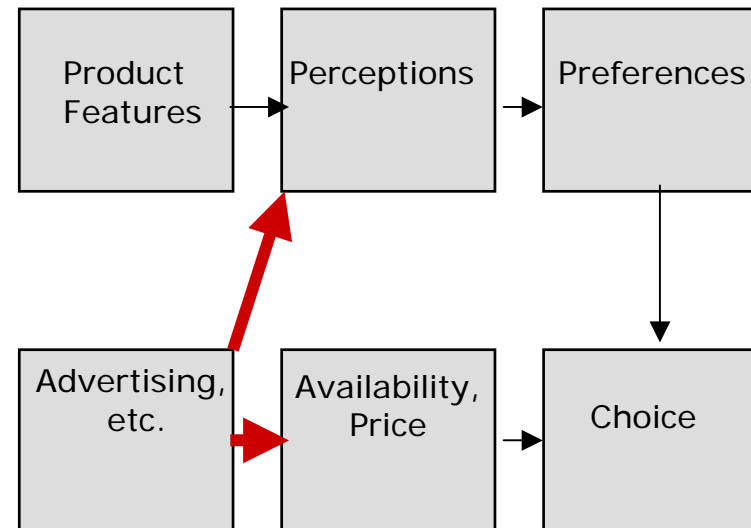


Session 10: Advertising (Promotion)

1. Communications decisions, relation to “Lens” model
2. Theories of consumer behavior underlying these decisions
3. Message, media, budgets

Communications examples

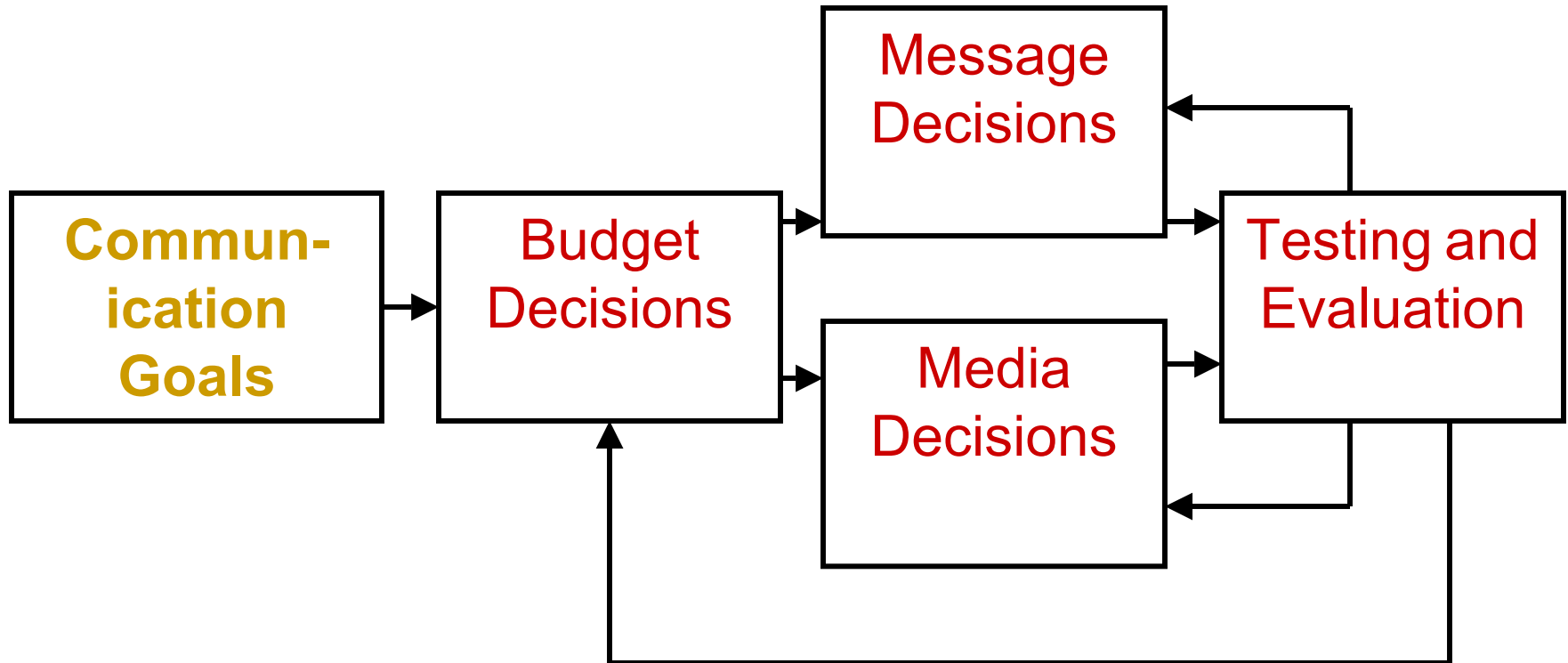
- ❑ **Intuit** – opens door for “free” offer
- ❑ **SWA** – entry into new market
- ❑ **Calyx and Corolla** – catalog as advertising, but not television
- ❑ **Brita** – “own” taste
- ❑ **Pantene** – “own” healthy → shiny → beautiful
- ❑ **Tivo** – but they can zap!



Communications methods are varied

| Advertising | Sales Promotion | Public Relations | Personal Selling | Web & Other | Direct Marketing |
|---|---|---|--|---|--|
| Print adv. Broadcast adv Packaging Inserts Movies Brochures Poster Directories Billboards Display signs Point of purchase Logos Symbols Trade dress Product placement | Premiums Gifts Sampling Fairs Trade shows Exhibits Demonstration Coupons Rebates Trade-ins Tie-in Loyalty Bundling Free-standing inserts | Press kits Speeches Seminars Annual Reports Charity Sponsorships Publications Community relations Lobbying In-house magazine Events | Sales presentations Sales meetings Incentive programs Samples Quantity discounts Fairs Tradeshow Telephone Test-drives | Banner adv. Search engines Embedded Pop-up ☹ Pop-under ☹ Spam ☹ Trust-based Advisors | Catalogs Mini-catalogs Mailings Telemarketing Internet |

Communications decisions



Some simple theories and tools help manage advertising and other communications

1. Consideration Set -- helps us understand the role of communication
2. Hierarchy of Effects -- helps us understand what needs to be said
3. Memory Schema -- helps us understand how to say it

Consideration sets – an important marketing phenomenon!

| | Consideration | Total |
|--------------------|---------------|-------|
| Yogurt | 4 | 40 |
| Deodorants | 4 | 32 |
| Shampoos | 6 | 39 |
| Laundry detergents | 5 | 24 |
| Cookies | 5 | 26 |
| Autos | 8 | 300+ |

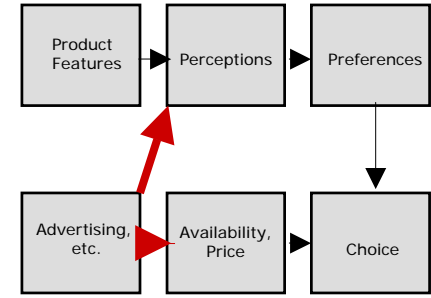
*If you can reduce your odds from 1 in 300 to 1 in 8,
how much is it worth?*

(Costs \$1 billion+ to design a new automobile.)

