UNIT 12 INTERNATIONAL ADVERTISING

Structure

12.0 OBJECTIVES

After studying this unit, you should be able to:

- define advertising
- take proper decisions on standardization and adaptation
- prepare advertising budget
- identify various global media decisions
- identify the need for advertising regulations
- design advertising appeals based on product characteristics
- state the role of direct mail in advertising
- select advertising agencies for international advertising.

12.1 INTRODUCTION

You have already studied in Unit 11 that advertising is one of the four elements of marketing communication mix. With the growth of multinational companies, in terms of number and size, and the free movement of goods and services across national borders, advertising is gaining more importance and value in international marketing efforts. Brands like Microsoft, Coca Cola, Pepsi and General Motors have truly emerged as global brands and international advertising has played a highly significant role in globalising many such brands. In this unit, we shall discuss the role and objectives of international advertising, the factors to be considered to decide between standardization and adaptation in international advertising, the regulations governing advertising, how companies decide advertising budgets, how media decisions are taken and some rules governing advertising.

12.2 RATIONALE FOR INTERNATIONAL ADVERTISING

Advertising is defined as any sponsored, paid communication of ideas, goods or services placed in a mass medium vehicle. Advertising always involves an identified sponsor who pays for the advertisement and he is called the advertiser. In advertising, message is communicated through mass media like radio, TV, newspaper, magazine, direct mail, hoarding, etc. Advertising plays a more important role in the marketing of consumer products than industrial products. Frequently purchased, low unit value products generally require heavy advertising support. With brands like Coca-Cola, Swatch and Benetton now marketed in the same way in many countries of the world, global marketing and advertising has become quite a buzzword and this is so for many good reasons. These reasons are discussed below:

1) The consumer markets in North America, Western Europe, and Japan have begun to show signs of slower growth, as their rates of annual population and household growth slow down to 2 to 3 percentage points per year. Companies with most of their sales in these markets have, thus, realized the need to look to other markets for growth. The consumer goods giant Procter and Gamble, for instance, already has a few billions of dollars in sales coming from more than 130 markets outside the US and sees such non-US sales as its main source of future growth. In particular, many countries in Asia have annual growth rates for their economies that are much higher: China's economy, for instance, grew at over 9 per cent per year for the ten years prior to 1994.

2) While the mature markets of North America, Western Europe, and Japan are becoming more and more price-competitive (and less profitable) for major brands, with an increasing number of consumers preferring to buy cheaper private (store) label brands, consumers in the rapidly developing markets of Asia (and elsewhere) are showing a voracious appetite for branded goods, indicating the rapidly changing social aspirations. Thus, Western companies are finding selling in the newly growing markets of the world to be both easier and a more profitable proposition.

3) The crumbling of political, economic, social and custom barriers in the last few years has made it easier for companies to operate in a truly global manner, instead of merely in a multinational or multidomestic manner. For instance, increasing integration of Western European economies beginning 1958 and the opening up of Eastern European economies to the West, means that companies can now more easily consolidate their production facilities for Europe in one country instead of producing locally in every European country and realize economies of scale. This has led to the creation of truly global brands to take advantage of such economies of scale. Many of the retailers are themselves becoming transnational (especially in Europe), and manufacturers have to deal with them on a multicountry basis. Similarly, the integration process that is taking place in other parts of the world (NAFTA, ASEAN etc.) means expansion of market and the consequential impact on production, marketing, branding, promotion, etc.

4) Growth of global media and to the increasing use of standardized or globalized advertising campaigns released simultaneously in many different countries. This has led to the increasing homogenization of consumer tastes across the world. Of course, this is still an evolving phenomenon, and some consumer segments (such as teenagers or young business professionals) are quick to be part of the "global village" than are other consumers. Nevertheless, with the growth of satellite and cable TV channels across the world, many firms have increasingly begun to strengthen their global brands such as Nike and Canon through the use of global advertisement campaigns. The argument for such global commonality of tastes was made very strongly by Harvard Marketing Professor Ted Levitt, who wrote, in 1983, that nothing confirmed this globalization more than "the success of McDonald's from the Champs Elysees to the Ginza, of Coca-Cola in Bahrain and Pepsi-Coal in Moscow, and of Greek music, Greek salad, Hollywood movies, Revlon cosmetics, Sony television and Levi Jeans everywhere." Levitt argued that such homogenization of tastes allowed perceptive global marketer to market very similar products worldwide at lower cost than small-scale local producers.

5) Shortening of life cycles of a number of products due to rapid advances in technology is leaving no choice to companies but to look for as many markets as possible. This means production, marketing, branding servicing, promotion, procurement etc., on a global scale.

In any event, there is no doubt that global marketing and advertising are becoming very important today because major brands have begun to realize the need to grow outside their domestic bases. Advertising agencies (such as Saatchi & Saatchi, the WPP group, Interpublic group, etc.) have begun to form global networks and alliance because their increasingly global clients began to seek global servicing capabilities and also they wish to gain larger share of the fast growing advertising revenues outside the United States and Western Europe. The increasing capability of advertising agency networks to create and implement global advertising campaigns is a notable development.

12.3 BUDGETING FOR INTERNATIONAL ADVERTISING

There are several formulae for making advertising budget decisions. Four such rules are described below. Budgets based on these rules are unlikely to be far from the actual budget. Generally these rules are used in combination while preparing a budget. However, the net budget is normally a compromise among few of these rules. Let us now discuss these rules.

Percentage of Sales or Gross Margin

One rule of thumb used in setting advertising budgets is relating it as a percentage to sales, revenue, past sales or forecasted future sales. For example, a company had allocated 5% of the sales revenue of a brand for advertising the brand in the previous year. In the current year, if the brand is expected to generate Rs. 40 crore turnovers, a Rs. 2 crore advertising budget may be proposed. A similar decision could be based upon market share, or units of products sold. For example, a brand could allocate $1 million for every percent of market share it holds, or $2 for every unit of the product it expects to sell. The advertising budget as a percentage of sales is the most common approach. A 1981 survey of 55 leading consumer advertisers found that over 70% of the companies allocated for advertising as a percentage of sales, as did a similar survey of 92 British companies.

