**Branding**

**BRANDS, TRUST AND TRANSACTIONS – AN OVERVIEW**

**Brand**

**Q:** What is a brand?

**A:** A proper noun that can be used in place of common words. For example: Heineken is “imported beer,” Rolex is an “expensive Swiss watch,” BMW is “the ultimate driving machine,” and Prego is “thick spaghetti sauce.”

**The *power* of a brand lies in its ability to influence purchasing behavior.**

**Q:** How powerful is a brand?

**A:** Pepsi Cola consistently beats Coca Cola in blind taste tests, yet Coke outsells Pepsi by a wide margin. Evian bottled water is such a powerful brand that 1.5 liters costs $1.69 – 20% more than Budweiser beer, 40% more than Borden’s milk, and 80% more than Coca Cola. For water! Now that’s the power of branding.

**Market share is not based on merit, but on the power of the brand in the mind.**

**Additional Brand Quotes**

“What's in a name?”

“In our opinion, Everything.”

“Conventional marketing wisdom suggests that a good name is relevant, distinctive, memorable and flexible. We agree. But a great name is a different story. A great name speaks for you. It goes beyond features and benefits. It breaks the rules. It offers something new.”

**Lexicon Branding**

**PowerBook, DeskJet, Pentium and Vibrance are all brands created by Lexicon Branding, Inc.**

The purpose of a brand is to “sweep into the imagination and take up a place associated with a category or product or service,” which “In an information maelstrom such as the Web, (brand) is the only competitive advantage that a company can use to build a successful business. They scream ‘come back this way’ to the consumer, and consumers do come.”

**Mitch Ratcliffe**

**ZD Net, July 30, 1997**

“There are going to be so many sources of information, in the new media world, that brand names count for a hell of a lot. A reader or somebody sitting down at a computer screen has an entirely different reaction to information that comes from a source that he or she believes is credible, authoritative, serious.”

**Richard Smith**

**Editor-in-Chief/President, Newsweek**

# Transactions

1. The goal of every business.

2. Consumer Trust = Transactions

BRAND >>> TRUST >>> TRANSACTION >>> REVENUE

**JRC&A Strategic Branding Practice**

A Brand is more than just a product name: a brand is a covenant with the consumer. It must convey a series of expectations, a certain predictability which we call “Brand Character.” JRC&A's approach to branding revolves around that notion of “Brand Character” first outlined in 1985 by Jacques Chevron in an Advertising Age article titled: “Give your brand in marriage.”

THE DELPHI PROCESS

We have given our approach to branding strategy the name of “Delphi Process” in reference to the famous inscription in Delphi's Apollo temple: “Know Thyself.” This is because, contrarily to the classic marketing approach which focuses on consumer wants and needs to determine its actions, our process in focused inwards on the brand's long term management.

We are convinced that the consistency which is required to develop a brand stems from a thorough understanding of the values of those who give the brand its voice and command its behavior.

The next few pages will explain how we help our clients build branding strategies. You may also want to read some of Jacques Chevron's articles on branding, particularly the article titled “The DelphiTM Process: Strategic Branding Methodology.”

Our branding approach is based on a 4 step process:

 Determine the Brand's character

 Organize for character consistency

 Develop a brand strategy

 Implement the strategy

This approach is based on a theory first published by Jacques Chevron in 1985 in the magazine Advertising Age, in an article titled “Give your brand in marriage.” Several other articles have been published since, most recently in Advertising Age (May 15, 1995) and International Parallels Quarterly (November 1995.)

A MAIEUTIC LESSON ABOUT BRAND CHARACTER

The term “maieutic” refers to the Socratic approach to teaching: Rather than providing the answer, the teacher guides the student to the answer with a series of questions... (You may think of it as ancient Greece's version of Jeopardy.)

This “lesson” aims at making you “feel” what brand character is about without giving you the complete answer.

Socrates, here we go!!

# What consumers want: Ogilvy’s John Bell on branding and creative content

John Bell is the global managing director at Ogilvy, leading the agency’s 360 Degree Digital Influence Practice.

As he notes, his job is to take the latest digital innovations and apply them to Ogilvy’s business and its clients’ business. He shared his thoughts on spotting trends and recognizing innovation with *Tactics*.

**In our increasingly social media-driven world, are consumers expecting too much from brands?**

No doubt that consumers are expecting more from brands — and we’re not talking coupons. We want our brands to deliver some sort of additional utility or even entertainment beyond core products. People want Nike+, they want the Kraft iFood Assistant.  This is the price for loyalty today and consumers are sensitive to brands that seem like they care about their customers.

**What are the challenges of creating content for today’s on-the-go consumers?**
We all want short, direct content delivered perfectly formatted to one of four devices — PC, mobile phone, tablet and that new thing that will be on the market next week but we don’t even know about yet. **Brands have a great new opportunity as content companies or even media companies.** They don’t have to just rely on traditional media companies to carry a message or experience.  They can maintain an audience and deliver directly to them.  They simply need to make sure it provides true utility, information or entertainment, and it must be sympathetic to the different devices we all use.

**What trends do you see on the horizon for the PR profession? And will 2010 be the year for mobile?**
An ongoing trend for PR professionals is the embrace of traditional marketing skills — from understanding how to use paid media to more disciplined metrics. (Can you say, “lead generation?”) Add to that the absolute clarity that SEO is a PR person’s top responsibility and that they need to expand their capabilities around content creation, and you have a new, more valuable PR pro going forward.

Every year has been the year of mobile.  The funny thing is that mobile is very developed and being used by marketers around the world, except it remains underdeveloped in the United States.  We need to distinguish between SMS and smartphones.  The world has gotten pretty sharp around using SMS phones.  The United States lags there. Some have argued that carrier pricing and consumers’ cravings for new devices have stunted growth.  This year, the pervasiveness of smartphones in the United States will finally make it our year.

**How do you nurture talent?**
[Ogilvy] developed the entire discipline of “digital influence” — it literally didn’t exist.  To nurture talent, we have developed a rigorous training program based upon a belt system.  We have developed many black belts around the world and we never stop training.

**How do you know innovation when you see it?**
Our job [at Ogilvy] is to distinguish between all the emerging technologies and those that can truly have an impact on our and our client’s business.  We track over a hundred listening technology companies to know which is good at what, and in what market.  Add to that innovations in social CRM, engagement advertising [and] Facebook CMS systems and there is a lot going on.  We look for innovations that are solving a problem and that appear focused.