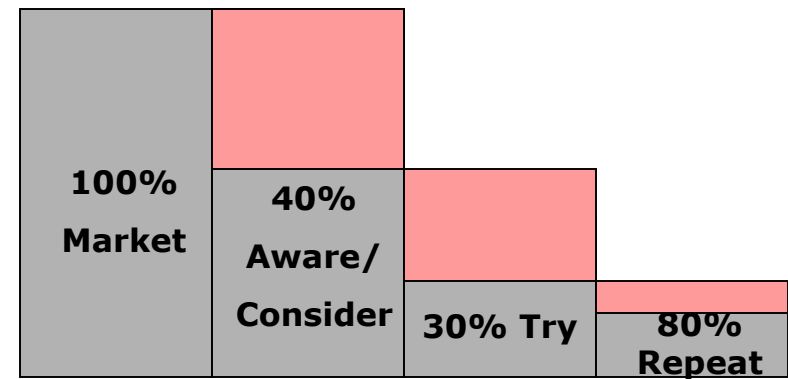
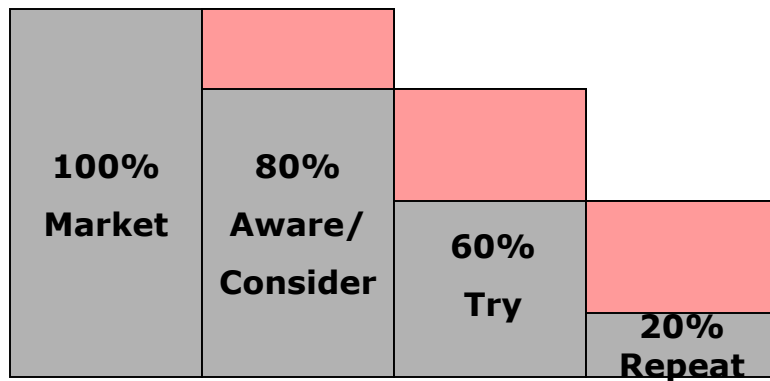
Are consideration sets rational?

| | Consumer | Managerial Action |
|--------------------------|--|---|
| <i>Search if:</i> | Benefit of choice from n+1 brands | Perceived quality, differentiation |
| | - Benefit of choice from n brands | Competitors' communications |
| | <i>exceeds</i> | |
| | Search cost | Communications |

The role of advertising, the Hierarchy of Effects (HOE)



HOE & “Lens” model help diagnose advertising effectiveness.

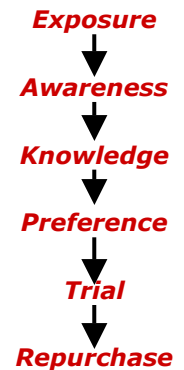


HOE isolates the root causes of advertising (in)effectiveness – indicates tactics