This approach has certain advantages. If a firm or brand has been successful over several years using the percentage of sales approach, there is little reason to change to another approach in setting budgets. This approach tend to make explicit the marketing mix decision and the allocation of the budget to the various elements of the marketing program. Furthermore, it provides comfort to a prudent financial executive who likes to be assured that his or her firm can afford the advertising. Finally, if competitors also use such a rule, it leads to a certain stability of advertising within the industry.

The major flaw in this method is that it totally ignores the premise that advertising can influence sales. In fact, when sales or a sales estimate determine advertising expenditures, sometimes it may lead to excessive and avoidable expenditures on brands that are basically servicing old loyal customers who will very likely continue to buy even if advertising support is withdrawn. It can, conversely, lead to inadequate budgets for promising healthy brands that could potentially become money spinners with more advertising muscle. The second flaw in this method is that it ignores brand profitability, by looking only at brand sales. A more logical rule would be to use a percentage, not of sales, but of a brand's gross margin or contribution-to-overhead. This would imply that more profitable brands get more advertising support compared too less profitable brands irrespective of their sales revenues.

The percentage-of-sales or percentage-of-margin approaches obviously need to be modified in dynamic situations such as the following:

a) **Making a Move:** When a brand decides to make a move, a substantial increase in advertising expenditure might be necessary, an increase that may not be justified by the percentage-of-sales logic. For example, when Philip Morris purchased Miller beer in 1972 and initiated a campaign to reposition it and increase its share, the advertising budget was dramatically increased. Similarly, when the effects of the Miller effort became evident, the other beer companies had to consider breaking out of their percentage-of-sales routine and react to the Miller move.

b) **Established Brand:** When a brand becomes established and dominant, it can usually start reducing the percentage of sales allocated to advertising. As brand awareness

becomes very high and the brand's image becomes very set, it is not usually necessary to advertise heavily. Conversely, if another brand is struggling to establish itself and is concerned about advertising at the minimum threshold level, it will often have to spend money at a high percentage-of-sales level.

c) **New Brand:** A new brand will face the special task of generating awareness and distribution from zero level. As a result, it becomes usually necessary to make heavy investments in advertising during the first few years of the brand's life. At Colgate-Palmolive, the guide is to base the advertising expenditures on the total gross profit, which is the total sales less the product cost, as follows:

- Advertising in first year equals twice the gross profit,
- Advertising in the second year equals half the gross profit,
- Advertising in the third and succeeding years equals 30 per cent of the gross profit.

All You can Afford

Firms with limited resources may decide to spend all they can reasonably allocate to advertising after other unavoidable expenditures have been allocated. This rule usually ensures that the advertising expenditure is not too heavy and that advertising monies are not being wasted. If the benefits of more advertising could be demonstrated, extra money could usually be raised. So the limitation is somewhat artificial. Some large firms also use this rule. They start with the sales forecast, and budget for all essential expenditures other than advertising. Then allocation for advertising budget is made from the remaining resources. Main advantage of this approach is that it generates a financial plan that usually looks neat and attractive in an accounting sense. As this approach is based on the assumption that sales are independent of advertising expenditures, there is no realization of the fact that advertising influences sales and its absence would be difficult to justify.

Competitive Parity and Share-of-Voice

Another common guide is to adjust the advertising budget in comparison with the competitors' budget. The logic is that the collective minds of the firms in the industry will probably generate advertising budgets that are somewhat close to the optimal. Furthermore, any departure from the industry norms could precipitate a spending war.

The main limitation here is that there is no guarantee that what the group of firms spending is the optimum. In this approach spending habits of various companies in the industry remains are constant over time. In case market conditions change over time, advertising budget under this approach may not reflect optional level. As the situation faced by each one of the firms is unique to itself, the practice of competitive parity may not be the best practice. In particular, a new firm in the field might not receive the proportionate amount of impact for it's advertising that a large established firm receives. The success of the larger firm may be more due to other factors than to advertising. Furthermore, the method does not consider such questions as differences in effectiveness of various campaigns or the efficiency of media placement. Following the competition might offer the satisfaction that you are not taking a big competitive risk, but it might turn out to be a case of the blind following the blind.

A very commonly used variant of the competitive parity approach is to set a brand's share of total category advertising (measured over a period such as one year), called share of voice (SOV) close to its share of market (SOM). If every brand in the category did this, it would probably ensure that the industry's market share situation stayed at equilibrium, assuming that all other marketing mix elements were at parity across brands. In practice, market leaders often have a SOV a little less than their SOM, reflecting their advertising economies of scale. At the same time market challengers need a SOV higher than their SOM, in order to gain market share. It is often argued that a new brand, being "built up for the future," needs an SOV about twice its targeted SOM. In contrast, an old and established brand might see an SOV substantially below its SOM, and that is frequently a sure way to lose market share in the long term (the old brand equity may support sales for a while, but equity that is not replenished does not get used up). Market leaders can maintain their leadership by keeping their SOV at much higher levels than those of competitors, while market followers ought to boost their SOV significantly higher in those geographical markets where the market leader has allowed its SOV to fall dangerously low. Obviously, companies with lower cost structures can more easily afford disproportionately higher SOVs.

Objective and Task

Objective and task is more an optimal approach to budgeting than any other decision rule discussed above. This practice is followed by two-thirds of the largest advertisers. An advertising objective is first established in specific terms. For example, a firm may decide to attempt to increase the awareness of its brand in a certain population segment to 50 percent. The tasks that are required to accomplish this objective are then detailed. This might involve development of a specific advertising campaign exposing the relevant audience to an average of five times. The cost of obtaining these exposures then becomes the advertising budget. This approach is logical in that it assumes that there is a casual flow from advertising to sales. In effect, it represents an effort to introduce intervening variables such as awareness and attitude, which will presumably be indicators of future sales as well as of immediate sales.

The major problem with this approach is that the link between the objective and immediate future sales is often not spelt out. Many new product researchers have, however, manage to develop proprietary estimates of how different levels of advertising response objectives (particularly brand awareness) correspond to typical levels of trials of new products and from there to sales volumes, using their knowledge of historical experience. Another difficulty is that it is hard to estimate the precise relationship between advertising media exposure and the objective (e.g. creating brand awareness) itself. Here again, many advertising agencies have built up databases of tracking results showing how advertising spending relates to different measures of effectiveness (such as ad recall, brand awareness, brand persuasion, etc.). Not surprisingly, these response relationships depend on whether the brand is new or old, the nature of the advertising copy itself, the specific advertising medium, the category growth rate, other marketing actions including promotion and so on.