**Historically, recessions have spurred innovation. Have you found that to be the case with the current recession?**

We saw a lot of innovation over the past few years coincide with the recession. [Ogilvy] delivered Influencer Mapping, Insiders Circle and Conversation Management to name a few.  We did it spurred by expediency — all of it bootstrapped, which I think is a common approach this time around. So the answer is “yes” — a ton of innovation, even in a recession.

**Brand examples**

NEOBRANDS

# Who we are

NeoBrands delivers the new model for building brands in the New Economy. It's a model that synchronizes with markets morphing at warp speed and recognizes that the customer controls brand destiny like never before.

NeoBrands provides integrated marketing services for dot.com companies and e-business companies embracing the transformational impact the Internet is having on their business and marketplaces.

New enterprises know that building strong brands quickly is their highest priority and greatest challenge. Even the most innovative concepts and richly experienced management teams are undervalued if they are unable to achieve clarity, relevance, affinity and differentiation for their brand.

That's neoBrands' core competence. We integrate a wide range of brand-building activities to achieve the optimized marketing mix at reduced cost and increased efficiency. Faster. Rather than manage three, four or five vendors, each with separate biases and different expertise, clients have a single point of responsibility with neoBrands. Essentially "outsourced marketing," so they can focus on running their business.

For pre-launch enterprises, we seamlessly orchestrate multiple disciplines in a road-mapped 100-day march from strategic audit to launch events, including the development of a sustaining communications program and budget.

For established companies moving at the increased velocity of the Internet economy, we offer a like-minded partner for all of their marketing needs.

For all of our clients, our approach ensures that every step we take together is a step forward, and that all communications and branding activities are complementary and cross-reinforcing. We ask ourselves two questions about each action we take: Is it Web savvy? And does it support the brand?

# Philosophy

The Internet has changed everything. Even branding. Especially branding.

Branding used to be about creating and managing perceptions; now it's about interaction and managing the user experience. Branding used to be about mass audiences; now it's about targeting an audience of one.

The traditional "keepers of the brand," ad agencies, have a bias for $20 million broadcast budgets and really, really bad Super Bowl spots. PR firms have traditionally focused on "news" and view branding as something that diminishes their reputation within the editorial community. Web designers focus on "cool" sites. The "i-builders" are all about the architecture that drives the site, even though they talk about branding.

NeoBrands takes a holistic, Web-centric approach to branding, incorporating our competencies in PR, online and offline advertising, Web design and corporate ID along with an intimate understanding of e-business and our network of partner companies to provide a seamlessly integrated solution for our clients.

# Services

**> Strategic Consulting**

**> Marketing Strategy and Planning**

**> Budget Planning and Management**

> Public Relations

> Financial and Investor Relations

**> Corporate Identity**

**> Naming and Naming Structures**

> Graphic Design

> Online Advertising

> Offline Advertising

> Creative Development

> Media Planning and Buying

**> Program Management**

> Direct email

> Collateral

> Events Management

**> Website Design**

**> Website Content**

**> User Interface and Database Architecture**

**> Market Research**

**> Brand Metrics**

**> Program Metrics**

**Rolls-Royce – Bentley Brands**

Rolls-Royce Motor Cars Ltd., headquartered in Crewe, England, was bought by Volkswagen in late summer 1998 after a strong acquisition battle with BMW.

But the Rolls-Royce name was related to RR turbines, which is in a joint venture with BMW. So, starting in 2003, BMW owns rights to use the name Rolls-Royce.

So VW owns Bentley and BMW owns Rolls-Royce.

Brand Transaction

In 1998 Vickers decided to sell the Rolls-Royce car business. Although Volkswagen Group also made offers for the company, the leading contender seemed to be BMW, who already supplied engines and other components for Rolls-Royce and Bentley cars. However their final offer of £340m was outbid by VW, who offered £430m.

Rolls-Royce plc, the aero-engine maker, decided it would license certain essential trademarks (the Rolls-Royce name and logo) not to VW, but to BMW, with whom it had recently had joint business ventures.

VW had bought rights to the "Spirit of Ecstasy" mascot and the shape of the radiator grille, but it lacked rights to the Rolls-Royce name in order to build the cars. Likewise, BMW lacked rights to the grille and mascot. BMW bought an option on the trademarks, licensing the name and "RR" logo for £40m, a deal that many commentators thought was a bargain for possibly the most valuable property in the deal. VW claimed that it had only really wanted Bentley anyway.

BMW and VW arrived at a solution. From 1998 to 2002 BMW would continue to supply engines for the cars and would allow use of the names, but this would cease on January 1, 2003. On that date, only BMW would be able to name cars "Rolls-Royce", and VW's former Rolls-Royce/Bentley division would build only cars called "Bentley". Rolls Royce's convertible, the Corniche, ceased production in 2002.

**AUTOpedia**

This name, these words, immediately conjure up images of shelves of thick books containing everything automotive in the world. This Business Plan is about the power of that name and those words to launch a dominant Internet-based automotive business.

Brand names that cause the reader or the hearer to instantly form an image of what the product is, what it does, and what quality it possesses is a super brand. The power of the Autopedia super brand is in its ability to instantly create an image of credibility, integrity, and reliability as to all matters automotive. The value of the super brand name is in its ability to attract consumers to AUTOPEDIA's Website at a competitively insurmountable cost disadvantage.

For the past three years the name "Autopedia" has been tested. It has been one name among hundreds of automotive related names on the World Wide Web. The name "Autopedia - The Automotive Encyclopedia" has on the sheer strength of its name, without the aid of advertising or other forms of marketing, attracted millions of visitors to its Website. Visitors were first attracted by the name and then satisfied by the site's content. Millions of visits and millions of repeat visits have established without a doubt that the name "Autopedia" is a superbrand.

This Business Plan is about those images and those first impressions. It is about the power and the value of the super brand, "AUTOPEDIA" to serve as the foundation of a dominant Internet-based business. The power of the super brand is in its ability to instantly create an image of credibility, integrity, and reliability in the consumer's mind, as to all matters automotive. The value of the super brand is in its ability to attract and return consumers to AUTOPEDIA's Website at a competitively insurmountable cost advantage.

The Information Age is drowning consumers in a sea of information about products, services, choices, and consequences. As differentiating between and among those choices becomes more and more confusing, brands will become more and more important. In this new world, the super brand will become all powerful.