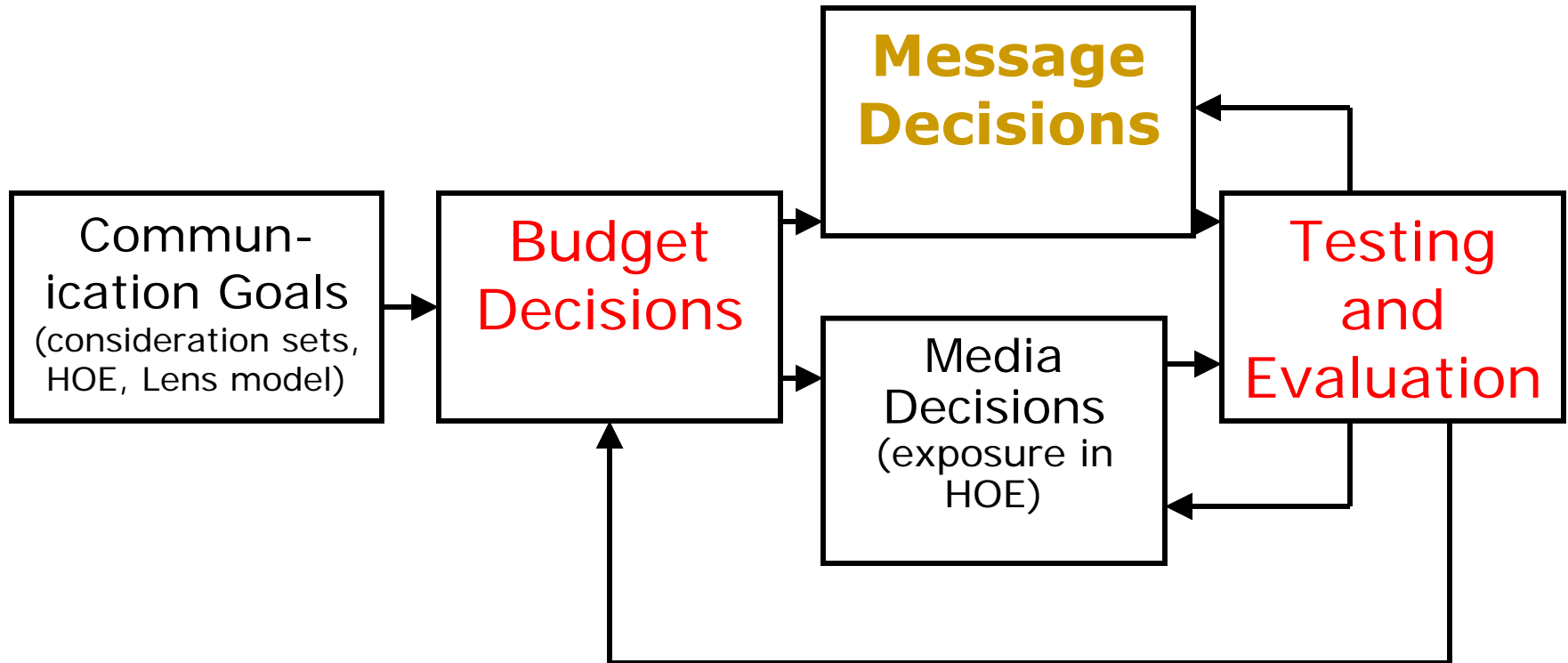


HOE helps make rational media decisions

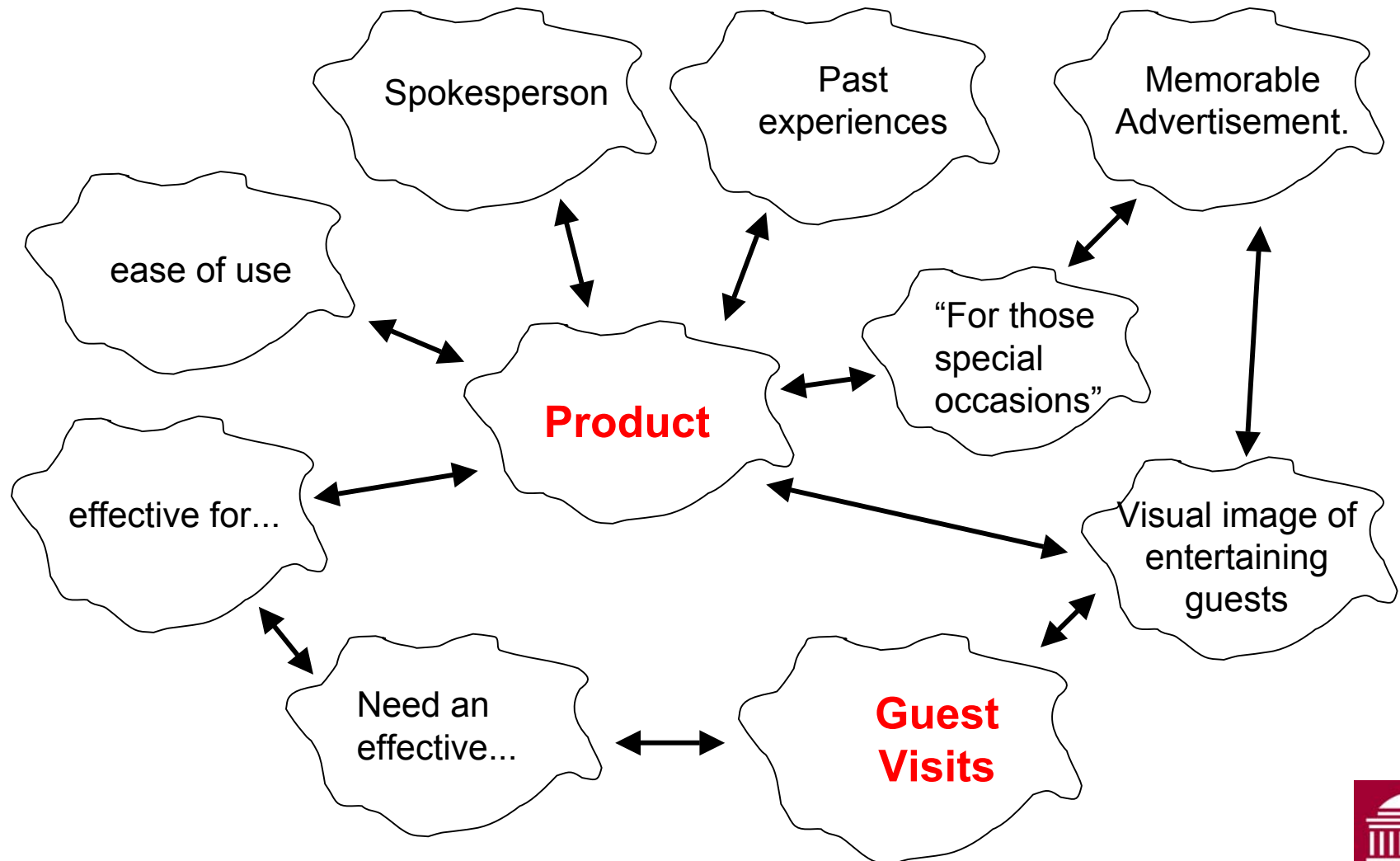
- Exposure – for example ACNielsen ratings, Arbitron ratings, by demographics
 - why golf? Soccer moms? Nascar dads?
 - Gross rating points per dollar (1% x 1 exposure)
- Are customers active or passive?
 - Coke vs. final phase of automobile purchase
 - burn into memory vs. help search
- How much information needs to be conveyed?
 - Consideration
 - Knowledge, preference, trial



