



sixth edition
marketing
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Dear Professor,

We are delighted to inform you that the 5th edition is now in print. The new edition provides the power of the new **SmartBook** adaptive reading experience, which allows you to engage your students so that they are better prepared when they come to class. With the introduction of the 5th edition there will be **new Video Cases** and new **iSeeIt! Videos** coming in connect. At the end of this newsletter, we have included a preview of the new material in 5e. If you haven't yet seen the 5e, request a sample from your McGraw-Hill rep or [request it online here!](#)

We are thrilled to provide the Grewal/Levy newsletter to empower you to provide current, cutting-edge examples of marketing in the classroom.

The newsletter includes abstracts of current articles, notes on the applicable chapters in the textbook, and discussion questions, together with their answers. The newsletter also features current videos. We hope you will find the visual and comprehensive topic coverage useful. The newsletter is also accessible at grewallevymarketing.com. We encourage you to tell us how you use the newsletter. Please send your feedback to mlevy@babson.edu.

Sincerely,

Dhruv Grewal and Michael Levy

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This newsletter summarizes article abstracts for the following topics:

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April 2017



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Videos

“The ‘Jungletown’ Start-Up in the Panama Rainforest”

- An innovative business allows 18- to 25-year-old applicants to intern, conduct research, and build something total novel—as long as they pay the \$5000 fee. Is this sustainable site also a sustainable business model?
- 3:12 minutes
- <http://www.wsj.com/video/the-jungletown-start-up-in-the-panama-rainforest/380B13A6-34BD-4B31-8ED2-73A8496CD562.html>

“Statue of Courageous Girl Faces Wall Street Bull”

- What does public art mean? What does it do? And what if it is ultimately a publicity stunt?
- 0:54 minutes
- <https://www.nytimes.com/video/us/100000004977856/statue-of-courageous-girl-faces-wall-street-bull.html?action=click&contentCollection=business&module=lede®ion=caption&pgtype=article>



Retailers Have Bright Ideas for Marketing Campaigns During Lunar New Year

Angela Donald, "How Brands Targeted China's International Travelers During Lunar New Year," *Advertising Age*, February 17, 2017

Use with Chapter 8, "Global Marketing"

During one of the two annual "golden weeks" observed in China, most workers receive seven consecutive days off to celebrate the Lunar New Year. In the past, workers would leave the cities or factories where they spend most of their time and take the opportunity to travel home to visit with their families. But young Chinese workers are starting to buck this long-standing tradition. This group of travel-ready millennials increasingly are choosing international travel instead of a trip to grandma's house, such that last year, 6.15 million Chinese people traveled internationally—a 7 percent increase from the prior year.

Most of these travelers are between the ages of 25 and 34 years. The upcoming generation is notable too, such that the government estimates that 74 million students will graduate from Chinese universities in the next 10 years. These affluent workers likely will have the disposable income necessary to make international trips, and the Lunar New Year golden week presents the perfect opportunity for a long trip. Recognizing this emerging trend, many retailers have launched new promotions aimed at appealing to these international Chinese travelers.



For example, Visa, which has long struggled to break into the heavily regulated Chinese market, promotes its products as an alternative payment method that can be widely used overseas. The company produced a new commercial showing a well-traveled adult daughter bringing her parents overseas to Australia for the first time. This advertisement showed potential Chinese travelers a way to marry an old tradition with a new one: Don't just visit family, bring them along!

Other companies capitalize on the growing popularity of live-streaming in China. Travel companies will record or live-stream videos of unfamiliar overseas locations and offer customized travel itineraries or

other services. Department stores expecting an influx of Chinese travelers design and offer special merchandise to be sold exclusively during the Lunar New Year. In 2016, Bloomingdale's offered a special Year of the Rooster tote bag.

Even Chinese brands get in on the action and plan international advertising campaigns designed to capture the attention of Chinese travelers while they are away from home. Mengniu, a Chinese brand of milk, recently placed an advertisement in New York's Times Square, in the hope that Chinese travelers will purchase the product when they returned home. But Mengniu also sought to get the advertisement spread through social media, to show curious Chinese travelers that their familiar, well-known, local brand is also worldly and exciting.