The super brand "Autopedia" projects an image of the company, Autopedia, Incorporated, as the automotive encyclopedia and the most authoritative and reliable source of automotive related information in the world. With this super brand construct as its foundation Autopedia will develop a multi-billion dollar business that will dominate the market for Internet initiated, automotive related commercial transactions. Autopedia will achieve this goal by capturing the automotive related consumer, which provides the opportunity to capture all of the consumer's automotive related transactions as well.

The Company will capture the consumer by creating a niche Internet community. In this community, consumers will easily find the answers to every automotive related question they might ever have, as well as find the vendors of every conceivable automotive related product or service that a consumer is ever likely to need or want. The Company will also participate as a vendor of its own private label products and services. Investor value will become liquid through the registration of the Company's stock on a public stock exchange.

Autopedia's business plan predicts, among other things, that: (1) Internet use will expand significantly over the next ten years, (2) the number and amount of commercial transactions will increase manyfold over the same period, (3) Internet users will be attracted to particular sites more by brand names than anything else by the thoroughness of informational content, (4) Internet access will become demanded as a "right" equivalent to the "right" to have utilities, (5) the Internet will become the medium of choice for a significant percentage of commercial transactions within all industries, (6) mega-portals will inadvertently drive their visitors to specialized ports like Autopedia, and (7) persons seeking specialized information will prefer to use a single complete site for that specialized information.

AUTOPEDIA FACILITATES COMMISSION GENERATING INTERNET SALES

The value of a super brand name is in its intrinsic ability to instantly convey an image of what the products and services are and the degree of quality the product and services possess. Brand is the only asset that a company has that a competitor cannot duplicate or improve upon. Brand is the ultimate competitive advantage in the world of the Internet where information content is the "product" and everyone's "product" is instantly available to everyone else. Because the "product " is available to everyone, the real difference between one Website and another is the name brand on the container of the information.

There is power in the super brand, the power to drive and attract consumers interested in automotive related matters to Autopedia's Internet address. That power has resulted in millions of consumer visits to Autopedia's Website in search of extensive and credible information upon which to base their purchasing decisions. After encountering a plethora of available information, consumers next seek out credible and reliable "expert advice and recommendations." This service, also provided by Autopedia, will sort the relevant from the irrelevant, the credible from the "hype" so as to narrow the consumer's choices to a comprehensible range of quality providers, and then provide the consumer with those recommended products or services.

A consumer that goes to the trouble to inform himself or herself about automotive products and services is prime to become a buyer of the product or service. Autopedia's strategy is to: (1) develop a "place" or a "community" for consumers to first find extensive and credible information to assist them in their automotive related purchasing decisions; (2) offer consumers a "review and recommend" service to narrow the consumers' choices to the very best options available; (3) provide these consumers with access to the vendors that are capable of delivering the desired product or service; and (4) tell consumers where they can buy it. In exchange for Autopedia's development of a "place" where the information is provided and where secure transactions can occur the Company will earn extract a "commission" from the vendors for each of the millions of transactions.

Autopedia offers vendors data about and access to millions of targeted special interest consumers who are actively looking for the vendors' products. These vendors can conclude transactions with these consumers on Autopedia's Website only by entering into commission contracts with Autopedia. In an industry where the sale of new and used cars alone generates $670 billion in annual sales, there are many more billions of dollars of sales in insurance, financing, aftermarket products, parts, extended warranties and related transactions. Autopedia's Website will be the dominant participant in the Internet initiated, automotive related transaction.

Increasing access to automotive related information and growing confidence in conducting commerce over the Internet will, among other things, dramatically increase the number of consumer purchase transactions on the Internet and increase the total dollar value of these transactions. Autopedia's super brand construct positions the Company to capture a significant percentage of these transactions.

The ability of Autopedia to compete is initially tied to its status as a super brand. Thereafter, the Company's competitiveness will be based upon the quality of the experiences that Website visitors have. Presently, there is no direct competitor for the business of using a super brand name as the foundation for developing an Internet "place" for consumers and vendors to conduct unbiased automotive related research and to conclude commercial transactions for a commission to the site's developer. The super brand construct tremendously speeds the capability of the Company to develop consumer traffic to its site and significantly diminishes the cost of developing name recognition and trust, traits that any future competitor would have to overcome at great marketing expense.

AUTOPEDIA'S CONSTRUCT ELEVATES ITS ABILITY TO OUTSELL THE COMPETITION

Autopedia will also be a vendor of goods and services as a "private label" or as an agent of others in the Internet community that it will develop. It will offer "review and recommend" services to consumers; it will consult with vendors; it will selectively offer data that it has developed from commercial activities in the community; and it will provide relationship and conquest marketing products to automotive manufacturers.

When Autopedia acts as a vendor of products and services it will have competition. However, the super brand's intrinsic credibility and trust advantage leverages the Company's capability to deal with the consumers on a level above its competitors. One of the market segments where the Company will face competition is in the referral of consumers who inquire about purchasing a vehicle and ancillary services to appropriate dealers. "DealerNet", "Autobytel", "AutoWeb", "CarPoint", "AutoVantage", "CarPrices.com", are the best known competitors in this segment of the market.

Nearly all, if not all, Website owners in the Internet-based portion of the automotive industry, spend more than a majority of their budgets, often averaging over 65 percent, to create brand image and to drive consumers to their Websites through traditional forms of advertising. Unlike Autopedia, competitors' seek to first capture transactions. AUTOPEDIA will use the power of its super brand to first "capture" the consumer and then ALL of the transactions.

AUTOPEDIA'S FUTURE PRODUCTS

The Company's future products include the use of strategic partners to organize the used car market into a single network of "mom and pop" used car dealers that empower them to sell used cars competitively with major dealers.

CONCLUSION

This Business Plan is based on the power and the value of the super brand "AUTOPEDIA" and the "expert review and recommend" strategy to capture consumers first and transactions second. The Company has assembled a super brand, a sound business strategy, and exceptional people, all capable of quickly developing the Company into the Internet-based automotive market segment's leader. AUTOPEDIA intends to use this foundation to attract uniquely qualified business partners, highly talented employees, executives, financiers and experienced directors to complement its entrepreneurial core.

**Measuring the effect of ads**

There are a few fundamental laws that can be used to measure the level of success or failure of any business.