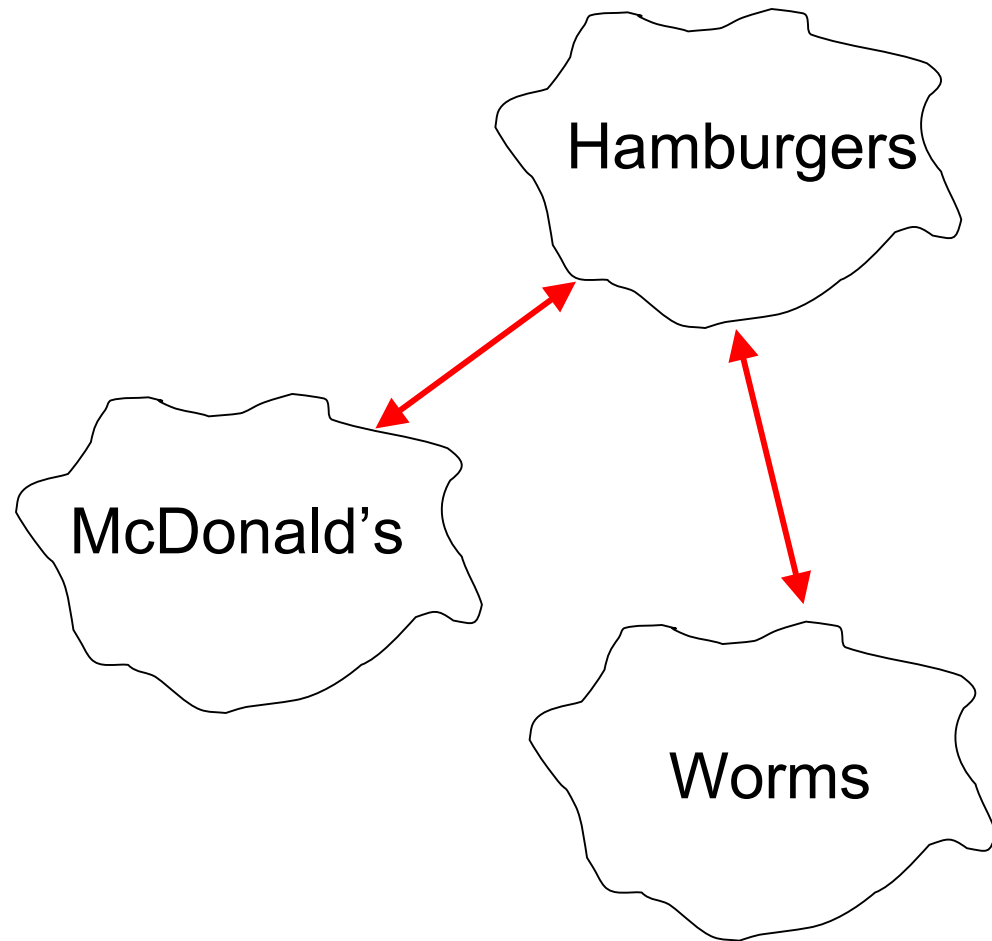
Communications decisions

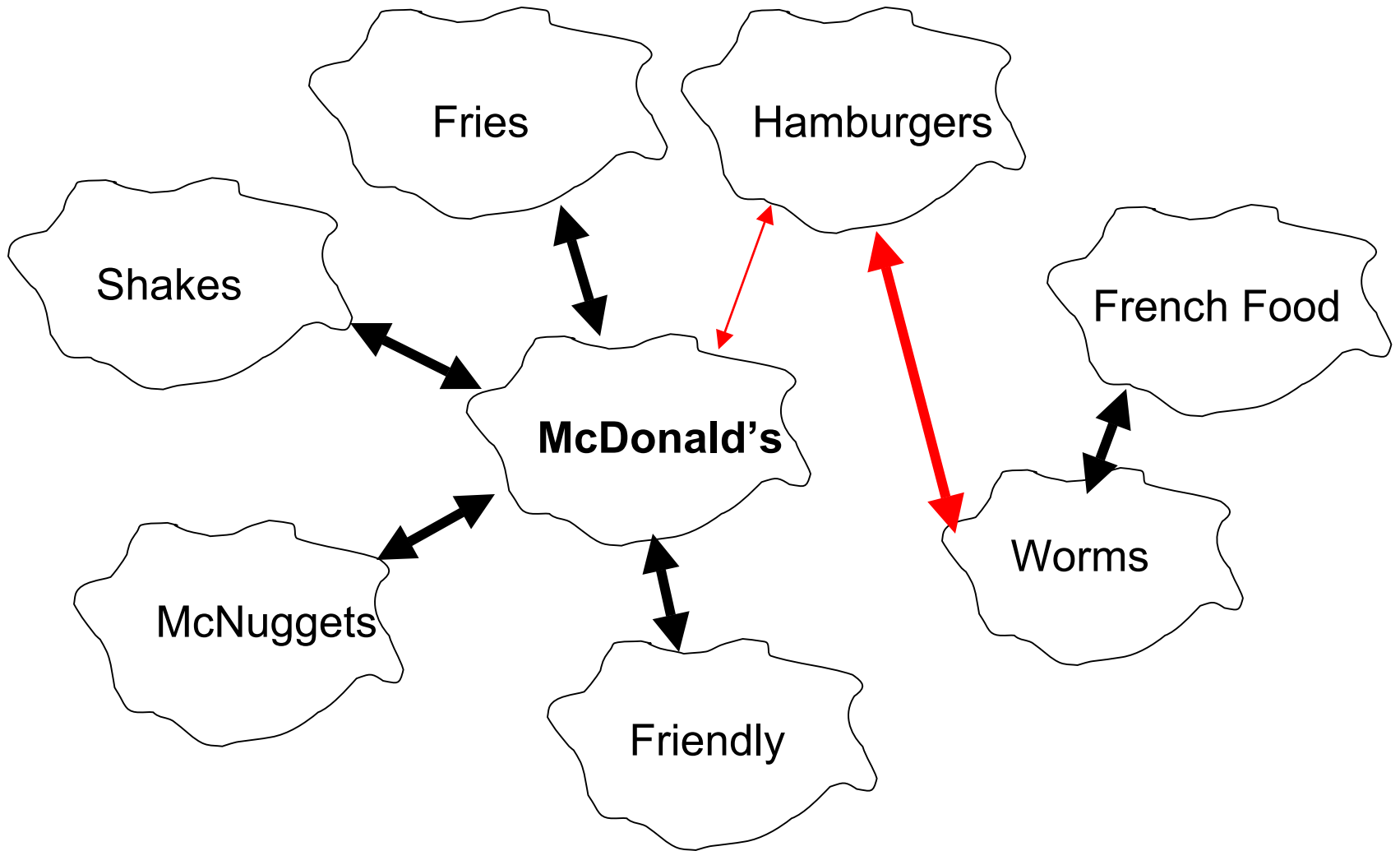


Message decisions -- Schema Theory



Rumor: McDonald's hamburgers are made from worm meat.





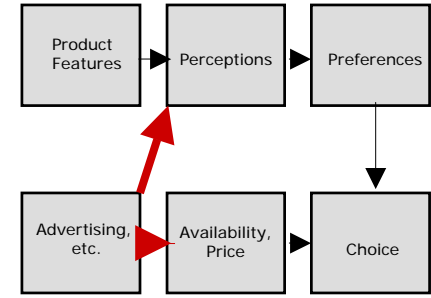
Memorable copy reinforces memory schema – easy to retrieve

| Positioning Issue | Creative Copy |
|---|---|
| <p>7-up is not a cola</p> <p>Let us drive you rather than you drive.</p> <p>Shop by searching the telephone directory</p> <p>If you drink many beers, Schaefer is a good one to drink</p> <p>We don't rent as many cars, so we have to do more for our customers</p> <p>Red Roof Inns offer inexpensive lodging</p> | <p>The Un-Cola</p> <p>Take the bus, leave the driving to us.</p> <p>Let your fingers do the walking.</p> <p>The beer to have when you're having more than one.</p> <p>We try harder.</p> <p>Sleep cheap at Red Roof Inns.</p> |

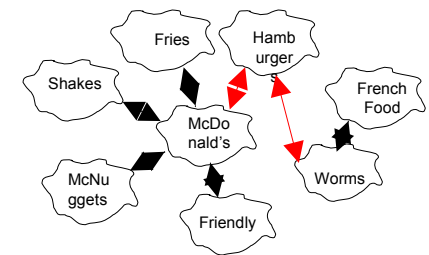
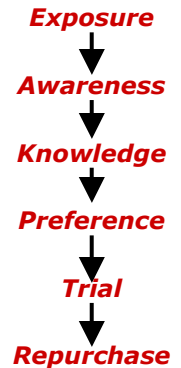
But what should be retrieved from memory (Keller, Sternthal, & Tybout)

- Brand positioning
 - points of difference (Fedex, speed then tracking)
 - points of parity (it had better clean)
- Brand associations
 - Subway – taste, then low-fat (Jarred)
- Brand DNA
 - Subway, Pantene, Suave
- Laddering
 - reliable → not tied to office → freedom of movement

Ogilvy on Advertising



- Do your homework – study the product (features → perceptions, adv → perceptions)
- Positioning – what the product does, who is it for?
- Brand image – brand “DNA” (Brita’s taste), BMW is ??
- What’s the big idea? – get through the clutter (HOE)
- Make the product the hero – tie to memory schema
- Pursuit of knowledge – listen to the research
- Cult of creativity – can be a science
- It’s not all sex.



Some examples

- ❑ British Airways – does copy success with respect to objective
- ❑ Citibank – original introduction in SE Asia, what was the core message, the future brand DNA?