Discussion Questions:

1. What ideas would you offer to marketers who want to capture the attention of Chinese travelers visiting the United States?

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Beautiful Loyalty: Sally Beauty's Effective Loyalty Program

Drew Neisser, "How Sally Beauty Gave Its Loyalty Program a Stunning Makeover," *Advertising Age*, April 5, 2017

Use with Chapter 6, "Consumer Behavior"

For the loyalty program at Sally Beauty, everything starts with an email address. It may end up with consistent customer engagement, sophisticated data analysis, and increased sales, but the first step in the process is ensuring that it can reach customers directly and effectively.

Therefore, when customers enter one of the retailer's 3000 stores or visit its online sites, they receive an invitation to purchase a \$5 membership into the program, with the promise that they also will get a \$5 coupon via email. Thus, the company learns customers' email addresses immediately, enabling it to share information about itself that might engage these shoppers on a more emotional level.



Next, it takes a careful look at what the customer buys. As an example, the company's chief marketing officer (CMO) notes that if a customer purchases hair dye, that person is likely going to need color-safe conditioner, perhaps a touch-up tool, and then another box of dye in about six weeks. Therefore, Sally Beauty times special offers and incentives accordingly, sending email messages and coupons at just the moment the customer is likely to be looking to purchase those items. It plans to add targeted advertising too, such that a banner advertisement that pops up when a loyal customer accesses the website would feature a model whose hair color matches the color that the customer bought most recently.

Beyond such immediate information, Sally Beauty works to leverage the data it gathers from its loyalty program to design new offerings that will appeal to the demographics and preferences exhibited by its loyal customers. In the CMO's own words, "We're at a place where everything is driven by the customer and driven by data."

Discussion Question:

1. How does Sally Beauty leverage its loyalty program to appeal to consumers?

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Short Films as Authentic Advertising: A New Approach to Attract Consumers' Attention

Sapna Maheswari, "The Ad Feels a Bit Like Oscar Bait, But It's Trying to Sell You and iPhone," *The New York Times*, April 2, 2016

Use with Chapter 18, "Integrated Marketing Communications"



The Tribeca Film Festival features cutting-edge documentaries and independent narrative films, along with big stars and the promise of massive movie deals. But this year, it has added a new category that prioritizes and embraces short films made with the sponsorship of brands. In another setting, it would be advertising. Here, it looks nearly like any other entertainment.

A key element of these short, brand-sponsored films is their effort to seem "authentic." That means that the story must be compelling, the cinematography needs to be beautiful, and the lighting must be good. But it also implies that the brand sponsorship should

be clear and evident, because otherwise it would appear manipulative.

Some of the best examples rely on creative filmmakers who can leverage the support of a brand to make a great piece. Whereas in the past, artists might have shied away from commercial work, the vast creative license, and substantial budgets, they enjoy from brands that want to make a mark has attracted many personalities to engage.

For example, Carrie Brownstein is known for her contributions to punk music as a founding member of the riot grrl band Sleater-Kinney and for her satirical perspective on *Portlandia*. But she also wrote and directed a funny, seven-minute movie poking fun at social media habits. The clothing brand Kenzo sponsored it, and though all the actors (including Oscar winner Mahershala Ali and Natasha Lyonne) certainly are sporting cool clothes, the only mentions of Kenzo come in the opening and closing credits.

The iPhone entry to the Tribeca contest has a bit more to do with the product, in that the entire shoot was obtained with the cameras that come in the iPhone 6s model. But the topic is mountain climbing in Bangladesh, not technology or cameras.

Although these combinations of advertising and film are not as widely available as more traditional forms, they can be found on streaming services such as YouTube or Vimeo. Some brands post them on their own website too, and *The Atlantic* has a special section devoted to the Tribeca entrants. Then through the Festival itself, the best examples are eligible for a special jury award, the Tribeca X Award, that puts the filmmakers on the same podium as documentary and narrative creators.