“Buy low, sell high” and “go where they are – give ‘em what they want” are two such fundamental laws that can be applied to any business to determine the (potential) success or failure of that business.

No business can succeed in violation of either of these “laws.”

The problem with traditional interruption-based advertising is that with the emergence of the Internet it is now in violation of BOTH of these laws.

What are the problems with traditional interruption-based advertising?

$250 billion US market/$450 worldwide market

1. Expensive
2. Declining effectiveness
	1. Declining audience
	2. Media fractionalization
	3. Too much noise – clutter

**The Shocking Truth About Advertising ROI**

Approximately $150 billion was spent on advertising in 2008 in the United States. The working assumption of advertisers making ad investments is that their ad campaigns work—they produce a reasonable return-on-investment. Unfortunately, this simply isn’t true. The best available evidence suggests that ROI across a broad range of media types is negative.

In the past decade we have collected performance data on more than 200 marketing programs for consumer and business-to-business (B2B) products and services. The results are disappointing. At least two thirds of them fail to have a positive ROI. This issue concerned us so much that we asked Marketing Management Analytics (MMA), this nation’s largest and most prestigious analytics firm specializing in assessment of the profitability of marketing expenditures, to ransack its databases to tease out the effects of advertising. Using sophisticated econometric models applied to years of weekly, if not daily data, capturing both sales and advertising expenditures for many of America’s largest marketers, MMA discovered that advertising for established consumer packaged goods returns only 54 cents for every dollar invested. Other product categories return 87 cents—better, but still a losing proposition. This work was published in the Harvard Business Review by Kevin Clancy and Randy Stone, CEO of MMA.

We and MMA are not alone with respect to our findings. A 2004 Deutsche Bank study of packaged goods brands found that just 18 percent of television advertising campaigns generated a positive ROI in the short term; less than half (45 percent) saw any ROI payoff over the long run. And according to Dominique Hanssens, the director of the Marketing Science Institute and former professor at the University of California, Los Angeles’s Anderson School of Management, the elasticity coefficient of advertising for established products and services is 0.01, which means that marketers would have to increase their ad budget by 100 percent (double it) to see a 1 percent increase in sales.

If Anheuser-Busch, as an illustration, doubled the approximately $550 million the company spend on television, print, radio, outdoor, and Internet advertising in, the firm would likely enjoy a 1 percent increase in net revenues from its current base of $15 billion. In other words, the firm would have spent $1.1 billion to make an incremental $150 million.
Often when Copernicus and MMA report dismal results, clients respond that econometric models only measure short-term effects, whereas the corporate objective is to build brand equity for the long term. Yet five different studies suggest that brand equity for leading brands in America is declining. Stated differently, as we approach the end of the first decade of this new century, most marketers are building neither sales nor brand equity.

If this isn’t bad enough, consider that customer satisfaction averages just 74 percent, not just in our database but in the American Customer Satisfaction Index, produced by the University of Michigan. In addition, most new-customer acquisition efforts fail to reach breakeven (i.e., it costs more to acquire a customer than the customer returns to the company); most promotional programs have proved to be unprofitable; and direct marketing response rates have been declining for forty years. Looking at all the evidence, it’s clear that most marketing programs are failures and that most brands are in trouble.

**Most Executive Don't Know How Bad It Is**

Most CEOs, CFOs, and even some CMOs are unaware of these terrible findings. Most are unaware of marketing’s dismal performance. After all, if they were aware, it would be illogical to keep running programs that don’t work. But some company executives, who have seriously studied marketing program performance, now recognize that what they’ve been doing for years doesn’t work, and are looking for ways to reverse the findings. Often they blame television advertising, frequently the largest-dollar item in the marketing budget. They argue that TV audiences are shrinking and consumers are giving less attention to those ads to which they are exposed. Surely, they say, there must be more effective media.

Their confidence in traditional media shattered (for good reason), marketers are responding by reallocating substantial dollars to non-traditional media. Unfortunately, there is very little data on the effectiveness of non-traditional media. In fact, measurement is today where measurement of traditional media was in the 1960s. Non-traditional media include sports and event sponsorships, Internet advertising, electronic outdoor billboards, simulated word-of-mouth buzz, and plastering logos and ads on every possible space (subway turnstile bars, office water jugs, turnpike toll booths).

Even though there is little information about non-traditional media’s performance, with less clutter and, in many cases, lower costs—not to mention lots of hype—they appear to some marketers to be a more attractive (i.e., safer) investment. Our own experience is that non-traditional forms of media are no more effective or efficient than the traditional forms.

If marketers would turn their attention beyond measurement and media for just a moment and take a big-picture look at why the numbers are so bad, they’d see that their marketing strategies are flawed. With the help of the new measurement systems, marketers are evaluating with ever-increasing precision the impact of ill-defined targeting, weak positioning, unprofitably configured products and services, mediocre advertising campaigns, giveaway promotions, poorly allocated marketing dollars, and more.  The average ROI of advertising may be negative but it doesn’t have to be this way.  Better strategies and better implementation of these strategies leads to highly positive ROI—what we like to call transformation programs; programs which change brand trajectories, career paths and sometimes even entire industries.

**Point of view: Does advertising cause a “Hierarchy of Effects”?**

This paper addresses three general questions about hierarchy models of advertising effects: (1) Why hierarchy-of-advertising-effects models do not provide an accurate description of the effects of advertising, and (2) Why these hierarchy-of-advertising-effects models are not an accurate conceptualization of how advertising works as a marketing force in the real world, and, (3) Why, as long as our thinking about advertising and its effects is dominated by the hierarchy-of-advertising-effects frame of mind, it is unlikely that we will ever measure the true effects of advertising. In addition, the implications of these shortcomings of hierarchy models of advertising effects for the concept of integrated marketing communications are discussed.

ADVERTISING IS GENERALLY SEEN as a means of communicating persuasively with consumers. This communication process--if it is successful-- ultimately results in the sale of the product or service advertised to at least some of the consumers that have been exposed to the advertising. If such sales do not happen, the advertising is judged not to have been effective.

As Russell Colley (1961) put it:

Advertising's job purely and simply is to communicate, to a defined audience, information and a frame-of-mind that stimulate action. Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to the right people at the right time at the right cost.

What specific kinds of effects should advertising strive to produce? In the first place, it must be recognized that advertising must produce different effects in different people because, at any one time, not all people are equal with respect to attitudes toward, the information they have about, or their images of the brand that is to be advertised.