Example copy strategy (British Airways)

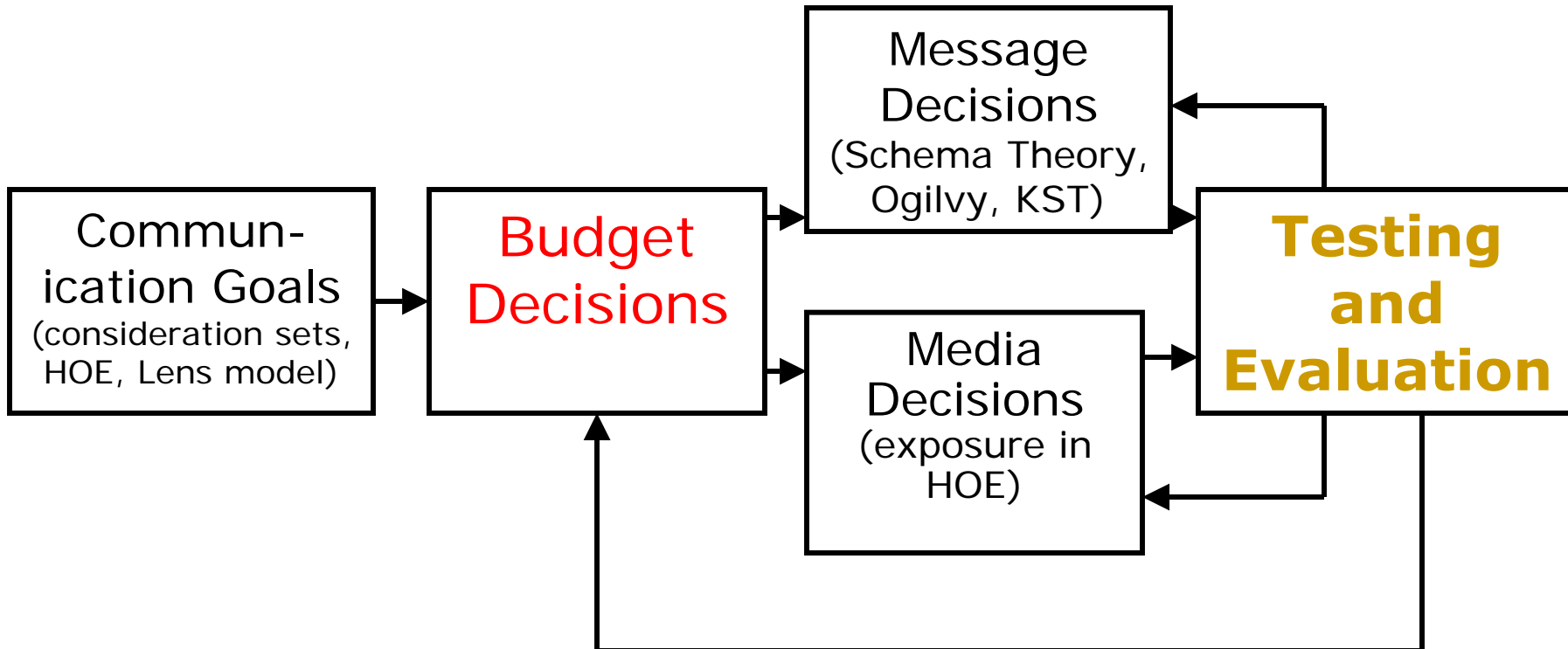
□ **Strategy Objectives**

- To project BA as the worldwide leader in air travel.
- To establish BA as the world's most successful airline.
- To demonstrate the superiority of BA products.
- To add value in the eyes of passengers across the whole range of BA products.
- To develop a distinctive, contemporary, and fashionable style for the airline.

□ **Execution Objectives**

- Simple and single-minded, dramatic and break new ground, instantly understood throughout the world, visual rather than verbal, long-lasting, likable, and confident.

Communications decisions



Communication testing can be scientific

- Advertising
 - Audience membership by segment
 - Syndicated testing
 - Other testing

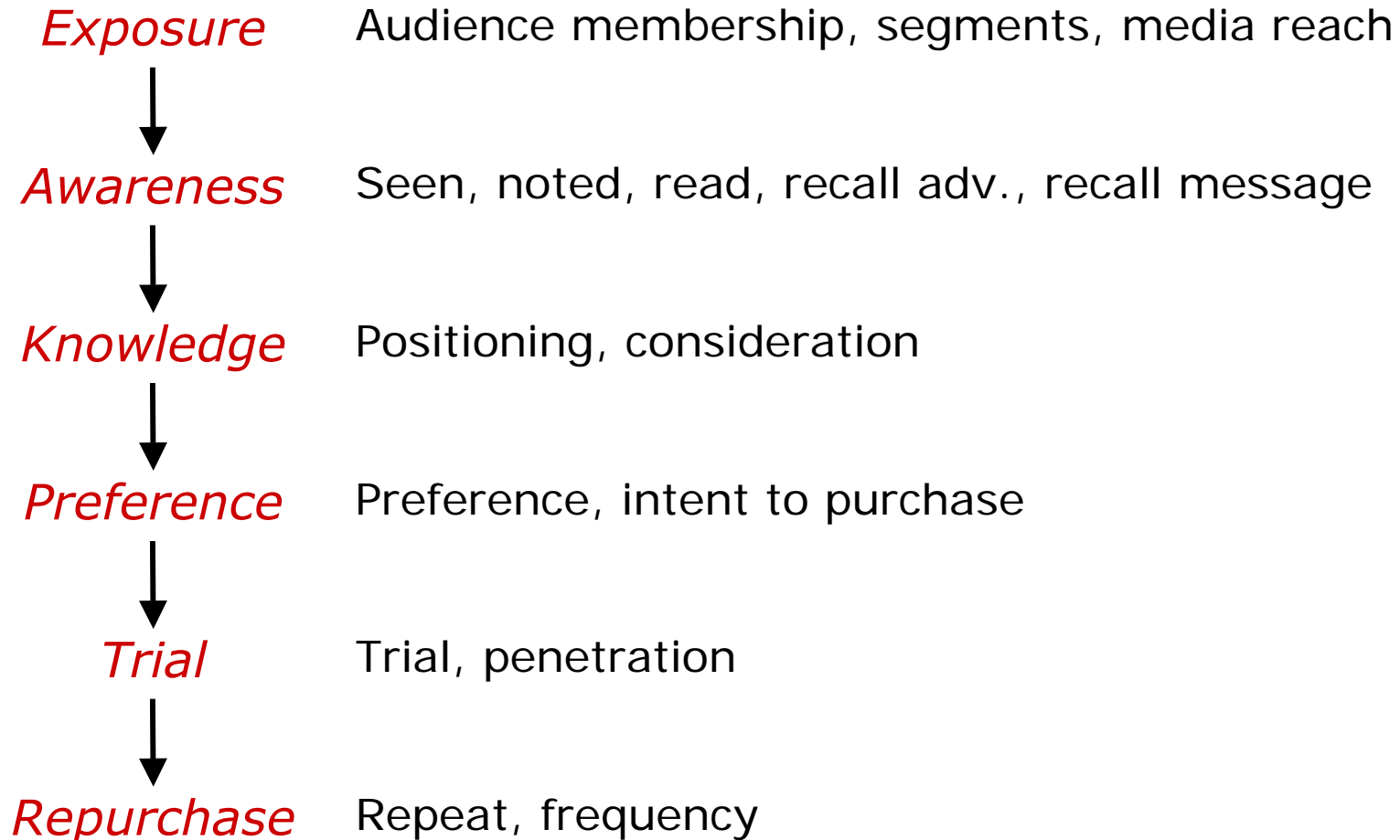
- Salesforce
 - Internal measures
 - Optimization -- Z&S, Delphi Group, etc.