Check Your Progress A

1. What do you mean by international advertising ?

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2. Differentiate between 'all you can afford' and 'comparative parity and share-of-voice' approaches of advertising budgeting.

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3. List out the main methods of allocating advertising budgets.

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4. State whether the following statements are true or false.

   i) In advertising there is no face-to-face communication by the sales people.

   ii) Companies in the west and developed countries are finding selling in the newly growing markets of the world to be both easier and more profitable.

   iii) The crumbling of political, economic, social and cultural barriers in the last few years has made it easier for companies to operate in a truly global manner.

   iv) Percentage of sales approach of budgeting for international advertising takes into account the advertising expenditure by the competitors.

   v) Under 'all you can affordf approach of budgeting for advertising, allocation is first made for advertising before allocating all unavoidable expenditure.

12.4 INTERNATIONAL ADVERTISING: ADAPTATION VS. STANDARDIZATION

Broadly, the overall requirements of effective communication and persuasion do not vary from country to country. This is also true of the components of the communication process. The marketer's (sender's) message must be encoded, conveyed via the appropriate channel(s), and decoded by the customer (receiver). Communication takes place only when the meaning is transferred.

The key question for global marketers is whether the specific advertising message and media strategy must be changed or not from region to region or country to country because of environmental requirements. Thus, there are two strategies in international advertising: a) standardization, and b) adaptation. Proponents of **standardization** believe the era of global village is fast approaching, and the tastes and preferences are converging. According to the standardization argument, since people everywhere want the same products for the same reasons, companies can achieve great economies of scale by adopting an uniform advertising campaign around the globe. Advertisers who follow the localized **adaptation** approach do not buy into the "global village" argument; rather they assert that consumers still differ from country to country and must be reached by advertising tailored to their specific countries. Proponents of localization point out that most blunders occur because advertisers fail to understand and adapt to foreign cultures.

During the 1950s the widespread opinion of advertising professionals was that effective international advertising required delegating the preparation of the campaign to a local agency. In the early 1960s this idea of local delegation was repeatedly challenged. For example, Eric Elinder, head of a Swedish advertising agency wrote: "Why should three artists in three different countries sit drawing the same electric iron and three copywriters write about what after all is largely the same copy for the same iron?" Elinder argued that consumer differences between countries were diminishing and that he would more effectively serve a client's interest by putting top specialists to work devising a strong international campaign. The campaign would then be presented with insignificant modifications that mainly entailed translating the copy into a local language.

As the decade of the 1980s began, Pierre Liotard-Vogt, former CEO of Nestle, expressed similar views in an interview with Advertising Age.

> *Advertising Age:* Are food tastes and preferences different in each of the countries in which you do business ?
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> *Liotard-Vogt: The two countries where we are selling, perhaps, the most important* instant coffee are England and Japan. Before the war started, they didn't drink coffee in those countries, and I heard people say that it wasn't any use to sell instant coffee to the English because they drink only tea and still less to the Japanese because they drink only green tea and they're not interested in anything else.
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> *When I was very young, I lived in England and at that time, if you spoke to an Englishman about eating spaghetti or pizza or anything else like that, he would just look at you and think that the stuff was perhaps food for Italians. Now on the corner of every road in London you find pizzerias and spaghetti houses.*
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> *So I do not believe (pre-conceptions) about "national tastes". They are "habits," and they're not the same. If you bring the public a different food, even if it is unknown initially, when they get used to it, they will enjoy it too.*
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> *To a certain extent we know that in the north they like a coffee milder and a bit acidic and less roasted; in the south, they like it very dark. So I can not say that taste differences don't exist. But to believe that tastes are set and can't be changed is a mistake.*

The 'standardized versus localized' debate picked up tremendous momentum after the publication of Ted Levitt's 1983 Harvard Business Review article titled 'The Globalization of Markets'. Levitt's thesis in a nutshell: *The world is becoming increasingly homogenous. Global companies should sell standardized products across the world with standardized ad campaigns.* The article set the agenda for a discussion, debate and scholarly research for the rest of the decade of the 1980s. In 1988, an article appeared on the front page of the Wall Street Journal that was highly critical of Levitt's view; among other things, the article contained a remark by the CEO of a major ad agency that *"Theodore Levitt's comment about the world becoming homogenized is bunk."* Yet less than five years after the appearance of that article, a second article in the Wall Street Journal suggested the paper had done an about-face. *"Global Ad Campaigns, after Many Missteps Finally Pay Dividends,"* the headline declared; ironically, Mr. Levitt was not mentioned by name in the article.

In contrast to the view expounded by Levitt and Lionard-Vogt, some recent scholarly research suggests that the trend is towards the increased use of localized international advertising. Kanso (1992) reached that conclusion in a study surveying two different types of advertising managers—those taking localized approach to overseas advertising and those taking standardized approach. Another finding was that culturally oriented managers tended to prefer the localized approach, while the non-culturally oriented managers preferred a standardized approach. As Kanso correctly notes, the controversy over advertising approaches will probably continue for years to come. Both localized and standardized advertising have their place and both will continue to be used. Kanso's conclusion is that **what is needed for successful international advertising is a global commitment to local vision.**

It is commonly accepted that certain product categories, such as food and beverages, have a very high degree of cultural grounding where such cultural differences make global standardization more difficult than in other categories. Even if the product category is not so culturally grounded, such as in the case of personal computers or industrial products, various types of differences still persist across markets. Media availability and distribution arrangements often differ. Government regulations vary. Consumers have different expectations and preferences concerning colours used in packaging. For example, Purple is a death colour in Brazil, whereas white is the colour for funerals in Hong Kong. The competitive environment for a particular brand may vary dramatically: it may be the leader in one market but a minor brand in another, it may even be seen as a niche or imported brand rather than one of the major brands, it may face brands that follow very different positioning strategies across different markets, it may even be at different stages of the life cycle in different markets (introduction stage in one country while mature stage in another country). In such situations so that having a standardized advertising approach makes little sense.

Standardized marketing and advertising campaigns have the obvious disadvantage that they may be aimed at the lowest common denominator and may end up not appealing strongly enough to any particular market. As Lawrence Hagan, the London based Director of Marketing Development for J. Walter Thompson put it, "The greater the audience for any message the more bland and general, the less specific and compelling that message will be."

