Introduction to Advertising

The Day That Wal-Mart Dropped the Smiley Face

Retail giant Wal-Mart annually spends close to a half billion dollars on advertising, so the company's decision in the first month of 2005 to run full-page ads in more than 100 newspapers was not really surprising. What was surprising was the copy in those ads, which said nothing about low-priced toasters or new music CDs. Instead, the ads featured a photo of workers in their blue Wal-Mart smocks and a letter from Wal-Mart CEO Lee Scott. Scott's letter was blunt and to the point: "When special-interest groups and critics spread misinformation about Wal-Mart, the public deserves to hear the truth. Everyone is entitled to their own opinions about our company, but they are not entitled to make up their own facts."

Not the sort of message many would expect from a company whose television ads often feature a yellow "smiley-face" flying around a Wal-Mart store lowering prices. But it is a clear sign that Wal-Mart believes it can no longer afford to ignore several societal trends that threaten the company's success and profitability.

Wal-Mart is the largest and most successful retailer in the world. It employs more people than any other private company in the United States (almost 1.2 million) and has world-wide sales of over a quarter *trillion* dollars, more than four times that of its nearest competitor. The foundation of this impressive record is the company's ability to keep its promise of customer-friendly service and low prices.

But with success comes attention and not all of it good. Several lawsuits claim Wal-Mart shorts overtime pay and one lawsuit claimed female employees face discrimination in pay and promotions. Wal-Mart's expansion plans have also run into trouble, as some cities and states, citing concerns ranging from low wages, inadequate benefits, environmental damage, and harm to local economies, have passed laws to make it difficult or impossible for Wal-Mart to build its giant superstores.

In response to past criticisms of its diversity policies, Wal-Mart created company-wide postings of promotional opportunities, created a new position for a director of diversity, and slashed the bonuses of managers who fail to achieve diversity hiring targets. Scott himself stands to lose $600,000 from his annual bonus if Wal-Mart does not meet diversity goals. Recent years have also seen the CEO spend more time meeting with investors, community groups, and the media.

But in recent years Wal-Mart has begun to use advertising as a way of addressing criticisms that the company is not a good employer. At first, much of this advertising was "soft-sell," emphasizing happy Wal-Mart employees. The new campaign is clearly more direct: The copy seeks to address misperceptions about employee wages and benefits, noting that full-time company employees are paid an average of $9.68—substantially higher than what is required by federal law ($5.15). The copy also notes that a majority of Wal-Mart employees said benefits were important to them when they chose to take a job at the retailer. Complementing the ads is a public relations campaign in select cities using employees and press conferences. In Tampa, Florida, for example, employee Michael Martin told reporters, "I'm making more after working four years at Wal-Mart than I did after nine years at Winn-Dixie." Martin, a department manager, noted, "I left Winn-Dixie because I couldn't get a promotion. Here I got one after six months."

Why is the company using a new approach? "For too long, others have had free rein to say things about our company that just are not true," said Lee Scott, president and chief executive officer. "Our associates [Wal-Mart speak for employees] are tired of it and we've decided to draw our own line in the sand." It is too soon to know if the campaign will succeed, although some are already skeptical. According to retail marketing consultant Jordan Zimmerman, aggressive image campaigns like Wal-Mart's are rare and costly. And ads that directly address the company's critics will not likely replace the company's regular brand advertising (including the smiley face), which is not scheduled to change any time soon. But the new ads do constitute a small change in the nature of the dialogue Wal-Mart has with consumers and society. Only time will tell if they help Wal-Mart to stay on top.

Consider This

1. What is Wal-Mart doing with its latest campaign? What are the difficulties involved in such an effort?
2. A recent *Advertising Age* article noted that Wal-Mart customers are less likely to read newspapers and more likely to watch television than the population as a whole. Why, then, did Wal-Mart choose newspapers for its new campaign?
3. Analyze this Wal-Mart campaign and explain its purpose referring to the discussion in this chapter of the roles and functions of advertising. What is its primary purpose? Do you think it will be effective at accomplishing that purpose?

