ADVERTISING

Advertising's Age

In the beginning, advertising agencies were advertising "agents". They sold advertising "space," primarily for newspapers and magazines, and earned a commission.

Advertising was "keeping your name before the public," since customers who knew your name were more likely to buy your product or brand. Today, we call that "Awareness" and it's still a priority of almost all advertising.

Then, in the early 1900's a young man named Albert Lasker at the Lord & Thomas agency (now Foote, Cone & Belding) had a startling revelation. The advertising business was not selling space. Rather, it was selling what was inside that space. The advertising itself.

'A' is for Advertising and...

Advertising is an active relationship. It is something that happens to another person, whether reader, viewer, listener or someone not paying much attention. It is not merely the ad, it is the response. It is not what happens in the ad, it is what happens inside the person. That is how advertising works advertising that does not do that "talks to itself".

... Attention, Awareness, Attitude and Action

Let's take them one by one. First there is ATTENTION. People notice an ad, and, to some extent, remember it. A certain percentage of these people will buy the product. Breaking through to get attention is one of the toughest jobs. Because you're not only competing with a lot of other messages done by other skilled ad people, but people are very good at tuning out what doesn't interest them. Overcoming all the barriers to communication and getting attention is advertising's first job.

Second, there is AWARENESS. On this level, advertising moves from merely being noticed to being remembered. It occupies a space in the conscious or subconscious mind or memory. This is usually a cumulative process and building awareness is a constant goal of virtually all advertising. At this second level, advertising has an ongoing existence inside people. A greater percentage of these people will be disposed to buy the product.

Third, there is ATTITUDE. It is the feeling people have towards your product. Attitude is more active than awareness. When there is an Attitude towards a product, people can usually tell you how they feel. Attitude can be positive, negative or neutral. An attitude is usually the result of some type of experience: an ad, a product experience, etc. A major long-term job of advertising is to build or shift attitudes toward the product and about the product. Often this shift has specific strategic focus, i.e. improve reputation for quality. In general, the better the Attitude, the better the sales.

Finally, there is ACTION: The relationship is externalized and the person actually acts! He buys the product, sends for a brochure or writes his Congressman.

For every advertiser, every ad should be part of a long-term process. Once more that process is...gain ATTENTION, build AWARENESS, shift ATTITUDE and motivate ACTION.

Adapted from *The Copy Workshop*, B.B.C. Communications Inc. 1988

BANKING

Where did it all start?

Banking can be traced as far back in time as Babylon where the people entrusted their savings to temple priests. The etymology of the word bank suggests that banking as we know it today has its origins in the market places where early bankers transacted their business at a bench or *banco*. French *banque* or Italian *banca*, comes from medieval Latin: *banca* or *bancus*.

This trade was exported to England by the Lombards, Northern Italians, who lived and worked in the city of London. After some time the Lombards went bankrupt, but their home Lombard Street is in the heart of London's financial district today.

The goldsmiths took over from where the Lombards left off and became the new bankers of the day. They became the well established safe havens for bullion, jewelry and cash for which they issued receipts for deposits. The person who deposited his surplus funds with the goldsmith became known as a "depositor" and paid for the privilege of having his money protected. These payments were called "bank charges". The depositor who needed funds, to pay wages or debts, could come to the bank at any time and take out the necessary amount.

Soon it was clear that unnecessary risks were being taken by depositors who needed to pay money to creditors. The depositor had to take the money and deliver it to the creditor who immediately took it back to the bank. Why not simply order your bankers to transfer funds from your deposit to the creditor's deposit? This was the origin of the check system.

The goldsmiths also saw that only a small percentage of each depositor's funds were used regularly and that there were large sums of money that remained unused for long periods of time. It seemed safe to lend some of this money, at a price, to people eager to borrow for industrial or commercial reasons.

The Essence of Banking

In a few words the essence of banking was the safekeeping of deposits, making payments on behalf of depositors and lending money. Banking today is all of the above and much more. It has developed into a very sophisticated and varied trade and now we talk of it as "the supermarket of financial services". Walk into a bank in almost any part of the world and one can choose to open a checking account, change money, send money to another country, buy insurance, make an investment, ask for a loan or simply use the A.T.M.

As the services of banking have grown so have the different types of banks, which for simplicity we have divided into three main areas borrowing the terminology from Citibank.

The Three 'I' s of Banking

The **Institutional Bank**, the Corporate Bank or the Commercial Bank, historically was the first type of bank. It came into being to provide capital to the agricultural and industrial revolutions. It offers large companies, financial institutions, domestic and foreign governments a wide range of financial services, some of which are loans, cash management services and payment services.

The **Individual Bank**, the Consumer Bank or the Retail Bank, provides the individual with services such as checking accounts, savings accounts, investment opportunities, credit cards, loans and electronic banking services like A.T.M., home banking and wire transfers.

The **Investment Bank**, or Merchant Bank, generally offers investment services some of which are: fundraising, merger and acquisition services, management of investment portfolios, venture capital activities and management of interest rate and foreign exchange risks.

ECONOMICS

What is Economics?