As you know, advertising attempts to communicate the literal and symbolic meaning attached to a brand. Since cultures differ in the ways in which they construe and communicate meaning, successful advertising obviously requires a thorough understanding of the culture within which the advertising message is communicated. Thus, even if a foreign advertiser were to create an advertising message for a local market entirely from scratch (a strategy of localizing the advertising message) the task would be hard and chances are there to commit cultural blunders. Obviously, the task of standardizing the advertising message is even harder, for now one has to find a message that is equally effective in all multiple cultures at the same time.

How similar or different are consumers across the world? Ted Levitt's view that the world was moving towards greater cultural convergence has been discussed earlier, and it is certainly true that with political and customs barriers crumbling, with television channels like MTV, CNN and STAR-TV penetrated into homes across the world, with more people traveling and vacationing in other countries, and with global fast-food franchises such as McDonald's appearing at street corners form Beijing to Buenos Aires, it often appears that we are all indeed moving towards one homogenized community.

Such tendencies towards globalization of tastes and of trends are especially apparent when one looks at particular demographic sub-categories. For example, teenagers the world over are more exposed than most others to cultural influences from other countries through fashions in music, clothing, food, personal appearance and sports. While regional and national appearances still persist, teenagers the world over increasingly watch the same TV channels and movies, listen to the same music, idolize the same music and sports stars, and play the same video-games. Their lives and aspirations are shaped worldwide by the same global trends of increasing divorce among elders, fear of AIDS, and environmental concerns. Teens typically travel abroad more than their parents and are more likely to know a foreign language, especially English. Not surprisingly, teenagers are likely to be less parochial and nationalistic, and more likely to identify with pan-national organizations (such as a feeling of being an "European" and not simply "German" or "French."). Given such commonality among the teens world over, it is not surprising that brands that market to teens (such as videogame maker Nintendo) try to use common advertising approaches across multiple countries.

Similarly, women the world over are seeking more active to participation in workplace and identify less closely than before with the traditional female roles of mother and homemaker. Thus, although very important differences still undoubtedly persist, there can be no doubt that working women world over are becoming more like each other. Global marketers and advertising agencies (such as Coca-Cola or McCann Erickson) seek to monitor and understand these global trends very closely in order to market and advertise their brands on a global basis more effectively.

It should be noted the trend towards more homogenous brand preferences may not be one of true globalization, but rather simply one of increasing popularity. The popularity of American endorsers and foreign-sounding brand names in Japanese advertising may also be attributed to a desire among Japanese consumers to appear cosmopolitan and Westernized. Thus, it is possible that the apparent increase in demand across the world for certain well-known brands such as Coca-Cola and Levis is largely because they are seen as global brands per se. Simply being a global brand may not always be important; what is more likely to be important is what the brand stands for around the globe, such as high technology (examples: Sony, Kodak) or Prestige (Rolex, Mercedes, Gucci, Lacoste). There are a few exceptions such as Benetton, whose "United Colors of Benetton" concept trumpets the very idea of a global village (and that brand's part in it). Generally, however, some of the strongest global brands are not seen by global customers as being global at all, but as home-grown and local (such as Heinz or Kellog's in the UK).

Indeed, one of the clear determinants of a brand's imagery in many countries is the image of its country of origin (such as Japan, the USA, France, Italy, Germany, Korea, etc). Research has shown that particular countries are consistently associated with certain qualities or imagery. For instance, a brand associated with France such as Perrier mineral water could be widely perceived to be linked to qualities such as aesthetic sensitivity, refined taste, sensory pleasure, elegance, flair and sophistication. Successful brands that have taken advantage of such imagery include Heineken beer, which is a mass market beer in Europe but chose a premium positioning in the U.S. because Dutch beers are "supposed" to be superior. The name Haagen-Dazs suggests that this ice cream is made in Scandinavia, but its true origins are 100 per cent in New Jersey, the USA.

It seems paradoxical that, at the same time when consumer preferences are supposedly becoming homogenized, we also find a widely reported trend to micro marketing and direct marketing. Consumers are also supposedly becoming more differentiated in their wants and needs. How are we to reconcile these apparently divergent trends?

One way of resolving this contradiction is to define consumer segments not by geographical and national boundaries, but by universal consumer wants and needs. Thus an affluent, white collar, dual-income American couple in midtown Manhattan may indeed have more in common with the 7th Arrondisement in Paris than with one in the Bronx.

Seeking a Balance: Planning Globally but Acting Locally

The solution to this global vs. local dilemma is to modify products just enough in local markets to make them strong competitors in those local markets, and at the same time maintain whatever uniformity is possible across multiple markets to realize potential economies of scale. This is often called a strategy of "planning globally but acting locally". In essence, companies try to centralize and coordinate as much as possible to save money or cut costs and at the same time localize some advertising efforts to differentiate the brand from local brands.

A frequently adopted compromise between complete standardization and complete localization is regional or country cluster/segment standardization. Here advertising campaign is varied to match regional or country segment/cluster tastes, but uniformity is maintained with that region or segment. Thus Polaroid markets a Spectra system of cameras and accessories in the United States, but the same line is called its Image System in Europe and marketed on the same pan-European basis by its European headquarters. Apart from using geographical convenience, the clusters or segments used might also be based on common needs (such as new mothers, international business travellers, etc.), demographics (such as teenagers) or psychographics (such as global segments mentioned above).

No matter what the exact strategy followed, it is vital that the global advertising programme makes sufficient use of prior research about acceptability in other countries, and allow the local subsidiary managers to provide adequate inputs into the tailoring of advertising programmes in their countries. For instance, it is the local P&G manager in Venezuela and not someone based in Cincinnati, who must decide if the commercial positioning developed by Pro-V formula Pantene shampoo in Taiwan will also work in Venezuela. Global companies, such as Nestle, have effective "cross-pollination" mechanisms and systems to ensure that marketing ideas and practices used in one market are known and made available to managers in other countries. But the decision of whether and when to use a particular idea is usually left to local managers, though there is often strong central prodding to reuse an existing idea than to start from scratch, in order to cut cost.

12.5 ADVERTISING APPEALS AND PRODUCT CHARACTERISTICS

Advertising must communicate appeals that are relevant and effective in the target market environment. Because products are frequently at different stages of their life cycle in various national markets and also cultural, social and economic differences exist in markets, the most effective appeal for a product may vary from market to market. Yet marketers should attempt to identify situations where (1) potential cost reductions exist because of the presence of economies of scale, (2) barriers to standardization such as cultural differences are not significant, and (3) products satisfy similar functional and emotional needs across different cultures.