Discussion Question:

1. How can brands and filmmakers get their creative products in front of consumers? Which channels should they prioritize?

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The Pepsi Challenge: How Did Such a Tone-Deaf Advertisement Ever Get Approved?

Nathaniel Friedman, “A Pepsi Commercial’s Lesson for Advertisers,” *The New York Times*, April 6, 2017; see also E.J. Schultz, “After Kendall Jenner Ad Debacle, What’s Next for Pepsi?” *Advertising Age*, April 6, 2017

Use with Chapter 3, “Social and Mobile Marketing,” and Chapter 19, “Advertising, Public Relations, and Sales Promotions”

Although it never aired in the United States, the Pepsi advertisement in which Kendall Jenner seemingly resolves such thorny and difficult issues as systematic racism and police brutality by handing a police officer a beverage has been seen nearly everywhere. Such viral spread is often a goal of brands, but in this case, the vast reach of the offensive marketing has put Pepsi in a very tight spot.



The question on many watchers’ minds is how such an advertisement got approved in the first place. The problems with the advertisement, from cultural appropriation to a condescending attitude toward protests that highlight real issues in the world, are manifold.

In pulling the ad, Pepsi apologized by stating that it was “trying to project a global message of unity, peace and understanding.” It also was likely trying to appear modern and current, reflecting a national situation in which many people are engaging in protests for the first time. It also might have been trying to push boundaries, to appear edgy. Yet ultimately, the purpose of any advertising must be to sell what the brand is marketing, which can make for an awkward combination of efforts.

And this advertisement did not achieve any of these goals. Instead, it prompted a mocking *Saturday Night Live* skit, countless memes, and a tweet from the daughter of Martin Luther King Jr., who sarcastically noted, “If only Daddy would have known about the power of #Pepsi.” On social media, nearly 60 percent of the comments about Pepsi were negative in the days after the controversy went public.

So what does Pepsi do now? Some suggest just letting the storm blow over, because the buzz eventually will die down on its own. Others argue that Pepsi has a greater responsibility and needs to go beyond a simple apology, to spark change in the industry and help prevent such offensive marketing from cropping up again.

Discussion Questions:

1. What is Pepsi’s responsibility in this situation?

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Once a Counterfeit Haven, China Hosts a Growing Market for the Real Thing

Lilian Lin, "More Chinese Consumers Say No to Fake Goods," *The Wall Street Journal*, March 27, 2017

Use with Chapter 14, "Pricing Concepts for Establishing Value"



China has something of a reputation as the place to find, sell, and buy counterfeit versions of some of the most popular consumer goods, from copies of luxury brands to fake versions of popular toys. But as Chinese consumers' purchasing power grows, the counterfeit market is feeling the pressure from growth in authentic products.

For example, sales of licensed entertainment products have grown by 30 percent in China. Previously, consumers often sought inexpensive knock-off versions of shirts, hats, and bags with their favorite characters. As their ability to buy higher quality, authentic versions

of those same items grows, many of them are coming to appreciate the benefits of paying a little more.

In addition to their growing buying power, these shifts reflect the increasing access that Chinese consumers have to popular Western media, in the form of movies and television shows. For example, the box office proceeds for all of China were \$2.7 billion in 2012; today, they have jumped to a whopping \$6.6 billion. In response, there are 25 Simpsons-themed stores to meet demand throughout China. They compete for revenues with the world's largest Disney store, which is in Shanghai.

Still, this is not to suggest that counterfeit products have disappeared. Although there are no clear numbers, estimates suggest that counterfeit goods make up a nearly \$300 billion market. Counterfeiters also are savvy, such that they may simply up their quality just a little, enough to satisfy the increased quality demands of consumers, and still make money.