Sources: Claire Atkison, "Prices and People Stressed in Retail Titan's Advertising," *Advertising Age* (October 6, 2003): 3; Jack Neff, "Store Ads Still Treated as Promotion," *Advertising Age* (February 9, 2004): 44; Kourtney Stringer, "In Ad Blitz, Wal-Mart Counters Public Image as Harsh Employer," *Wall Street Journal* (January 14, 2005): B3; "Our Commitment to Communities," http://walmartstores.com/wmstore/wmstores/Mainnews.jsp; Mark Albright, "Wal-Mart Fires Back," *St. Petersburg Times* (January 13, 2005); Ann Zimmerman, "Wal-Mart to Hit Latest Sales Goal After Late Surge," *Wall Street Journal* (January 4, 2005): B2.

CASE

Upromise Uses Values Marketing to Pay for College

Most consumers are familiar with loyalty programs from airlines, hotel chains, and car-rental companies. Airlines call them frequent flier miles, and people who choose a particular airline each time they fly can accumulate them to get a free flight or an upgrade. The program rewards heavy fliers and encourages fliers to remain loyal to an airline for a reason besides low fares.

Many people probably believe it would be great if loyalty programs like these existed for the places where most consumers spend the bulk of their money—for example, grocery stores and gas stations. In fact, such a program does exist. Upromise, a college-savings loyalty network, was started in 2001 by Michael Bronner and George Bell. The idea is simple. When consumers shop at participating stores, a portion of the receipts is set aside for a college-savings plan in the consumer's name. There is no cost for the shopper, other than the time necessary to sign up for the program.

One obvious benefit of participation is the opportunity for people to make painless, regular contributions to their children's college savings. The National Center for Education Statistics estimates that in order to have tuition and board for a child attending a private college in 2010, parents would have needed to save $800 a month starting in 1998. At those prices, parents probably want any help that they can get. Of course many people do not spend enough on groceries and gas to generate even $100 a month, but Upromise allows families to pool contributions. That means grandparents and other relatives can use their grocery purchases to help as well. What if you've just graduated from college? Upromise allows recent grads to enroll in the program to pay off their student loans.

Helping people to pay a big expense is an important benefit of the Upromise program, but some see much more. "As a marketer, I am giving money and I'm expecting the customers to say 'I'm going to do more business with them because I like their values,'" says Rick Barlow, chairman-CEO of Frequency Marketing. "It's a brilliant and a powerful idea because it combines an aspirational and an altruistic goal." Bronner puts it this way, "I see the evolution from value marketing to values marketing."

There are benefits for participating Upromise sponsors, too. Companies can track participant purchases because people in the program have to use either a major credit card (such as Citibank cards) or a grocery chain card. A small brand can build customer loyalty and encourage consumers to switch by offering a larger credit than its competitors.

In just three years Upromise has proven very successful. The company has signed partnerships with major brands including ExxonMobil, AOL, Citibank, and Publix supermarkets. Marketing costs are low since program sponsors do the bulk of the advertising. And consumers are signing up in droves. The program currently has 5 million participants, and membership is growing by about 50 percent a year.

Consider This

1. What are the risks for brands that become Upromise sponsors? What are the risks for those that don't?
2. Although the program seems like a "win-win" for consumers and marketers, some critics have pointed out that most people will not be able to save for a college education exclusively by participation in Upromise. In addition, some suggest that people are spending in an unhealthy way in order to maximize their credits. How should Upromise respond to these criticisms?
3. How does the use of a sales promotion, such as the Upromise program, benefit a brand? How would you recommend evaluating the effectiveness of the promotion?

Sources: Cara Beardi, "Been There, Done That," *Advertising Age* (July 23, 2001); Dale Buss, "Giving Credit Where It's Due," *Brandweek* (July 26, 2004); Anne Marie Chaker, "How Shopping Can Pay for College; Rewards Programs Offering Tuition Benefits Emerge as a Popular Savings Tool," *Wall Street Journal* (September 23, 2004): D2; Kaja Whitehouse, "Shopping Rebates Promise to Ease College Tuition Costs," *Wall Street Journal* (June 12, 2002): D2.