Green, Cunningham and Cunningham conducted a cross-cultural study to determine the extent to which consumers of different nationalities use the same criteria to evaluate two common consumer products: soft drinks and toothpaste. Sample was drawn from college students from the United States, France, India and Brazil. In relation to France and India, the US sample placed more emphasis on the subjective and less functional product attributes, and the Brazilian sample appeared even more concerned with the subjective attributes than did the US sample. The authors concluded that advertising messages should not use the same appeal for these countries if the advertiser is concerned with communicating the most important attributes of his or her product in each market.

Effective advertising may also require a difference between a product's basic appeal and the creative execution of that appeal. If the creative execution in one key market is closely tied to a particular cultural attribute, the execution may have to be adapted to other markets. For example, Club Med attempted to use a unified global advertising campaign featuring beautiful photos of vacationers in revealing swimming suits. Many Americans, for whom modesty in public is important, saw the ads as risque and titillating, with appeal only to 'swinging singles'. Europeans, who are accustomed to partial nudity on public beaches, did not consider the ads to be improper. Although Club Med retained its basic selling proposition keyed to the theme "The antidote to civilization," the creative execution had to be brought in line with the tastes, perceptions and experiences of the American market.

Certain consumer products also lend themselves to advertising extension. If the product appeals to the same need around the world, there is a possibility of extending the appeal to that need. The basic issue is whether or not there is in fact a global market for the product. If the market is global, appeals can be standardized and extended. Coke and Pepsi, Scotch whiskey, expensive Swiss watches, and Italian designer clothing are examples of products whose markets are truly global. For example, Seagram's ran a campaign keyed to the theme line, "There will always be a Chivas Regal." The campaign ran in 34 countries and was translated into 15 languages. In 1991, Seagram launched a global billboard campaign to embrace the universal appeal for Chivas. The theory: "The rich all over will sip the brand, no matter where they made their fortune."

Gillette took a standardized "one product/one brand name/one strategy" global approach, when it introduced the Sensor razor in early 1990. The campaign slogan was "Gillette. The best a man can get," an appeal that was expected to cross boundaries with ease. Peter Hoffman, vice president of marketing of the North Atlantic Shaving Group, noted in a press release: "We are blessed with a product category where we're able to market shaving systems across multinational boundaries as if they were one country. Gillette Sensor is the trigger for a total Gillette mega brand strategy which will revolutionize the entire shaving market." Gillette's standardized advertising campaign differs strikingly from that of archrival Schick in the Japanese market. Prior to the Sensor launch, Gillette had custom made advertising for the Japanese market. Now except the phrase "the best a man can get" is translated in Japan, the ads shown in Japan are the same as shown in the United States and the rest of the world. Schick, meanwhile uses Japanese actors in its ads.

Food is the product category most likely to exhibit cultural sensitivity. Hence, marketers of food and food products must be alert to the need to localize their advertising. A good example of this is the effort by H.J. Heinz Co. to develop the overseas market for ketchup. Adapting both the product and advertising to target tastes is integral to this effort. In Greece, for example, ads show ketchup being poured on pasta, eggs, and cuts of meat. In Japan, they instruct Japanese homeowners on using ketchup as an ingredient in western-style food such as omelets, sausages and pasta. Barry Tilley, London based General manager of Heinz's Western Hemisphere Trading Division, says Heinz uses focus groups to determine what foreign customers want in the way of taste and image. Americans like a relatively sweet ketchup, but Europeans prefer a spicier, more piquant variety. Significantly, Heinz's foreign marketing efforts are most successful when the company quickly adapts to local cultural preferences. In Sweden, the made-in America theme is so muted in Heinz's ads that the Swedes donft realize that Heinz is American. They think it is German because of the name.

In contrast to this, American themes still work well in Germany. Kraft and Heinz are trying to outdo each other with ads featuring strong American images. In Heinz's television ad, American football players in a restaurant become very angry when the 12 steaks they ordered arrive without ketchup. The ads end happily, of course, with plenty of Heinz ketchup to go around.

In general, fewer the number of purchasers of a product, the less important advertising is as an element of the promotion mix. Thus, industrial products, which are infrequently purchased, expensive and technically complex, can be sold only by a highly trained direct sales force. The more technically complicated an industrial product is, the truer this statement is. For such products there is no point in letting national agencies duplicate each other's efforts. Even for this type of product, however, advertising has a role in setting a stage for the work of the sales force. A good advertising campaign can make it significantly easier for a salesperson to get in the door and, once in, can make it easier to make the sale.

12.6 GLOBAL MEDIA DECISIONS

Media Expenditure

In 1990 world advertising expenditures for the 53 countries exceeded $265 billion. The United Sates, with expenditures of more than $128 billion, spent as much on advertising as the next 19 countries combined. As might be expected, the largest per capita advertising expenditures occurred for the most part in the more highly developed countries in the world. The lowest per capita expenditures were in the less developed countries. Per capita advertising expenditures in 1990 averaged $110 for the 53 countries covered, and a total of 19 countries spent more than $100 per capita on media advertising. Nine of these spent over $200 per capita. Switzerland topped the list with over $600 in per capita advertising expenditures. Spain and the United States spent more than 2 per cent of their gross national product on advertising in 1990, while 21 other countries reported percentages in excess of one.

A key issue in advertising is which of the measured media (i.e., print, broadcast, transits and so on) to utilize. *Print advertising* continues to be the number-one advertising vehicle in most countries. However, spending on print media in the United States dropped from over $50 billion in 1989 to $42 billion in 1990. Thirteen other nations surpassed the $1 billion spending mark for print media. Per capita print expenditures were highest in Switzerland, Finland, and Sweden. The use of newspapers worldwide for print advertising is so varied so as to almost defy description. In Mexico, an advertiser who can pay for a full-page ad may get the front page, while in India, paper shortages may require booking an ad few months in advance.