- Other
 - Experiment and monitor

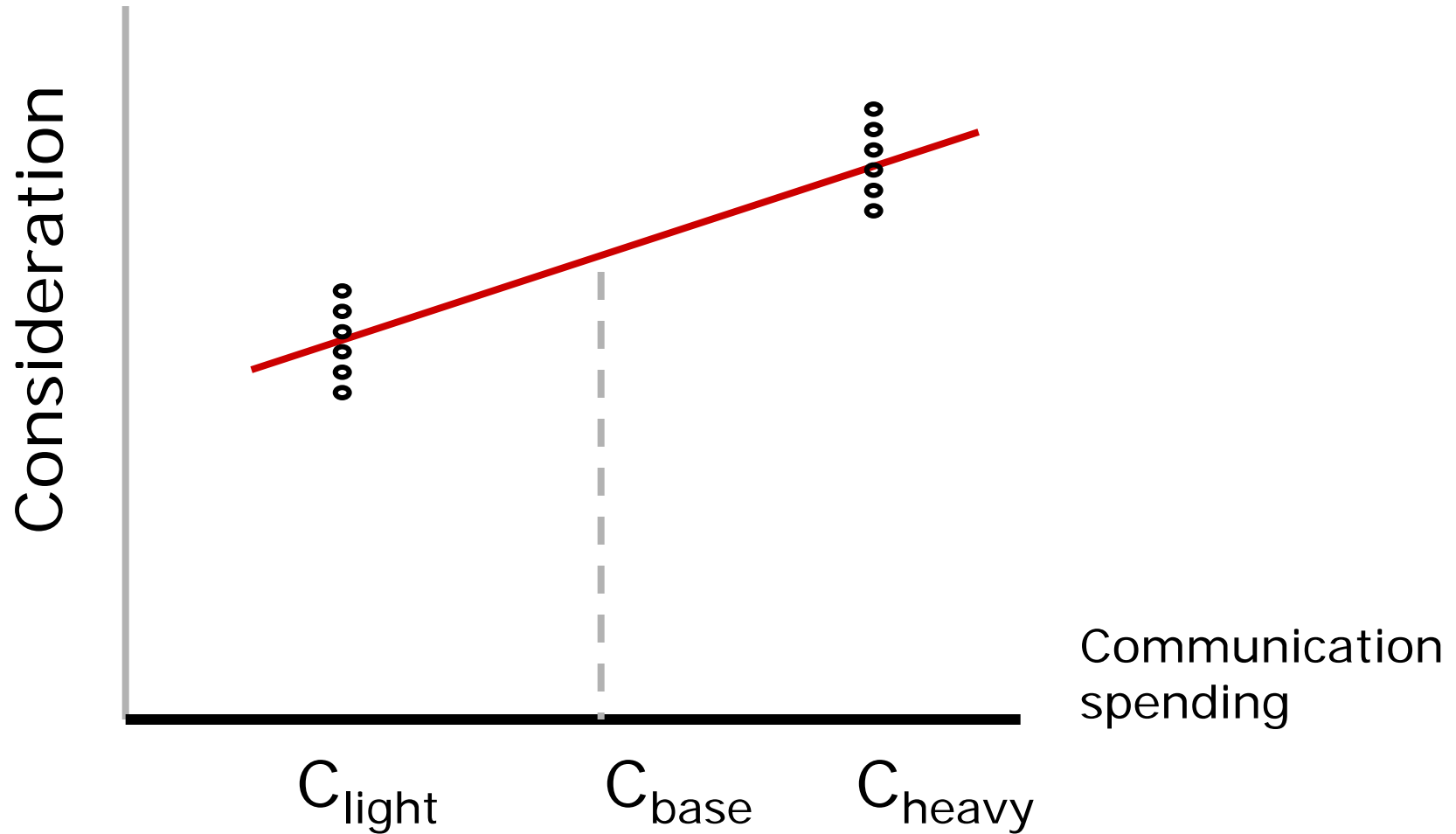
Ogilvy on Testing

1. Measure reputation
2. Pretest models (e.g., Assessor)
3. Concept tests (e.g., virtual concepts)
4. Comparative ratings (e.g., perceptual maps)
5. Formulation, flavor, color (e.g., conjoint)
6. Packages (e.g., concept tests)
7. Positioning (e.g., perceptual maps)
8. Target audience (e.g., segmentation studies)
9. Feature importances (e.g., conjoint analysis)
10. Line extensions (e.g., conjoint)
11. Warn about decaying preferences
12. "Read" competitive test markets
13. Best promise (e.g., measures of importances)
14. Premiums (e.g., simulated stores)
15. What does it communicate?
16. TV advertising testing (e.g., instrumented markets)
17. Read and remember
18. Settle arguments
 - a. Which campaign?
 - b. What price?