Discussion Question:

1. What elements must be in place for a counterfeit market to thrive?

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Starting at Zero: Reconsidering an Old Technique for Defining Marketing Budgets

Nina Trentmann, “European Companies Use Old-School Budget Tactics to Cut Costs,” *The Wall Street Journal*, April 7, 2017

Use with Chapter 2, “Developing Marketing Strategies and a Marketing Plan”

When companies establish their annual marketing budget for the coming year, they often look at their most recent past budget. It makes sense; they can investigate whether they spent too much or not enough, in the right or wrong places, and with what sorts of outcomes. But such an approach also sets a sort of implicit threshold, and in that situation, it is easy for costs to climb quickly, as more and more money gets added to the budget each year.



In response, many companies are rediscovering a budgeting tactic that was first introduced in the 1970s. Called zero-based budgeting, it mandates that each department start fresh, as if it were brand new, without any previous budget to take into account. Each cost thus must be justified anew, rather than just assuming that spending should continue automatically.

The renaissance of this method is encouraged greatly by the availability of expanded data, intelligent technology, and automated approaches. Because they can take a closer look at granular spending data, the managers in charge of creating the budgets can avoid unnecessary costs, such as cushions that might have been inserted in the past to protect against a proverbial rainy day.

At Unilever, the application of zero-based budgeting led to a radical reorganization of its use of external advertising consultants. It will cut the number of creative agencies it works with by half, and it plans to reduce advertising spending by about 30 percent. As a result, Unilever expects to save \$6.4 billion in the next several years, which it will reinvest in other areas of the company.

But not everyone is on board. Even as the percentage of companies that use zero-based budgeting has grown, estimates suggest that it still has been adopted by less than 40 percent of companies. For some, sticking with what they have done in the past may be too compelling.

Discussion Question:

1. Should companies adopt zero-based budgeting? Why or why not?

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It's Both Cute and Horrifying: A Historical Ad that Tries to Get Babies to Chew More Gum

Rachel Rabkin Peachman, "Is Chewing Gum Good for Toddlers? Or Anyone?" *The New York Times*, April 5, 2017

Use with Chapter 4, "Marketing Ethics"



A recently unearthed direct mail piece from around 1938 offers a stellar example of how much marketing ethics has shifted over the years. The advertisement by the Wrigley Company involves a letter addressed to a toddler, suggesting that turning 2 years old marks the perfect occasion to start chewing gum. It also enclosed a stick of gum for the child to try.

That in itself seems pretty remarkable; sending a stick of gum to a child who might not even have teeth sounds crazy. But the Wrigley Company, and its founder William Wrigley Jr., firmly believed that if they

could catch consumers' attention and loyalty early, they could keep them hooked on Wrigley's gum for their whole lives. To encourage trials, the company sent millions of letters to toddlers across the country, each enclosed with a stick of gum.

The letter also makes several promises that today would not pass the bar for truth in advertising. For example, it claims that gum is good for children's teeth—better than the "modern soft food" they get—and that it can help with the pain of teething. Both these claims are demonstrably untrue, though it is unclear if Wrigley knew that or if the company, at that time, simply did not have the necessary science in hand. That is, many people believed that chewing gum was good for their teeth. Only more recently did we realize that the benefits only outweigh the harms if the gum is free of sugar. Similarly, gum is unlikely to do much for teething babies, but it might be better than another old remedy, which recommended putting alcoholic spirits on a baby's gums to resolve the discomfort.

The funny little direct mailer thus highlights how far marketing has come, but also how it remains similar. Getting consumers to exhibit lifelong loyalty to a product is still a central goal for marketing, and promising remarkable benefits from product consumption is a widespread tactic. But it is rare today to find marketing explicitly targeting babies. Increased regulations also demand that product benefit claims be backed up by actual evidence and science.

Discussion Question:

1. What are the ethical considerations involved in marketing products to or for children?

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The Baby Dove Product Line Extension and Its Context

Jack Neff, “Unilever Gives Birth to Baby Dove as Johnson’s Tries to Bounce Back,” *Advertising Age*, April 5, 2017

Use with Chapter 11, “Product, Branding, and Packaging Decisions”

For years, Dove only marketed cleaning and personal care products for women. A few years ago, it added the Dove+Men line, and today, it is expanding into products for babies, including wipes, lotions, and baby washes. Although the extension certainly seems like a reasonable move, it also might constitute a competitive strategy, designed to take advantage of the struggles of other big names in the baby care market.