Advertising's role, therefore, is to make consumers, whatever their current state of attitudes toward, information about, or images of a brand, more informed about the brand and more generally favorable to it. Advertising must, that is, produce some sort of mental change in the consumer: he or she must think differently about the brand after being exposed to successful advertising.

The exact nature of this communications process has consistently been described in the marketing literature as a "hierarchy of advertising effects." Advertising is, in this formulation, responsible for creating a series of successive responses from individual consumers that lead, when the advertising is successful, to a completed sale.

Thus, in the hierarchy-of-advertising effects models of how advertising works, it is posited that advertising has multiple tasks:

\* If the consumer has never heard of the brand, advertising must, first, cause brand awareness.

\* If the consumer has heard of the brand but knows nothing of it, advertising must, second, arouse interest.

\* As the consumer's interest is being aroused, advertising must, third, describe the characteristics-- physical and ephemeral--of the brand so that the consumer will understand and fully appreciate them.

\* Once the consumer is aware of and understands the brand's characteristics, the advertising must, fourth, convince the consumer that the brand is superior to its competitors and should be purchased.

\* Finally, fifth, the consumer acts--he or she buys the brand, or mentally prepares to do so.

Hierarchy-of-advertising-effects models have been around in the literature of marketing, in one form or another, for more than 100 years.

For example, a hierarchy-of-personal-selling-effects formulation appeared in the literature as early as 1898 and it was later adapted to advertising, according to Edward Strong (1925). The crucial thresholds in this early formulation were designated Awareness, Interest, Desire, Action, or by the acronym, AIDA.

The basic idea appeared in an introductory advertising text written by Albert Frey (1947). Frey suggested that those who create advertising must understand the mental steps through which consumers pass as they first learn about and then demand the advertised merchandise:

... the persons planning and building the advertisement consider that their task consists of the following steps:

1. Attracting attention to the advertisement.

2. Endowing it with qualities that will hold the interest of prospective customers and induce them to read (sic) it.

3. Presenting the appeal in such a way that, once read (sic), it will create consumer acceptance, and better still, consumer-preference or consumer-demand for the merchandise.

And, in yet another example, Darrell Lucas and Steuart Britt (1950), in their introductory text Advertising Psychology and Research, cast the hierarchy-of-advertising effects into a formula: "There is a popular advertising, or buying, formula that contains the steps: attention, interest, desire, conviction, and action."

Versions of the hierarchy-of-advertising-effects models received widespread dissemination as a specific description of the way advertising works in two independent publications in 1961. Russell Colley's (1961) book Defining Advertising Goals for Measured Advertising Results (or simply DAGMAR) was published by the Association of National Advertisers. And Robert J. Lavidge and Gary A. Steiner (1961) presented essentially the same formulation in a paper in the Journal of Marketing entitled "A Model for Predictive Measurements of Advertising Effectiveness."

In the earlier treatments of the hierarchy-of-advertising effects, the emphasis was on describing and understanding enough about the consumer to conceptualize and to write effective advertisements. With the 1961 publications of Colley and Lavidge and Steiner, the emphasis shifted to a description of consumer research measurements that, once made, could be used to demonstrate either that advertising was working, or that it was not. Thus, the hierarchy-of-advertising-effects model now led directly to advertising research measurements such as brand awareness, brand feature awareness, brand preference, and intention-to-buy specific brands.

The marketing literature continues to embrace the hierarchy-of-advertising-effects formulation as a basis for measuring the effects of advertising. In 1995, the Association of National Advertisers released a second edition of Defining Advertising Goals for Measured Advertising Results by Solomon Dutka. Although the original Colley text was revised by Dutka, the fundamental concept of the hierarchy-of-advertising effects and the measurement of these effects on consumers remained unchanged.

No evidence was presented in either of the DAGMAR editions or in the Lavidge and Steiner paper or, for that matter, in any of the earlier publications, that demonstrated, unequivocally, that the hierarchy-of-advertising-effects model was a valid description of how advertising works. These publications emphasized that advertising must move individual consumers through a series of phases or steps before product or service purchase actually occurs. But these models have never been explicitly validated--hierarchy models of advertising effects are little more than rationally and intuitively sensible.

In spite of the enthusiasm with which the marketing community has embraced the hierarchy-of-advertising-effects explanation of how advertising works, there is still no specific evidence that the consumer research measurements implied by the specifics of the model like brand awareness, brand feature awareness, brand preference, and intention-to-buy specific brands actually do reflect the way that advertising works or its specific effects in moving consumers toward purchase action.

As Vakratsas and Ambler (1999) said about hierarchy models of advertising effect in their broad-ranging review of how advertising works: "... the concept of hierarchy (temporal sequence) on which they are based cannot be empirically supported."

The most that can be said about the hierarchy-of-advertising-effects model of how advertising works is that it has been in the marketing/advertising atmosphere for over 100 years, expressed in one context or another, as an intuitive, nonvalidated explanation of how advertising works.

Meanwhile, no comprehensive alternative model of how advertising works has ever gained general acceptance in the marketing community.

It should also be noted that although all of these hierarchy-of-advertising-effects models suggest that purchase action is the ultimate goal of advertising, the Colley (1961), Lavidge and Steiner (1961), and Dutka (1995) publications each acknowledge that advertising is not solely responsible, among marketing activities, for causing sales. For example, Colley (1961) says: "Let's start with the recognition that advertising is only one of several marketing forces that lead to the ultimate objective of a sale."

Colley then goes on to identify some of the other marketing factors that also contribute to the final sale: The product must be competitively excellent; it must be conveniently available to consumers; its package design must be attractive and appropriately functional; it must be supported by personal selling (as necessary), supported by promotion, and supported by publicity; it must be priced competitively; and so on. Beyond these product-intrinsic factors, there are other extrinsic factors affecting specific brand sales over which the marketer has no control, such as competitive activity, the economic climate, and so forth.

INCONSISTENCIES IN THE HIERARCHY MODELS OF ADVERTISING EFFECTS

Multiple advertisements, singular effects

The hierarchy-of-advertising-effects model implies a consumer mental process that is activated by an advertisement. A single exposure to a single advertisement may move a consumer through the entire series of steps from creating awareness to compelling action. But, more likely, the concept describes a continuing interaction between consumers and advertisements wherein some consumers are moving up the hierarchy continuously and ultimately are taken to the action stage by the collective effects of several advertisements for a specific brand.