In some countries, *television and radio* stations can broadcast only a restricted number of advertising messages. For example, in Saudi Arabia there is no commercial television advertising. In such countries the proportion of advertising funds allocated to print is extremely high. The United States and Japan continued to be the two leaders in television advertising during 1990. Their combined expenditure was over $39 billion and accounted for most of the world's expenditure in this medium. On a per capita basis, advertisers in the United States were the foremost users of television, with per capita expenditures of over $113.2. It is interesting to note that in Japan, per capita spending on advertising between 1984 to 1990 more than doubled from $ 37.4 to $ 90.4. Television is also important in the Latin American market. Of the ten countries that allocated more than 50 per cent of their measured media expenditures on television, nine were located in Central/South America or the Caribbean. As ownership of television sets increases in other areas of the world such as Southeast Asia, television advertising will become more important as a communication vehicle.

Worldwide, *radio* continues to be a less important advertising medium than print and television. As a proportion of total measured media advertising expenditures, radio trailed considerably behind print, television, and direct advertising. However, in countries where advertising budgets are limited, radio's enormous reach can provide a cost-effective means of communicating with a large consumer market. Radio accounted for more than 20 per cent of the total measured media in only two countries.

As countries add mass-transportation and build and improve their highway infrastructures, advertisers are utilizing more *indoor and outdoor posters* and billboards to reach the buying public. Japan is by far the leader in the use of outdoor and transit advertising, spending more than four times as much on transit as the United States ($4.3 billion versus $ 1 billion) and about twice as much on billboards ($ 2.6 billion versus $ 1 billion). Transit advertising was recently introduced in Russia, where drab street cars and buses have been emblazoned with the bright colours of Western products.

Media Decisions

The availability of television, newspapers and other forms of electronic and print media varies around the world. Newspaper availability ranges from one daily newspaper per two persons in Japan and one per four persons in the United States to a range of one in 10-20 in Latin America and as high as one to 200 persons in Nigeria.

While markets are becoming increasingly similar in industrial countries, media situations still vary to a great extent. For example, consider the case of television advertising in Europe. It either does not exist or is very limited in Denmark, Sweden and Norway. The time allowed for advertising each day varies from 12 minutes in Finland to 80 in Italy, with 12 minutes per hour per channel allowed in France, and 20 in Switzerland, Germany, and Austria. Regulations concerning content of commercials vary, and there are waiting periods of up to two years in several countries before an advertiser can obtain broadcast time.

Check Your Progress B

1. Differentiate between standardization and adaptation strategies of international advertising.

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2. State the important advantages of standardization strategy over adaptation strategy.

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3. Given below are some product categories. Against each category of product, mark (√) your preference between standardization and adaptation strategy.

Product Category	Standardization	Adaptation
a) Razor blades		
b) Tomato ketchup		
c) Lip stick		
d) Pen		
e) Noodles		
g) Air travel		

4. What do you mean by 'planning globally but acting locally' in the context of international advertising?

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5. State whether the following statements are true or false.
   i) Localised adaptation approach believes that the era of global village is fast approaching.
   ii) Economies of scale are possible more in standardization strategy than adaptation strategy of international adverting.
   iii) The most effective appeal for a product may vary from market to market due to differences in the environmental factors between markets.
   iv) If the market is global for a product, advertising appeals have to be adopted to the local market needs.
   v) Food is the product category most likely to exhibit cultural sensitivity.

12.7 SELECTING ADVERTISING AGENCIES

Another global advertising issue companies must face in media decision is whether to invite advertising agencies to serve product accounts on a multicountry or even global basis. There is a growing tendency for clients to designate global agencies for product accounts in order to support the integration of the marketing and advertising function. Agencies have seen this trend and are themselves engaged in major programs of international acquisition and joint venturing to extend their international reach and their ability to serve clients on a global account basis. Of the 40 largest advertisers in the United Sates and Britain, 39 have global or international networks, five years ago, fewer than one third did.

In selecting an international advertising agency, the alternatives are to select a local agency in each national market or an agency with domestic and overseas offices. Selection criteria should be based on the marketing organization and markets covered by the hiring firm. Major areas of consideration for selecting ad agencies include:

- **Company organization:** Companies that are decentralized may want to leave the choice to a local subsidiary.
- **National responsiveness:** Is the global agency familiar with the local culture and buying habits in a particular country, or should a local selection be made?
- **Area coverage:** Does the candidate agency cover all relevant markets?
- **Buyer perception:** What kind of brand awareness does the company want to project? If the product needs a strong local identification, it would be best to select a national agency.

Although the trend seems to be in the direction of international agency selection, companies that are geocentrically organized will adapt to the global market requirements and select a combination of both international and national agencies. Pepsi Co. largely uses American international agencies, but when it moved into Japan, it chose a Japanese agency because of the complexity of the market.

As political systems shift towards free-market economies and economic systems bring markets together through alliances such as the European and the North American Free Trade, companies producing internationally marketed products are taking their advertisers abroad. When Coca-Cola crossed the oceans, McCann-Erickson worldwide followed. When Ford Motor Company entered overseas markets, J. Walter Thompson was close behind. However, markets such as Korea and Japan are still too complex for western agencies to operate in, and similarly, Japanese and Korean global advertisers find it just as difficult to establish local agency presence in western markets.

12.8 ADVERTISING REGULATIONS

In 1914, the Federal Trade Commission Act was passed, which created the federal agency that has the primary responsibility for the regulation of advertising in the United States. This agency is the Federal Trade Commission (FTC). Advertising regulation is required for deceptive practices like misrepresentation or omission. The instances discussed below give you some idea, how one should be careful while designing international advertising campaigns.

1) **Suggesting that a minor difference is important:** A Lorillard act that claimed that its cigarette had the lowest level of tar and nicotine in a cigarette test reported in Reader's Digest was ruled deceptive because the differences between Lorillard's Kent and several other brands were insignificant and meaningless.

2) **Artificial product demonstrations:** Firms or their advertising agencies that misrepresent any advertised demonstration, picture, experiment or test designed to prove any material feature of a product, or prove its superiority to another product may be subject to FTC orders prohibiting such representations. In producing commercials Campbell Soup and its agency used marbles to make soup ingredients rise to the surface, which was found to be deceptive.

3) **Using an ambiguous or easily confused phrase:** The use of the phrase "government supported" could be interpreted as "government-approved" and was therefore challenged. The FTC alleged that commercials alleging a Nestle product, Carnation Coffee-Mate Liquid nondairy coffee creamer, was "low in fat" falsely implied that the product was low in fat, but a half cup serving of the liquid had nearly twice the fat of an identical serving of whole milk and nearly four times the fat of 2-per cent milk.