Dove is well known for its moisturizing products, so it argues that an extension that leverages this expertise for a different type of consumer is utterly appropriate. In addition, it gained recent experience with product line extensions when it introduced its lines of products for men. Much of the advertising Dove already uses features families too, such that it does not seem like much of a stretch to focus on the babies that already appear in the ads.

These arguments are all compelling and likely true. But there’s another factor at work too. Johnson & Johnson, the clear market leader in baby care products, has encountered a troubling controversy, based on allegations that its talcum powder can increase the chances of ovarian cancer. Although the company denies these claims, sales of its famous baby powder have dropped precipitously. Such a challenge for one company represents opportunities for others, so Dove might be strategically seeking to make use of the market opening that Johnson & Johnson’s troubles have created.

These discussions and rationales make it seem like the product line extension is a no-brainer. But history also shows that many companies struggle to gain a foothold in markets for baby care products. For example, Huggies had great name recognition for diapers, but it was unable to ever get parents to purchase bath products under that brand.

Discussion Questions:

1. Does this product line expansion increase Dove’s breadth or depth?
2. How did trends in the wider market likely influence Dove’s decision to introduce its line of baby products?

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Can Automated Advertising Programs Ever Understand Context?

Google's Content Challenge

Daisuke Wakabayashi, "Google Training Ad Placement Computers to Be Offended," *The New York Times*, April 3, 2017; Jim Kerstetter, "Google's Ad Issues Expose a Vulnerability," *The New York Times*, April 3, 2017

Use with Chapter 3, "Social and Mobile Marketing"



Google is great at a lot of things, often due to its superlative technological prowess and creative innovations. But some of those advances also can create unforeseen problems, especially as their use expands and grows. In particular, Google uses an automated advertising function to determine where to place marketers' messages. On its YouTube channel, the program determines that advertisements for products that appeal to young men should go next to content featuring gun-wielding heroes in video games, for example.

What the system cannot determine though is whether the content really features fictional heroes or actual villains.

To a computer, a person waving a gun looks like a person waving a gun, whether it appears in popular entertainment or, more worryingly, in recruitment videos for terrorist organizations. For advertisers, this inability to distinguish is a huge problem; no one wants their brand name on the same screen as a horrific ISIS video.

Not only do such placements risk damage to the brand's reputation, but they also are inadvertently funding such groups, through their automated advertising payments. Advertisers might simply have complained if their marketing appeared next to a racy or NSFW video. They are threatening to boycott YouTube altogether if Google cannot guarantee that their dollars will not go to terrorists.

For Google, the problem is teaching computers context. That is, the computers must learn whether the context implies appropriate images or not. To do so, Google is leveraging the machine-learning techniques that it developed to assign ratings to videos. With frame-by-frame analyses, the system assesses the images and words, as well as descriptions by video creators. This information provides the context, and Google continues to train the program, such as by feeding incorrect assessments back in to the system, to get better. For now though, human handlers are constantly available.

Also in the meantime, Google has made it easier for advertisers to select what kind of content should be excluded from their packages. For example, they can insist that their ads never appear next to salacious material. In addition, if an advertiser wants to be next to controversial videos, it must actively opt in to that choice. Google also has banned the use of any hate speech in paid advertising.

The problems are not very widespread; of the thousands of advertisements Unilever posts on YouTube, it has found only three that appeared next to questionable content. But unless Google can reassure advertisers that their brand will not be at risk, due to content beyond their control, the problem will remain relevant.

Discussion Questions:

1. What other options might advertisers have to limit the risk of their advertising appearing next to controversial content?
2. Do you think Google can train machines well enough that they can assess content, similar to the way humans do?

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