</td>
<td>10,130</td>
<td>13,550</td>
<td>17,200</td>
</tr>
<tr>
<td>1 column</td>
<td>5,920</td>
<td>9,530</td>
<td>12,180</td>
</tr>
<tr>
<td>1/2 column</td>
<td>3,020</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Covers**

Second Cover  $25,520
Third Cover  23,300
Fourth Cover  27,020

**BLEED CHARGE**: 15%

**AGENCY COMMISSION**: 15%

**CASH DISCOUNT**: 2% 10 days, net 30 days

*Bleed* accepted in color, black & white, and on covers, at an additional charge of 15%. No charge for gutter bleed in double-page spread.

**Premium Positions**: A 10% premium applies to advertising units positioned on pages 1, 2, and 3. A surcharge of 5% applies to bleed units in premium positions.

**Rate Change Announcements** will be made at least two months in advance of the black & white closing date for the issue affected. Orders for issues thereafter at rates then prevailing.

**ISSUANCE AND CLOSING DATES**

A. On sale date approximately the 15th of month preceding date of issue.

B. Black & white, black & one color, and four-color closing date, 20th of the 3rd month preceding date of issue. Example: Forms for August issue close May 20th.

C. Orders for cover pages noncancellable. Orders for all inside advertising units are noncancellable 15 days prior to their respective closing dates. Supplied inserts are noncancellable the 1st of the 4th month preceding month of issue. Options on cover positions must be exercised at least 30 days prior to four-color closing date. If order is not received by such date, cover option automatically lapses.

**AD RATES** Ad rates are based on color.

*Based on this magazine rate card, what is the cost of a half-page, four-color ad paid in ten days from the issuance of the invoice?*
Chapter 19 — Advertising

Premium position refers to ad placement. Ads placed in premium positions, such as on the back cover or the inside of the first page, are more expensive to buy.

**Rate Discounts**

Frequency discounts are offered to advertisers who run the same ad several times during the year. The magazine may publish an entire schedule of rates for the number of times during the year an advertiser contracts to advertise. The rate per issue decreases as the frequency increases.

Another discount is a commission—a percentage of sales given by the magazine to the advertising agency for placing the ad for the advertiser. A typical commission is 15 percent.

Take a look at the rate card. You would calculate the cost of a full-page, four-color advertisement with bleed as follows:

\[
\begin{align*}
\text{Cost} & = 23,300 - (1 \text{ page, four-color rate}) \\
& \times 0.15 - (1 \text{ page, four-color rate}) \\
& \text{extra for bleed} \\
& = 3,495
\end{align*}
\]

**Case Study**

**Generating New Revenue**

Magazines are trying to boost advertising revenues with new crossover and promotional tie-in deals. Some of the ideas include partnering with successful television channels and making distribution arrangements with mass merchandisers.

For example, the music video cable channel MTV crossed over from television to print by launching an MTV magazine. Major advertisers in the first edition included Nike, Pepsi, the NBA, and Procter & Gamble. The model for this crossover was ESPN. The sports station began *ESPN The Magazine* in 1998, and it has a circulation of 1.9 million.

**Trying Something New**

Innovation continues to be key to Time Inc.’s success. Five of its ten most profitable magazines were launched in the last 20 years. *Real Simple* is an example, becoming profitable in just over three years after its debut in 2000. *Real Simple* continues to grow with *Real Simple TV*, which premiered nationwide on PBS in January 2006, and Real Simple 2-in-1 cleaning tools, which went on sale in Target stores in February 2006.

**Talk Show Crossovers**

The publisher of the magazine *Rosie* hoped to profit from the popularity of talk show host Rosie O’Donnell. It shut down after a year and a half. In contrast, talk show host Oprah Winfrey’s magazine *O* has been a success.

**THINK STRATEGICALLY**

Considering the survival rate for new magazines, why do media companies view crossovers to be a smart way to create new revenues?

Go to the *Marketing Essentials* OLC through glencoe.com to find an activity on media advertising.
### Radio Rates

When purchasing radio time, a business needs to decide what kind of radio advertising to use. There are three options: network radio advertising, national spot radio advertising, and local radio advertising. It is important to know the difference between spot radio and spot commercials. Spot radio refers to the geographical area an advertiser wants to reach with its advertising. Spot commercials are advertising messages of one minute or less that can be carried on network or spot radio.

Businesses with a national customer base usually choose network radio advertising or national spot radio advertising. Network radio advertising is a broadcast from a network studio to all affiliated radio stations throughout the country.

The following radio times are listed from most expensive to least expensive:

- **Class AA**: Morning drive time: 6 A.M. to 10 A.M.
- **Class A**: Evening drive time: 4 P.M. to 7 P.M.
- **Class B**: Home worker time: 10 A.M. to 4 P.M.
- **Class C**: Evening time: 7 P.M. to midnight
- **Class D**: Nighttime: midnight to 6 A.M.