In any event, none of the published descriptions of the hierarchy describe exactly how the hierarchy works with different consumers exposed to various advertisements for a brand in the different pre-action stages prior to the final product purchase.

Competitive hierarchical interactions

And, certainly, the hierarchy of effects is fragile with respect to the relation of any consumer to any particular brand. The model implies an immutable connection between a brand's advertising and the prospective customer. But consumers, after all, live in a world of multiple brands within particular product/service categories and multiple advertisements for each of the individual brands within the category.

The idea of a hierarchy of effects cannot be postulated in a vacuum. The hierarchy of effects for the advertising of any one brand must be in constant competition with the hierarchy of effects for all the other brands in the category as each brand tries to move the individual consumer along the brand's own hierarchy. None of the published descriptions of the hierarchy of advertising effects addresses the issue of the development by consumers of multiple competing brand hierarchies within a product category and how these multiple hierarchies interact, if at all, in the consumer's mental processes. After all, there is no evidence that every hierarchy of advertising effects ends in a sale.

Crucial conceptual weaknesses of hierarchy models of advertising effects

There are at least four reasons why the hierarchy models of advertising effects that purport to describe how advertising works have not and cannot be validated:

A. The only form of marketing communications that the model is concerned with is advertising, that is, with discrete brand-centered sponsored and content-controlled media messages. Advertising may, by itself alone, occasionally cause sales for some brands in some marketing situations. But in the vast majority of marketing situations, sales are caused by a combination of marketing factors: superior product, widely and uniformly available to prospective customers, competitively priced, supported by an aggressively focused sales organization as well as an effective total program of marketing communications including, but not limited to, advertising.

In addition to advertising, and, in greater or lesser degree from brand to brand, the total marketing communications program will also include public relations; a broad range of sales, price, and point-of-purchase promotional activities; brand websites; direct-response marketing; sponsorship programs with athletes or other celebrities; sponsorship of sporting events and stadia, pop culture events, and classical cultural events and halls; in-store display and sampling programs; movie and TV show product placements; and who knows what else?

An advertisement connects the brand name with some sort of a consciously created selling message. The advertiser spends a great deal of time, working with an advertising agency, in crafting and perfecting the content of these selling messages. Once perfected, the messages reach consumers through paid appearances in advertising media. The advertiser is, therefore, in complete control of these selling messages from creation through delivery. This definition of "advertising" includes paid media advertising, direct-response mailings, advertiser-controlled websites, and so on.

Most of the other forms of marketing communication differ significantly from advertising messages controlled by the advertiser, and from price-reducing sales promotions and direct-response programs. First of all, these other forms of marketing communications do not provide the opportunity for the delivery of a specifically defined and crafted selling message, or, as in the case of direct-response and price-reducing sales promotions, a specific incentive to respond or buy. Rather, they mostly offer only the opportunity for repeated brand name appearances directed at consumers both through traditional advertising media and in other places such as in retail stores, in conjunction with a wide variety of sporting events and stadia and entertainment events and concert halls, in nonadvertiser-controlled websites, in movie appearances, and so forth.

The advertiser usually controls the context within which such brand name appearances are made. Thus, for example, Mercedes-Benz sponsors various professional tennis tournaments over the course of the year. As a result of these sponsorships, the Mercedes-Benz star logo appears in every sponsored tennis match on the extreme sides of the tennis court net (over the doubles alleys). All the spectators of such matches (including the television audience when the matches are televised) are exposed continuously to the Mercedes-Benz symbol in the context of professional tennis tournaments. A good deal of marketing communications involve only such appearances of the brand's name, without other supporting message content, but usually in a context that provides putative unconscious emotional or intellectual support for the brand.

The consumer is, thus, continuously immersed in brand-sponsored communications that differ in significant degree from content-controlled advertising messages. It can be argued that all these brand-name-appearance communications activities merely reinforce the central brand-building efforts of discrete brand-centered sponsored advertising messages, and that the real work of brand building is done only by advertising.

The most obvious way to prove that only content-controlled advertising matters in brand building would be in market tests or in single-source database experiments where brand sales measured with content-controlled advertising only are compared to brand sales with all marketing communications programs except content-controlled advertising-if such a comparison is logistically possible.

In any event, if only advertising in which the content is controlled by the advertiser counts in brand building, why spend significant sums of money to support brands with other marketing communication activities?

Nor are sponsored brand marketing communications--content-controlled advertising and brand-name appearances--the only influences that affect consumer brand perceptions. At least some of the consumers reached by marketing communications for the brand have had their own prior direct experiences with that brand. In addition, many consumers share, consciously or unconsciously, the brand experiences that are discussed in their presence by members of their immediate family, friends, and random acquaintances or that appear in media editorial material.

For most brands, the consumer mind is not a blank sheet awaiting information and instruction from advertising. Rather, it already contains conscious and unconscious brand perceptions caused by all kinds of sponsored marketing communications and direct or second-hand personal experiences with individual brands.

And, since content-controlled advertising or any other type of sponsored brand communication activity rarely reaches the consumer just as a purchase choice is made, it is the collective residue of all the prior experiences--both those sponsored by the marketer and those incidentally acquired as life experience--that form the context for the consumer within which he or she makes actual brand selections or purchases. And this collective residue will almost certainly differ from individual to individual.

B. Hierarchy models of advertising effects are based on a discredited model of human thought processes. Hierarchy models of advertising effects are simplistic to an extreme. Advertising is conceived as a discrete stimulus that ultimately leads through an inflexible series of stages or steps to the ultimate response of a consumer brand selection or purchase. The trouble with this is that it completely ignores the wide store of information and experience that is always available to a consumer prior to and after advertising exposure as he or she thinks about or actively makes brand purchases.

In thinking about the hierarchy of advertising effects in psychological terms, a distinction must be made between the behaviorist formulation of human behavior--which has now largely been discredited in the contemporary literature of cognitive psychology--and the burgeoning understanding of human thought and behavior processes now being developed by the cognitive scientists.

As Kandel, Schwartz, and Jessell (2000) reflect about behaviorist psychology:

In the first part of the twentieth century, to avoid untestable concepts and hypotheses, psychology became rigidly concerned with behaviors defined strictly in terms of observable stimuli and responses. Orthodox behaviorists thought it unproductive to deal with consciousness, feeling, attention or even motivation.

