

You want stuff. We all do, even if it's different stuff. But how do you know what you want? Maybe your friends have it, you've seen it advertised, or you need it. Promoting stuff is big business, and smart consumers know how to use a company's own marketing to get the most for their money.

When a company is deciding how to sell something, they look at the "Four Ps" of marketing: product, price, place, and promotion.

- **Product:** What's the actual product or service that a company is trying to sell? A product could be any *thing*—a computer, video game, cereal, shoes.... A service is a haircut, a cell phone plan (but not the phone itself), internet service...you get the idea.
- **Price:** How much can the company charge for the product? Lots of factors go into how a company sets prices:
 - how much it costs to make the product;
 - how much profit it wants to make on each sale. Profit is the difference between the cost of making and selling an item and the price at which it is sold. Say a cell phone that costs \$60 to make sells for \$75; the profit on each one sold is \$15; and
 - how much a company thinks consumers will pay for the product. For example, a company might be able to charge more for a product that is in demand, or less for a product it wants to sell quickly.
- **Place:** Where will the product be sold? At a store in the mall? Online? Through a catalogue? Some combination?
- **Promotion:** How will the company let you know that the product is for sale? Promotion tells you that the product is

available—and why you should buy it. Promotion can happen nearly anywhere—on programs you watch, games you play, sites you visit, restaurants you eat at, and even through the mail or email. Sometimes it's clear that what you're looking at is an ad. Sometimes it's not.

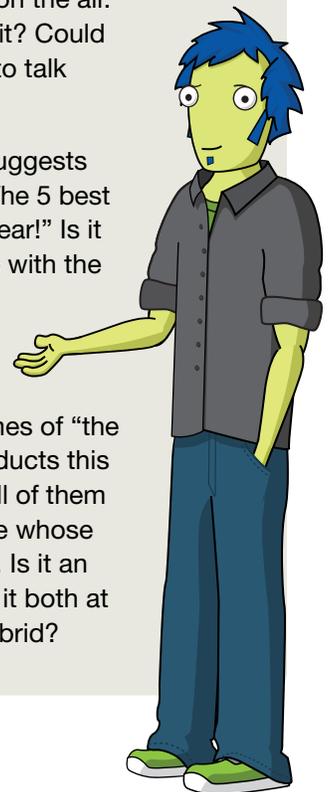
Advertising is a paid form of communication. Its main goal is to sell something—usually to a specific group of people. Advertising agencies work with companies to figure out who that audience is, and then direct the message to this "market," hoping that those people will buy the product or service.

Spot The Ad

A morning show DJ mentions her favorite product on the air. Does she really love it? Could she have been paid to talk about it?

A magazine article suggests specific products: "The 5 best skateboards of the year!" Is it an ad? Is it an article with the reporter's opinion?

The same magazine has six pages of pictures and the names of "the essential beauty products this year." You can buy all of them at a certain drugstore whose logo is on the pages. Is it an article? An ad? Or is it both at the same time—a hybrid?



But how can you tell what's actually an ad? Start by figuring out where the information comes from. Ask yourself:

- Who's giving you the information?
- Might they be paid to talk about the product?
- Is it someone you know and trust?

Look at it this way: if your best friend tells you about a product she liked, that's not an ad. But if a DJ mentions her favorite product, she *might* have been paid to do it. In a magazine, you can check to see if the article is in the table of contents, and whether a writer is listed. If so, chances are it's not an ad. Look for the word "Advertisement" on the pages of magazines or newspapers. Those six pages of beauty products that look like an article should say, even in fine print, that it's an advertisement—if it is. Hybrids—print ads that look like articles—are called "advertorials." On television, ads that look like television programs are called "infomercials." Online ads are sometimes pretty easy to spot, but also might look like a pop-up, a game—or might even be a whole website.

Advertising actually helps give you free (or less expensive) access to entertainment and information. Advertisers buy space in magazines, and time on TV and radio to promote their product to people they want to sell it to. That actually lowers the cost of the magazine or program for you, because the advertiser has helped pay some of the cost of printing and sending that magazine or producing the program. It's the same idea online: banners, buttons, and ads are on many websites, advertising products that might appeal to the people who visit a particular site. Those ads help pay the people who create the site and keep it innovative and up-to-date. On television, ads help pay for the programs

you watch, including sports and the news. In 2008, a 30-second ad on the Superbowl cost as much as \$2.7 million!

Things to Talk About and Do

- Think of a product you learned about through an ad. Did you know about it before? Did the ad make you want to buy the product? What about it made you want to buy the product?
- Imagine you want to run a business. You have a new product that you're sure everyone will want. Using the four Ps, come up with a short description of your product, how you'll price it, where you'll sell it, and how you'll market it. When you do that, you'll have the start of your marketing plan!
- Find an example of an ad that might be an article (or an article that might be an ad). How do you know which it is? What does it ask you to do? Who produced the ad or article?

Want to Find Out More?

Federal Trade Commission
www.ftc.gov