Weekend rates may differ from weekday rates. Rates are higher during early morning and late afternoon listening times, also called drive times. Radio stations also offer less costly, run-of-schedule (ROS) airtimes. ROS airtime allows a radio station to decide when to run the ad.

### Television Rates

Advertising rates for television also vary with time of day. It is more expensive, for example, to advertise during the prime time hours of 7 P.M. to 10 P.M. than during other hours. The rates charged for other time slots, such as day (9 A.M. to 4 P.M.), late fringe (10:35 P.M. to 1:00 A.M.), or overnight (1 A.M. to 5 A.M.) are lower due to smaller numbers of viewers. Advertisers try to play their messages during the time slots that enable them to reach the most customers.
Promotional Budget

The promotional budget considers not only the cost for developing and placing or airing advertising but also the cost of staffing the department or campaign. The advertiser must consider short- and long-term benefits of the effort or campaign. Four common promotional budgeting methods are percentage of sales, all you can afford, following the competition, and objective and task.

1. In the percentage of sales method, the budget is decided based on a percentage of past or anticipated sales. For example, the current budget for advertising might be 5 percent of last year’s sales or 5 percent of projected sales for the coming season. In either case, the advertising budget is tied to figures that could be too high or too low for the current market condition.

2. If a company follows the all you can afford method, it first pays all expenses, then applies the remainder of funds available to promotional activities. This method is often used for only a short period of time. It is popular in small businesses, especially Internet and other start-up companies. The **objective** is to build sales and reputation quickly in the beginning.

3. When employing a following the competition method, an advertiser matches its competitor’s promotional expenditures or prepares a budget based on the competitor’s market share. This method is generally considered to be weak because it is based on the competitor’s objectives.

4. With the objective and task method, the company determines goals, considers the necessary steps to meet goals, and determines the cost for promotional activities to meet the goals. This method considers a company’s current situation and where it wants to be. This is the most effective method because it focuses on the company’s goals and how it will reach them.

Key Terms and Concepts

1. What is the cost per thousand (CPM) measurement?
2. What determines the rates television and radio stations charge for advertising?
3. Name the four methods used to create a promotional budget.

Academic Skills

Math

4. Calculate the CPM for an ad in a magazine that has a circulation of 1.7 million and charges $35,000 for a full-page, black-and-white advertisement.

Social Studies

5. Perform an Internet or library search on how the government tries to prevent deceptive advertising. Find at least three laws, rules, or regulations established to assist the consumer with advertised products or services.

Computing CPM

The CPM is the cost per thousand, and is used to determine the cost of advertising per 1,000 people in the audience.

1. To solve this problem, multiply the cost of the ad by 1,000.
2. Divide the number obtained from multiplying the cost by 1,000 by the total audience to determine the CPM.

For help, go to the Math Appendix located at the back of this book.

Check your answers at the *Marketing Essentials* OLC through [glencoe.com](http://glencoe.com).
What do you do at work?
I work in a marketing and advertising consulting firm, Wizard of Ads, Inc. I handle all the media research and negotiation for our mainstream clients, currently 401 of them located in 38 cities across the United States and Canada. I personally research and negotiate each one of the individual markets where our clients are located, maximizing their advertising budgets’ performance. From a couple thousand dollars to several million dollars per market, depending on the client’s size, we get the most efficient and effective media buys for the dollar in each of those markets.

What skills are most important to you?
Not diminishing formal education, which most certainly created an extremely strong foundation as well as an invaluable skills tool box, it has been through real-world work experiences that I have obtained the best training to do my job. I was blessed with the opportunity to work on and learn about message development, strategy, media negotiation, human persuasion, and “why people do the things they do” with the president of my company.

What is your key to success?
I have realized that success is a journey, not a destination. I have had to learn to rejoice on each individual milestone accomplished, and then keep on moving toward the next one. The keys to reaching those milestones have been awareness of opportunities, the willingness to take risks, hard work, and perseverance.
Chapter 19 — Advertising

SECTION 19.1
• The main purpose of advertising is to present a message that encourages the customer to buy the product or service or to accept an idea. Businesses must choose the most appropriate advertising media for their target market; for example, Web sites, newspapers, radio, or television. A business then prepares a media plan.

SECTION 19.2
• Choosing the correct medium to use from all the available types of media is a very complex effort. Media planners must concern themselves not only with the correct medium to use and its costs, but also with how to measure overall advertising effectiveness. Once a company decides on its promotional methods and goals, it must create a promotional budget.