As soon as one begins to deal with the complex human processing of varied, complementary, and even contradictory simultaneous stimuli in the context of stored residues of past mental activities and experiences, one cannot reasonably conceive of a response to advertising as a routinized, predictable series of mental stages or steps.

Kandel, Schwartz, and Jessell (2000) put behaviorist psychology into contemporary perspective: "Unlike the behaviorists, we no longer focus only on the stimulus response properties of behavior; instead, we focus on the information processing in the brain that leads to behavior."

Consumers simply do not think and act as behaviorist psychology would have had us believe. If a view of a specific aspect of consumer behavior--like interacting with advertising--is formulated in terms of a psychological theory that is simply not true, then we end up with an understanding that is both incorrect and totally inapplicable to the real human behavior that we are trying to understand and influence, as well as the forces that combine to cause it.

C. Hierarchy models of advertising effects assume that all advertisements have identical specific effects. Inherent in hierarchy models of advertising effects is the idea that every advertisement works in exactly the same way when it reaches consumers as every other advertisement works. In the model, "advertising" is not conceived as myriad, highly differentiated, advertisements. Rather, it is conceptualized as a single ineluctable and monolithic force.

In a typical day a consumer is exposed to literally hundreds, if not thousands, of advertisements. He or she may see, for example, a long-copy print advertisement for a brand that is packed with descriptions of brand features and benefits. He or she may also see a few minutes later a highly produced 30-second television commercial for another competing brand that makes little or no attempt to deliver rational arguments about the merits of that brand.

How could these two advertisements (stimuli) produce the same patterns of effects (responses) in the reader/viewer? In fact, it can be argued that the advertising agency creative people responsible for these differing advertisements could not, in their wildest dreams, think or seriously plan that two such different advertisements would produce the same basic effects on their recipients. In fact, they probably think that each of these individual advertisements may have quite different effects on different recipients.

Much of the creative mystique of advertising depends upon the idea that advertisements for a brand must be strikingly different from advertisements for competitive brands if they are to have any chance of successfully influencing consumers. In fact, the content of advertising varies widely just because its creators are always striving in each individual advertisement for a particular rather than a uniform response.

Jeremy Bullmore (1991) suggests the richness of the creative process in advertising: "Again and again I found myself having to explain that saying something did not mean that you have communicated it, and, almost as often, that not having said something didn't necessarily mean that you had not communicated it."

D. If the postulated effects of the hierarchy of advertising effects are measurable, they must be true. A continuing problem in the fields of advertising and marketing research is the fallacy that if a measurement can be made of a construct, then the fact of the measurement proves the construct to be true.

In contemporary practice, measurements are routinely made of consumer awareness of brands, awareness of brand features, of what brands are considered before a purchase decision is made, and of brand preferences.

Clearly these measurements are consonant with the hierarchy-of-advertising-effects model. They are specifically relevant to the steps or stages that consumers are postulated to pass through as advertising affects them in ways specified by the model. But if the model is wrong, the measurements are irrelevant.

The troublesome thing about such measurements is that, since they can be made, and since they are used in making decisions about advertising programs, they lead to an uncritical acceptance of the hierarchy-of-advertising-effects model. In fact, such measurements reflect nothing more than what marketing practitioners have come to believe, erroneously, about how advertising works.

The ambiguity of measurements of such constructs as brand awareness is suggested by the late Rosser Reeves, then Chairman of the Bates advertising agency, (1961) reporting on advertising content awareness measurements for a brand handled by Bates:

We found out the exact number of people who remembered the advertising of a big brand which we handle. 50% knew it and 50% did not. We kept the names and addresses of these people (something not normally done as a matter of course) and six months later went back to the same people.

Keep in mind that the same campaign was still running.

We were astonished to discover that half of the people who had known our story had now forgotten it; and half of those who had not known it could now describe it.

It is difficult to interpret a result like this on the basis of the hierarchy-of-advertising-effects model of advertising effectiveness.

BEYOND HIERARCHY MODELS OF ADVERTISING EFFECTS

It is now very widely recognized that the human brain is a very complex organism. We experience the end products of its processes as clear, well-ordered, instantaneous representations of our interactions with the world within us and around us. In actuality, the brain as a totality is multifaceted and loosely organized. Information about a single subject is stored in multiple locations throughout the brain and processed and organized in a way to satisfy instantaneously our perceived informational/attitudinal needs at a particular moment in time in a particular experience context.

As Kandel, Schwartz, and Jessell (2000) put it:

One difficulty with breaking down mental processes into analytical categories or steps is that our cognitive experience consists of instantaneous, smooth operations. Actually, these processes are composed of numerous independent information-processing components, and even the simplest task requires coordination of several distinct brain areas.

When we think about a particular brand, we synthesize all our stored memories from marketing information about that brand and, if we have actual experience of the brand, with that brand experience. These diverse sources of brand information are processed in parallel by the brain itself--different residual traces are simultaneously thrown up into our consciousness in an organized way. This produces the synthesis of multiple units of information and experience that we perceive as our reality of the brand, at a particular moment.

It can not now be said that the cognitive psychologists have a clear or final understanding of exactly what happens in the brain to produce the mental processes by which, as individuals, we perceive, learn, remember, and act.

This means that we may never be able to measure, let alone understand, the specific effects of marketing communications, including advertising, to which individual consumers are exposed. It also means that we may never be able to parse out the effects of advertising from all the other marketing factors and marketing communications forces that affect consumer interactions with and predispositions for and against individual brands. There may be no direct line of consumer questioning that can ever tap into exactly what happens in a person's mind either generally or specifically with respect to the perception of brands.

We may have to conclude that ultimate understanding of the effects of marketing communications, including advertising, may be illusory and depend not so much on what we as marketers and marketing students know and can discover as upon what cognitive scientists do to expand our understanding of the brain and how, exactly, it interacts with its environment.

But, such a conclusion cannot excuse us from thinking about marketing communications, including advertising, and its effects on consumers, in a totally new way.

INTEGRATED MARKETING COMMUNICATIONS

This new way of thinking about marketing communication--content-controlled advertising and noncontent-controlled brand name appearances--is called "integrated marketing communications" in the contemporary marketing literature. It is based on the notion that all forms of marketing communication should carry the same message to the consumer. Thus, there should be a single, integrated marketing communications strategy for all communications directed to the consumer by the marketer, not a different strategy for each individual communications activity. As Schultz et al. (1993) put it:

In this new era of integrated marketing communications, the communication strategy is the imperative element in the communications process for all departments within the marketing organization. It forces every aspect of the communications process to reach the consumer in a unified manner, with one personality, one benefit, one selling idea. Every communication tactic that flows from the integrated communications strategy reinforces the reason why the consumer should believe in the product.