4) **Implying a benefit that does not fully or partially exist:** An aspirin substitute Efficient was truthfully advertised as containing no aspirin. However, the FTC charged that the no aspirin claim implied incorrectly that the product would not have Aspirinfs side effects. General Electric was charged with misrepresenting the amount of light that its lower wattage, cost saving replacement bulbs produce. In addition to the consent order, GE was required to inform its customers that the bulbs provide less light than the bulbs to which they were compared.

5) **Implying that a product benefit is unique to a brand:** An FTC complaint against Wonder Bread argued that Wonder Bread's claim that its brand built bodies twelve ways falsely implied that Wonder Bread was unique with respect to such a claim. Although this charge was subsequently dropped, it does illustrate one possible way in which the definition of deception could be broadened. Interestingly, Hunt-Wesson Foods, soon after the Wonder Bread complaint was filed, developed a policy of avoiding advertising brands that are virtually similar to their competitors.

6) **Implying that a benefit is needed or a product will fulfill a benefit when it will not:** Gaines burgers once advertised that its product contained all the milk protein your dog needs. It was not true that the product had milk protein and 'the competitors' products did not. But it was also true that dogs need little or no milk. The FTC argued that the line "Every BODY Needs Milk" incorrectly implied that good health required regular milk consumption.

7) **Incorrectly implying that an endorser uses and advocates the brand:** *An advertisement* implied that an acne medication was superior and had cured Pat Boone's daughter's acne when neither claim was true. Pat Boone, the endorser, was ordered to return his remuneration to users. The FTC has developed a set of guidelines called FTC Guides Concerning Use of Endorsements and Testimonials in Advertising, which were used in a case involving Diamond Mortgage Corporation and A J Obie Associates. These companies developed television advertising campaigns designed to encourage investors to secure shares in what turned out to be non-existent mortgages. In a classic Ponzi scheme, most of the investors' money went to paying previous investors. Both companies filed for bankruptcy, but because huge amounts of money had been siphoned off, investors lost significantly and some of the companies' executives went to jail. In an effort to recoup some of their investments several Obie investors sued actors Lloyd Bridges and George Hamilton for endorsing the companies for ads.

8) **Omitting a needed qualification:** The FTC can require that a more complete disclosure be made to correct a misconception. Thus Geritol was required to indicate that the "tired feeling" it was supposed to help was possibly caused by factors that the product could not treat effectively.

9) **Making a claim without substantiation:** The FTC can require advertisers to substantiate claims made with respect to safety, performance, efficacy or comparative price when such claims will be relied upon by a consumer who lacks the ability or knowledge to independently judge their validity. Firestone was ordered to stop advertising that its tires "stop 25 per cent faster."

10) **Bait and switch:** Companies that solicit business for one product and then switch consumers to other products can be charged with unfair and deceptive practices. Many cases have involved the use of 900 telephone numbers. For example, U.S. Sales advertised its automobile auction information service on radio and television. The ads encouraged consumers to call a 900 number (1-900-HOT CARS) for information about government auctions. Callers to the 900 number were charged $2 per minute for a twelve-minute call, at the end they were given an 800 number to call. Those who called were solicited to purchase lifetime memberships in U.S. Sales Service for $99.95, which entitled them to receive information about additional automobile auctions. The impression from the ads was that the callers would receive information about buying excellent cars at extremely low prices. Instead, callers were informed of sales at which cars in poor condition were sold at relatively low prices and cars in good condition were sold at approximately fair market value. Although the defendants pleaded that the ads consisted merely of puffing and that a reasonable consumer would not be misled by this typical advertising hyperbole, the courts declared that the ads went beyond mere puffing. The FTC need only show that a

reasonable consumer, upon hearing upon the advertisement, is likely to be misled to his or her detriment. In fact, the Commission is required only to show that it is likely, not that it is certain, that a reasonable consumer would be misled. Ads are illegal if they have a tendency or capacity to deceive, actual deception of particular consumers need not be proven. The court ordered US Sales and Dean Vlahos to pay consumer redress of over $9 million and granted a permanent injunction that required the defendants to obtain a performance bond for any future sales.

11) **Identifying the advertising:** The FTC reached a consent-order agreement with Nu-Day enterprises that would permanently prohibit false advertising that diet program could cause weight loss without exercising. The advertising appeared in a thirty second show called "The Perfect Diet," which appeared to be an independent consumer news program airing interviews to report on the discovery of the Nu-Day diet. The FTC charged the TV show was an infomercial containing false and misleading metabolism and weight-loss claims for the diet program. In addition to a consent order banning the false metabolism claims, the advertising required a disclosure within the first thirty seconds, and every fifteen minutes hereafter as follows: "The program you are watching is a paid advertisement for (the product or service)".

12) **Telemarketing:** Many cases have come before the Commission that involve deception arising from telemarketing practices. The largest telemarketing fraud settlement ever revealed by the FTC involved an oil and gas lease scheme that milked investors of more than $51 million. Defendants were charged with falsely representing their ability to "eliminate the risk" of participating in an oil and gas lottery. In about a year, customers filed more than 66,000 applications but won only sixty leases. The court froze $12 million of the assets of the companies and the personal assets of the individuals named in the case. Victimized customers got back more than 90 cents on the dollar in this case.

13) **Intellectual property:** The problems of copyright have emerged as a new and important issue to advertisers. A legal copyright protects the description and the results of research. It does not protect the investment required to attain those results. Compilations of facts are protected only to the degree that the materials represent original effort. The work or effort involved in compiling the facts is not subject to copyright protection. Hence, Apple Computer was not allowed to exclude Microsoft or Hewlett Packard from using the Macintosh improvements for an electronic interface with Microsoft's Windows 3.0 and HP's New Wave graphic user's interfaces (GUIs) despite Apple's substantial research investment.

14) **Puffery:** A rather well established rule of law is that trade puffing is permissible. Puffing takes two general forms. The first is a subjective statement of opinion about a product's quality, using such forms as best or greatest. Nearly all advertisements contain some form of puffery. "You can't get any closer" (Norelco), and "Try something better" (J&B Scotch) are some examples. The second form of puffery is an exaggeration extended to the point of outright spoof that is obviously not true. A Green Giant is obviously fictitious, and even if he were real, he wouldn't be talking the way he does.