CHAPTER 19 REVIEW

Key Terms
• promotional advertising (p. 401)
• institutional advertising (p. 401)
• media (p. 401)
• print media (p. 402)
• transit advertising (p. 405)
• broadcast media (p. 406)
• online advertising (p. 406)
• specialty media (p. 407)
• media planning (p. 408)
• audience (p. 409)
• impression (p. 409)
• frequency (p. 409)
• cost per thousand (CPM) (p. 410)

Academic Vocabulary
• region (p. 402)
• network (p. 406)
• crucial (p. 410)
• objective (p. 415)

1. On a sheet of paper, use each of these key terms and academic vocabulary words in a written sentence.

2. What is advertising? (19.1)
3. List the four main categories of advertising media. (19.1)
4. What three basic questions are used to develop a media plan? (19.1)
5. What are the two forms of broadcast advertising? (19.1)
6. What is online advertising? (19.1)
7. What factors affect newspaper ad rates? (19.2)
8. What is the most effective way to create a promotional budget? (19.2)
9. What so media planners do? (19.2)
10. Name the two categories of newspaper advertising. (19.2)
11. On what are magazine advertising rates based? (19.2)
12. Workplace Skills
Communication A coworker believes that advertising is a waste of money and suggests that products would be cheaper without it. Develop a ten-minute oral presentation on the benefits of advertising.

13. Technology Applications
Ads in Schools and Gyms Research the Internet to find information about the advantages and disadvantages of advertising in school buildings and athletic facilities. What restrictions, if any, would you recommend for such advertising? Use a word processing program to develop a one-page paper on the topic.

14. Math Practice
CPM Calculations Calculate the CPM for a $35,000 ad in the following magazines based upon circulation figures from the first six months of 2003.

<table>
<thead>
<tr>
<th>Magazine</th>
<th>Total Paid</th>
<th>CPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reader's Digest</td>
<td>11,090,349</td>
<td></td>
</tr>
<tr>
<td>People</td>
<td>3,628,982</td>
<td></td>
</tr>
<tr>
<td>Cosmopolitan</td>
<td>2,860,024</td>
<td></td>
</tr>
<tr>
<td>Ebony</td>
<td>1,798,844</td>
<td></td>
</tr>
</tbody>
</table>

CONCEPT Problem Solving: Computing CPM Computing the CPM for ads in certain publications is a matter of multiplication and division. Multiply the cost of the ad by 1,000 and then divide the result by the total circulation of the publication.

Math For help, go to the Math Appendix located at the back of this book.

15. English Language Arts
Compare and Contrast Skim the chapter for paragraphs with several sentences. Find a paragraph that compares and contrasts two things. Identify the paragraph and describe the two things compared or contrasted. Explain their similarities or their differences.

16. Advertising a Start-Up
Suppose you and your best friend have created a new formula for a shampoo. You decide you want to manufacture several hundred bottles of this shampoo. Part of your business plan involves developing a promotion strategy. What type of advertising would you choose? Why?

17. Analyzing Radio Listening
Listen to your favorite radio station for one hour. List the products advertised, characterize the advertising approach taken, and identify the sponsors as either national or local.

Activity Prepare an advertising log for one hour of radio listening, using a spreadsheet.
18. **Finding Resources**

Perform an Internet search for B to B: The Magazine for Marketing Strategists. Select one of the business Web sites named on B2B's Top 100 list. Browse the Web site and prepare a summary about the resources that are available on the site.

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**STANDARDIZED TEST PRACTICE**

1. **Directions** Choose the letter of the best answer. Write the letter for the answer on a separate piece of paper.

   If a magazine charges a 15 percent bleed charge on a $12,000 ad, what is the total cost?

   A $18,000  
   B $15,500  
   C $13,800  
   D $14,800

2. **Directions** Choose either True or False as the answer. Write the letter for the answer on a separate piece of paper.

   Advertising found in public transportation is called specialty media.

   T  
   F

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**Test-Taking Tip**

Concentration can reduce anxiety when you are taking a test. Pay close attention to one question at a time.

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**Role Play**

**Resort Management Trainee**

**Situation** Assume the role of management trainee for a locally owned spa resort. The resort owner (judge) has recently hired a well-known celebrity chef for the restaurant. The resort owner (judge) feels that the new chef will be an added attraction for guests. The resort owner (judge) wants to advertise the celebrity chef who has joined the resort staff. He has asked you for some ideas about the best media to use to get the most exposure.

**Activity** You are to make suggestions to the resort owner (judge) about the types of media to use to let previous and potential guests know about the resort’s newest addition. Also explain why you think your suggestions will work.

**Evaluation** You will be evaluated on how well you meet the following performance indicators:

- Explain the types of advertising media.
- Explain direct advertising strategies.
- Describe considerations using data-bases in advertising.
- Demonstrate orderly and systematic behavior.
- Demonstrate creativity.

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**Online Action!**

For more information and DECA Prep practice, go to the *Marketing Essentials* OLC through glencoe.com.