This extension of the hierarchy-of-effects model to all the communications activities that have been "integrated" has at least three shortcomings: First, it assumes that marketing communications activity can proceed pretty much as it has in the past except that all of the individual means of communication will carry a common message.

But each of these individual means of communication--content-controlled advertising and brand-name appearances- presumably affect consumers in different ways and achieve different results. Some types of brand messages might, for example, be more effectively delivered by public relations than by direct-response advertising. Others may be more effectively delivered through the sponsorship of sporting events than through conventional media advertising.

It is up to the marketer to decide not only on a single integrative marketing communications strategy but also to determine the specific combination of marketing communication elements that will maximize the effect of that strategy. The effect of different mixtures of marketing communications activities will differ depending on the individual elements contained in the mixture, even if all the communications in each mix are based on the same strategy.

Strategic planning for integrated marketing communications must go beyond merely the identification of a single integrative communications strategy. It must specify what marketing communications vehicles, in what combinations, will be most effective in delivering the single integrated message.

All of this suggests the need for much greater knowledge about and insight into how consumers process and absorb information that is communicated about brands than we now possess. How do consumers respond to individual marketing communications activities--both singly and in combination?

Second, this line of thought throws into sharp relief the shortcomings of the system of planning marketing communications programs as a composite of individual functional activities within the marketing organization, each operating independently of each other. Before we can plan an effective integrated marketing communications campaign, we must know how and with what effects consumers synthesize individual integrated marketing communications inputs into a single, hopefully positively revised conception of the brand.

That is why the management of marketing communications within a company cannot be spread around to different activity centers within the company, nor dispersed among a variety of outside specialist agencies. Public relations should not, for example, be managed by itself in the public relations department with help from an outside public relations agency. And, for example, price promotion activity should not be managed solely by the brand manager with help from an outside sales promotion agency.

Rather, marketing communications must be managed as a single, synthesized activity within the company. Synthesis is different in kind from the integration of marketing communications, at least as such "integration" is currently practiced. Synthesis means a single marketing communications program centrally managed, not several distinct programs, with centralized "integrated" coordination but independently managed and running independently of one another within a single integrated communications strategy. Synthesis means a single responsible executive with a single marketing communications perspective, not groups of specialists whose primary concern is the maximization of the contribution of their own specialty, within a single integrated strategy, to the overall marketing communications program.

Such synthesis will require managers who possess a broad range of skills across all the marketing communications disciplines with a good grasp of the potential effects of alternative, synthesized integrated marketing communication approaches.

Finally, we may have to give up, at least for now, our obsession with measuring communications effects by asking consumers questions about subjects that have not been validly connected to marketing results. We will probably have to admit--at least until a lot more is known about exactly how the complex processing of information about and experiences with brands occurs in the human brain--that final insights into the relative effectiveness of marketing communications programs, including advertising, cannot be found through marketing research studies of individual consumers.

What can we do now to understand the effects of the dollars marketers spend on marketing communications, including advertising?

Hopefully, the answers will lie in controlled market tests and/or single-source database experiments where all the marketing factors except marketing communications are controlled (same product, equivalent distribution, and same price) and distinctly different marketing communications programs are tested against each other in terms of the brand sales they produce.

In any event, we must move beyond a dependence on hierarchy models of advertising effects to explain the effects upon consumers of only our advertising programs. And we must move beyond a dependence on hierarchy models of marketing communications effects to explain the effects upon consumers of our integrated marketing communications programs.

Let's abandon misleading conceptions of human behavior and marketing solutions that are based upon them.

Let's move toward an informed synthesis of marketing communications and all that this implies.

**Branding on the Web: Yahoo!’s compelling nothingness**

In an information maelstrom such as the Web, brand is the only competitive advantage that a company can use to build a successful business. Brand names, logos and images associated with brands (such as Nissan’s weird Asian dude) stand out; they are like lighthouses in the fog. They scream “come back this way” to the consumer, and consumers do come. And Yahoo! gets this fundamental Web business strategy better than anyone else.

Yahoo! meant absolutely nothing to the computer consumer in 1994. By 1996, it was a digital household name. And now that it has signed a comprehensive marketing deal with Visa International -- the first of several such deals -- Yahoo! is positioned to become the most influential Web-spawned brand. Bigger than even Netscape, because Yahoo! is associated with finding one’s way on the Net, not with the engine one uses on the old info highway.

Yahoo! steers, Yahoo! provides the maps to the information people want, so Yahoo! is the Cadillac of the Net. That’s what a brand’s supposed to do: Sweep into the imagination and take up a place associated with a category or product or service.

Netscape’s brand, by contrast, is quickly falling into the role played by General Motors, or more accurately, the non-branded companies that assemble General Motors’ engines.

But the real secret to Yahoo!’s success, the ingredient that others can’t possibly copy, is that Yahoo! is about nothing at all. It’s like an episode of Seinfeld, just a nodule of attitude on the Net that you can’t forget. Its Yahooness!, rather than the specific collection of services and sub-brands it represents, is the key to Yahoo!’s success. It’s a mantra that sticks in the brain like peanut butter adheres to the top of one’s mouth.

Now, what’s so special about a sticky, meaningless concept? Well, think about the experience of sitting down at a browser. You often begin with a question, something like, “Where do I want to go today?” Of course, you don’t think “I want to go to Microsoft.” Rather, you dig into your subconscious, or your bookmark files, and come up with “Yahoo!” It’s a remarkably vacuous word that sums up how most people feel when confronted by all the information on the Web.

Yahoo! has leveraged its brand brilliantly. Its investment in preferred positioning on Netscape’s and Microsoft’s home pages will pay off in spades. The Yahoo! name is coming to stand for “search,” even if the company doesn’t think of itself as a search engine company. Aligning value-added services such as the new Visa credit card relationship, the Amazon.com book-buying services, the MTV music services and links to NBC television, has put Yahoo! at the center of many consumers’ mental image of the Web. That’s a powerful formula for success, one that companies in non-related fields such as hobbies, home improvement, retail services and beauty should follow before Yahoo! gets around to incorporating those areas into its Yahooness!