Economics is the science of making choices. Individuals must decide whether to stay in the office for another hour or go home to the family; whether to choose a career in advertising or banking; and whether to play golf, watch television or read a book for relaxation. As a group, people must also choose through their governments whether to build a dam or repair highways with their taxes; and whether to build a subway line or increase the size of the police force.

The common element in all these decisions is that every choice involves a cost. Choosing anything means that something else must be given up. Listening to this text means that you are not watching television. Since people want to get the most out of their choices – maximizing the benefit – understanding the process and cost of each choice is important.

Some of the basic concepts and models associated with the study of making choices, the building blocks of economics, are: scarcity and opportunity cost, marginal analysis, demand and supply, specialization and comparative advantage, markets and prices, competition and aggregate supply and demand.

Why are choices necessary? Choices must be made because resources needed to make goods and services are limited, but the competing uses for them are not. One limited resource, for example, is time. There are only 24 hours in a day, and people do not live forever. Choosing to work for another hour means that time for some other competing activity, such as playing tennis is lost. It is the scarcity of productive resources that makes choices necessary. Making choices under conditions of scarcity is not only a part of life but also the subject of economics: Economics is the study of how individuals allocate scarce resources among competing uses to maximize their satisfaction.

Microeconomics and Macroeconomics

Economics branches out in two broad areas. Microeconomics deals with individual markets and entities. (The prefix *micro* means "small.") The market for wheat, the price of housing, the demand for factory workers, the supply of engineers, and effect of the gasoline tax on gasoline sales are all microeconomic subjects. Microeconomists answer questions like this: How much will the price of orange juice increase when too much rain destroys half the orange crop in Sicily. How many students will drop out when the university raises tuition by 25 percent? As one can see, microeconomics is concerned with very specific questions involving individual markets, firms and consumers.

In contrast, Macroeconomics deals with aggregates or the sum total of actions in many separate markets. (The prefix *macro* means "large".) It focuses on the macro, or large, economic elements of the economy as a whole. Macroeconomics is concerned with how total output in an economy is determined, rather than the output of wheat or cars; with the average level of prices, rather than particular prices for fish or gold or computers; and with total employment or unemployment rather than the number of workers in the car industry or in a particular car factory.

While there are more microeconomists at work, macroeconomists get more of the headlines. They track the national and world economy, answering questions and making predictions about inflation, unemployment rates, and how government might use its taxing and spending powers to prevent business recessions and promote economic growth.

Adapted from *The Copy Workshop*, B.B.C. Communications Inc. 1988

MARKETING

Marketing is an inescapable influence which touches all of us every day of our lives. We wake up to a Sony alarm clock, which begins to play a song sung by Zucchero, followed by an Alitalia commercial advertising a flight to New York. We enter the bathroom where we brush our teeth with Colgate, shave with Gillette, spray our hair with Clairol, and use other toiletries and appliances produced by manufacturers around the world. Later we step into our Fiat car and drive off to work. The marketing system has made all of this possible, with little effort on our part. It has delivered to us a standard of living that would have been inconceivable to our ancestors.

What is Marketing?

What does the term marketing mean ? Most people mistakenly identify marketing with selling and promotion. Selling is only the tip of the marketing iceberg. Selling is only one of several marketing functions, and often not the most important one. If the marketer does a good job of identifying consumer needs, developing appropriate products, and pricing, distributing, and promoting them effectively, these goods will sell very easily.

When Eastman Kodak designed its instamatic camera, when Atari designed its first video games, and when Mazda introduced its RX-7 sports car, these manufacturers were flooded with orders because they had designed the "right" product. Not me-too products, but distinct ones offering new benefits. Peter Drucker, a leading management theorist, put it this way: "The aim of marketing is to make selling superfluous. The aim is to know and understand the customer so well that the productor service fits him and sells itself".

The Evolution of the Marketing Concept

The marketing concept may seem like an obvious approach to running a business. However, business people have not always believed that the best way to make sales and profits is to satisfy customers. A famous example is Henry Ford's marketing philosophy for cars in the early 1900s: "The customers can have any color car they want as long as it is black". The philosophy of the marketing concept emerged in the third era in the history of business, preceded by the production and the sales eras.

The Production Era. During the second half of the nineteenth century, the Industrial Revolution was in full swing in Europe and the United States. Electricity, railways and the assembly line made it possible to manufacture products efficiently and in large quantities. With new technology, products poured into the marketplace, where consumer demand, guided by production, was strong. This production orientation in the marketplace continued into the early part of this century.

The Sales Era. In the 1920s, the strong consumer demand for products subsided. Businesses realized that consumers were making choices and that products would have to be "sold" to consumers. From the mid 1920s to the early 1950s, businesses viewed sales as the major means of increasing profits.

The Marketing Era. By the early 1950s, some business people began to recognize that efficient production and promotion of products did not guarantee that customers would buy them. These people found that they must first determine what customers want and then produce it, rather than simply make products first and then try to change customers' needs to correspond with what is being produced. As more organizations realized the importance of knowing customer's needs, businesses entered the marketing era – the era of customer orientation – the era of today.

(Adapted from: *The Employment Kit*, American Marketing Association; *Marketing Concepts and Strategies*, Houghton Mifflin Company, Boston 1991.)