Example: measures within the Hierarchy of Effects

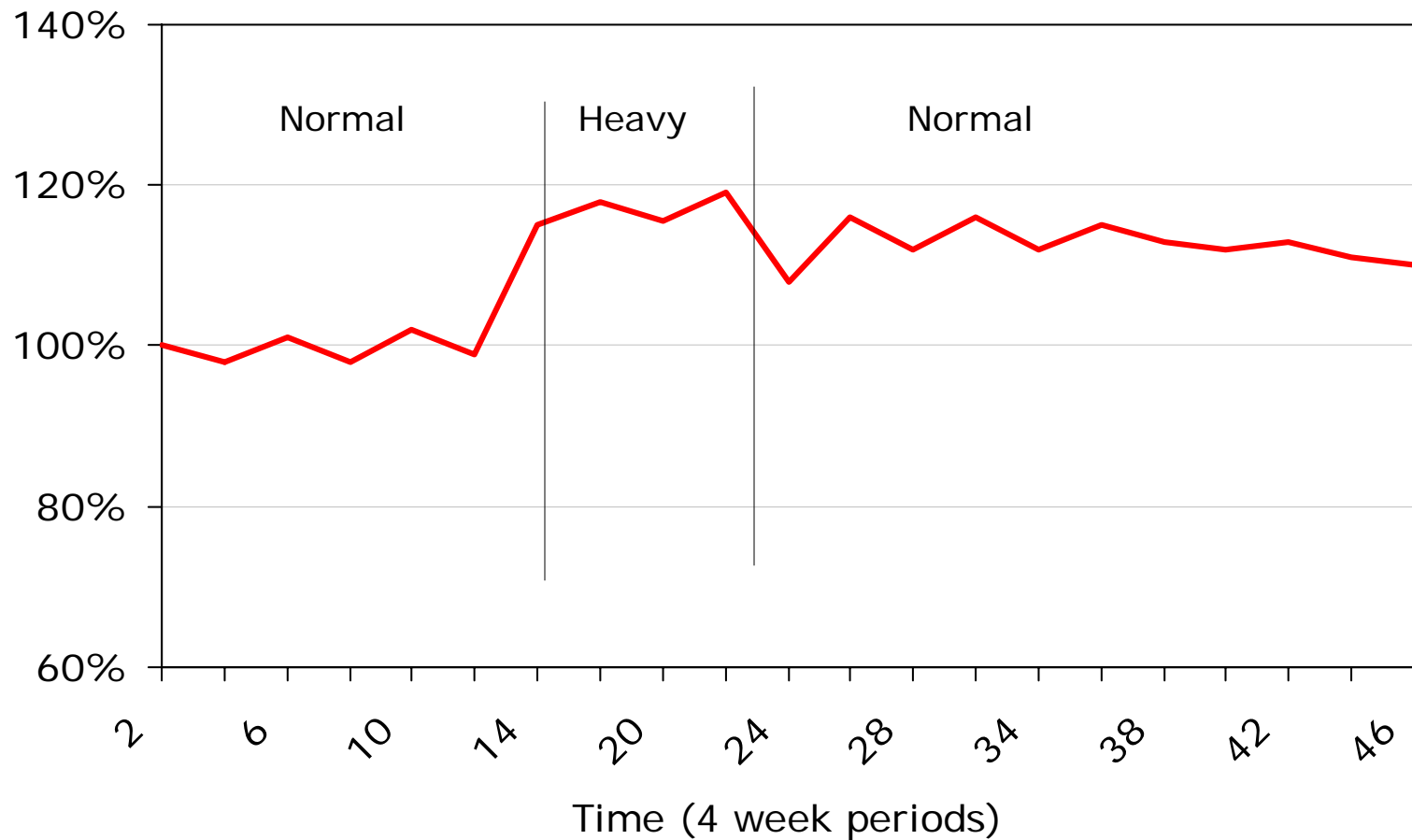


Communication experiments

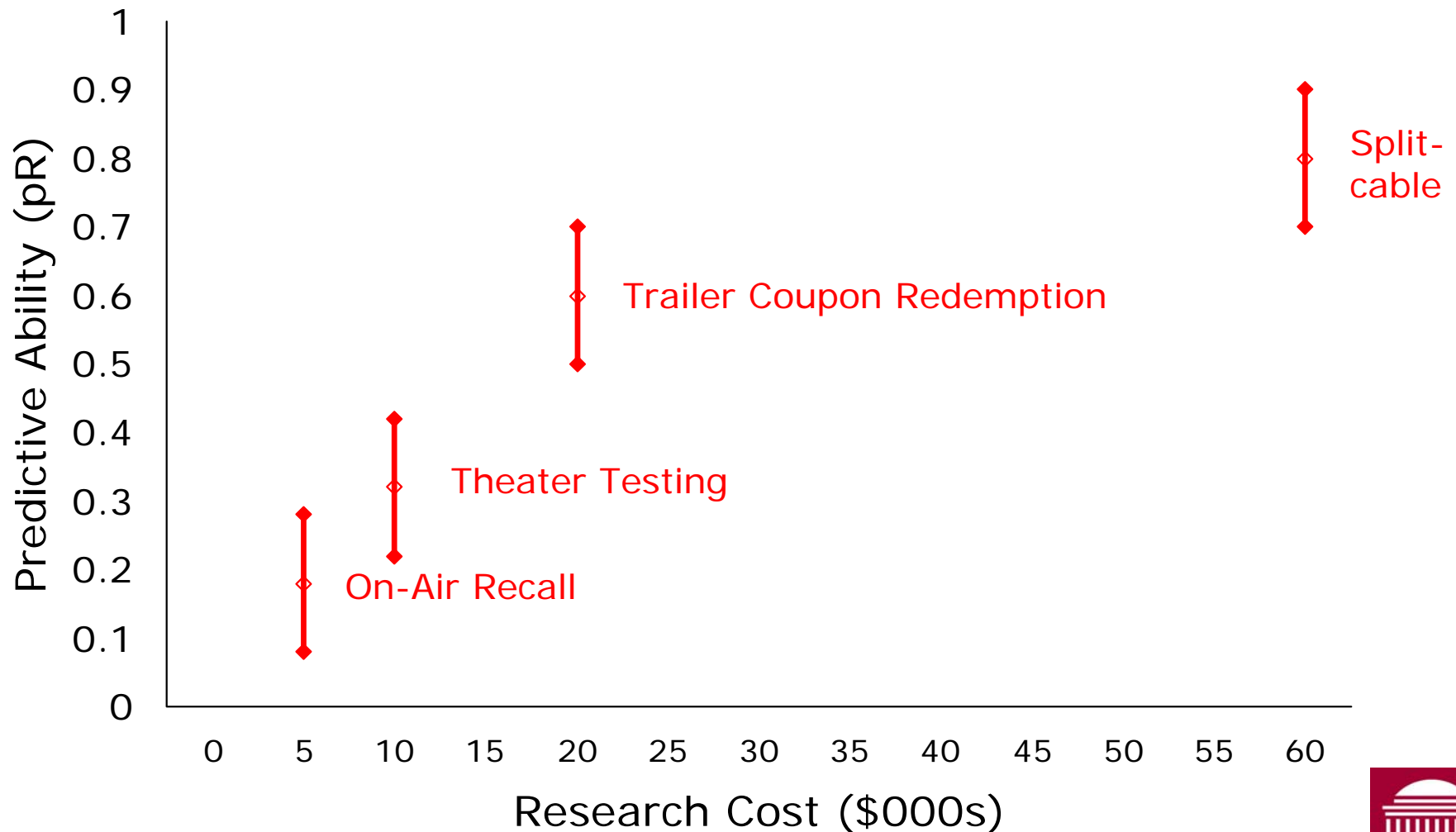


“Heavy-up” advertising experiment

Sales Rate (100% = normal)



You get what you pay for in advertising testing.