Remedies

The FTC has a variety of remedies at its disposal and must select the remedy most appropriate to the situation. The following remedies are available:

1) **Cease and desist orders:** The cease and desist order, which prohibits the respondent from engaging further in the deceptive practice, is actually the only formal procedure established by the FTC Act for enforcing its prohibition of "deceptive acts and practices."

2) **Restitution:** Restitution means that the consumer is compensated for any damage.

3) **Affirmative disclosures:** If an advertisement has provided insufficient information to the consumer, an affirmative disclosure might be issued. Affirmative disclosures require clear and conspicuous disclosure of the omitted information.

4) **Corrective advertising:** Corrective advertising requires advertisers to rectify past deception by making suitable statements in future commercials.

In Saudi Arabia, where all advertising is subject to censorship, regulations prohibit a long list of subject matter including the following:

- Advertisements of horoscope or fortune-telling books, publications or magazines are prohibited.
- Avoid advertisements that frighten or disturb children.
- Avoid use of preludes to advertisements, which may appear to be news item or official statement.
- Use of comparative advertising claims is prohibited.
- Noncensored films cannot be advertised.
- Women may only appear in those commercials that relate to family affairs and their appearances must be in a decent manner that ensures their family dignity.
- Female children under six years of age may appear in commercials provided their roles are limited to a childhood like activity.
- A woman should wear a long suitable dress, which fully covers her body except face and palms. Training suits and similar garments are not allowed.

12.9 DIRECT MAIL

Direct Mail, a part of direct marketing, involves sending advertisements and other promotional material to consumers directly through post. Direct mail has two key advantages that differentiate it from regular mass marketing: (1) the ability to target specific individual consumers (not just demographically described segments) with an offer that is tailored to that consumer segment, and (2) the ability to directly measure response. For example, the promotional material used by a direct mailer can be tailored to what is known about the person being called. The response can then be entered into a computerized database so that the next marketing effort aimed at the individual can be customized to whatever the direct mailer knows about this specific individual.

Unlike traditional mass media advertising, the goal of most direct marketing efforts is not simply to build awareness or change presence, but to generate an action in the form of either an order or request for more information or a visit to a dealer/store, and so on. This need to generate an action is another distinguishing element of direct mail and has implications for its creative requirements.

The explosion in direct mailing has occurred because more and more traditional "mass market" advertisers have taken to combining direct mailing efforts with their regular advertising efforts, in an effort to not only sharpen their ability to win new customers but also to retain the loyalty of existing customers. As an example of the first goal mentioned above that an advertiser may have customer acquisition, you take the case of a magazine advertisement for a new General Motors car may feature a coupon inviting the reader to write in for a free copy of a book that will help him make a better automobile-buying decision. The coupon collects not just the reader's name, address, and telephone number, but also information on his present car and how soon he expects to buy a new car. The coupon-sending customer is then sent further collateral materials (such as brochures and catalogues) on the car, with an invitation to test-drive the car at a local dealership. The dealership will also be sent that coupon information on the reader so that the dealer can follow up with a telephone sales-call.

Check Your Progress C

1. Which factors you keep in mind while selecting an advertising agency ?

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2. What do you mean by direct mail ?

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3. Differentiate between direct mail and advertising.

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4. State whether the following statements are true or false.
   i) Nearly all advertisements contain some form of puffery.
   ii) There is a growing tendency among international marketing firms to designate global advertising agencies for product accounts in order to integrate marketing and advertising functions globally.
   iii) Affirmative disclosers require clear and conspicuous discloser of the omitted information.
   iv) Like mass media advertising, the main goal of direct mail is to simply build awareness about the product.

12.10 LET US SUM UP

Advertising is any paid form of non-personal presentation of ideas, goods, and services by an identified sponsor placed in mass media. The objectives of international advertising include introduction of new products in new markets, inducing potential international customers to buy, reminding users about an existing product/service, creating an international brand image, intimating international customers about new uses of a product/service, highlighting brand character internationally, attracting dealer support in local markets in different countries, increasing retail trade through special promotional offers, introducing a brand in foreign markets and introducing a marketer in new international markets.

Budgeting for advertising can be accomplished in four different ways namely: (a) Percentage of Sales or Gross Margin, (b) All you can Afford, (c) Competitive Parity and Share of Voice, and (d) Objective and Task.

International advertising involves an important choice-whether to go in for a standardized advertising process for all markets or an adaptive advertising process for market to market. Most advertising campaigns in international advertising follow a mix of the two.

Advertising must communicate appeals that are relevant and effective in the target market environment, and at the same time it must reflect product characteristics. Media decisions in advertising involve selection of media vehicles and selection of advertising agencies.

Regulations in advertising pertain to the deceptive practices and puffery in advertising. In the United States, the Federal Trade Commission (FTC) is vested with the power to control and regulate advertising practices. In Saudi Arabia all advertising is subject to censorship. Direct mailing constitutes an important promotional vehicle wherein brochures and other promotional material is sent directly addressed by name to a prospect. It is meant to induce an action and response from the prospective customer.

12.11 KEY WORDS

Adaptive Advertising: Advertising mix is tailor made to suit the audience, culture and market characteristics of a particular country or national market.

Advertising: Any paid form of non-personal communication of ideas, goods or services by an identified sponsor through the mass media.

Direct Mail: Direct promotional material sent to a prospective customer addressed by name.

Standardized Advertising: Same advertising mix in all markets across the world.

12.12 ANSWERS TO CHECK YOUR PROGRESS

A. 4. i) True ii) True iii) True iv) False v) False

B. 3. Adaptation strategy more suited for product categories (b) and (e)

5. i) False ii) True iii) True iv) False v) True

C. 4. i) True ii) True iii) True iv) False

12.13 TERMINAL QUESTIONS

1) As today's organisations are facing international competition, advertisement plays a more important role. Do you agree ? Explain the rationale behind international advertising.
2) Discuss the role of advertising in the international marketing process.
3) Compare the different approaches to budgeting for advertising.
4) What are the relative advantages and disadvantages of going in for a standardized vs. an adaptive advertising process across countries?
5) Explain briefly the necessity for advertising regulations. Compare the advertising regulations in United States and Saudi Arabia.
6) Discuss the merits and demerits of direct mail as a promotional tool. How does it different from other form of advertising ?