A simple formula

$$\text{Value} = e_n * (\text{variation}) * (\text{reliability}) * \text{validity}$$

e_n = maximum of n "normal" random variables

variation = standard deviation in value across alternative copy

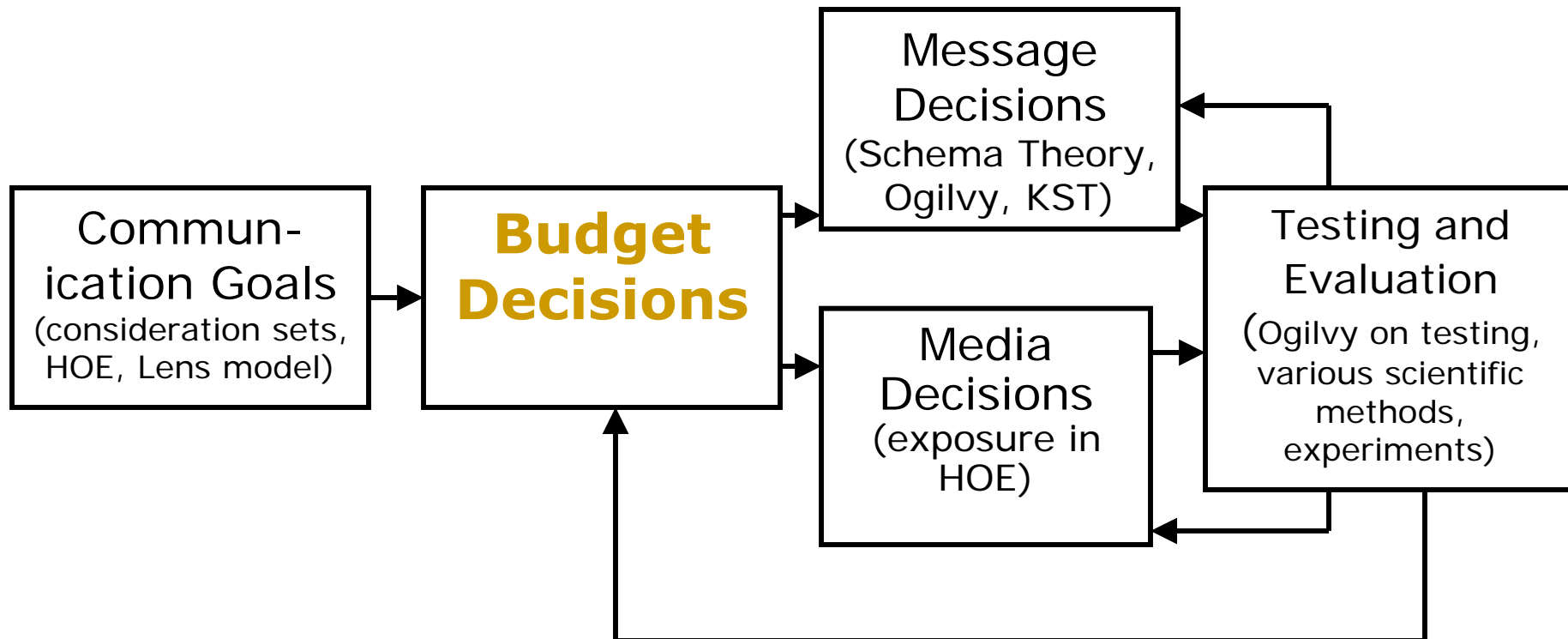
reliability = (signal)/(signal + noise) for test score

validity = correlation of test score and true outcome

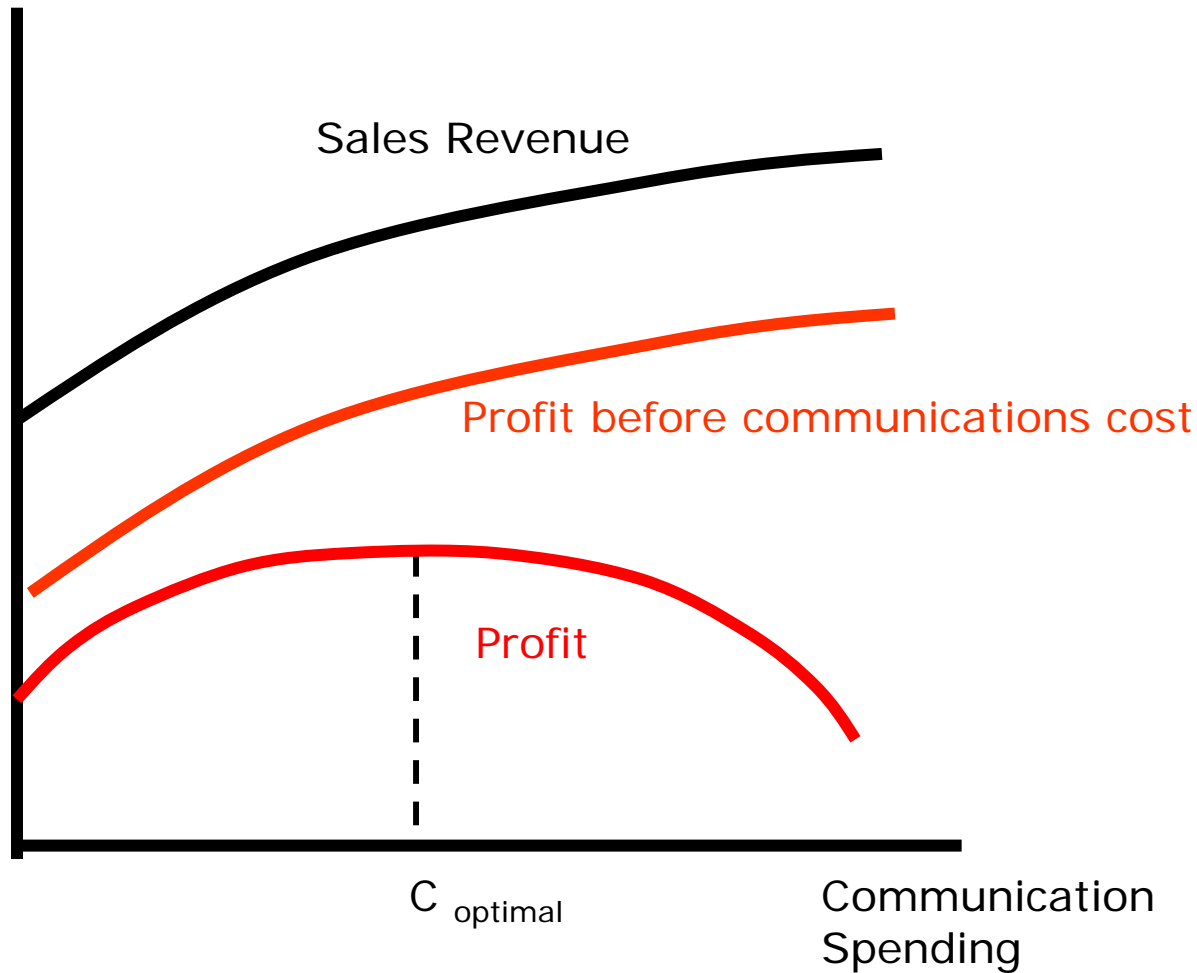
Advertising dynamics

- Should you pulse?
- If so, how often?
- Why is there “goodwill?”

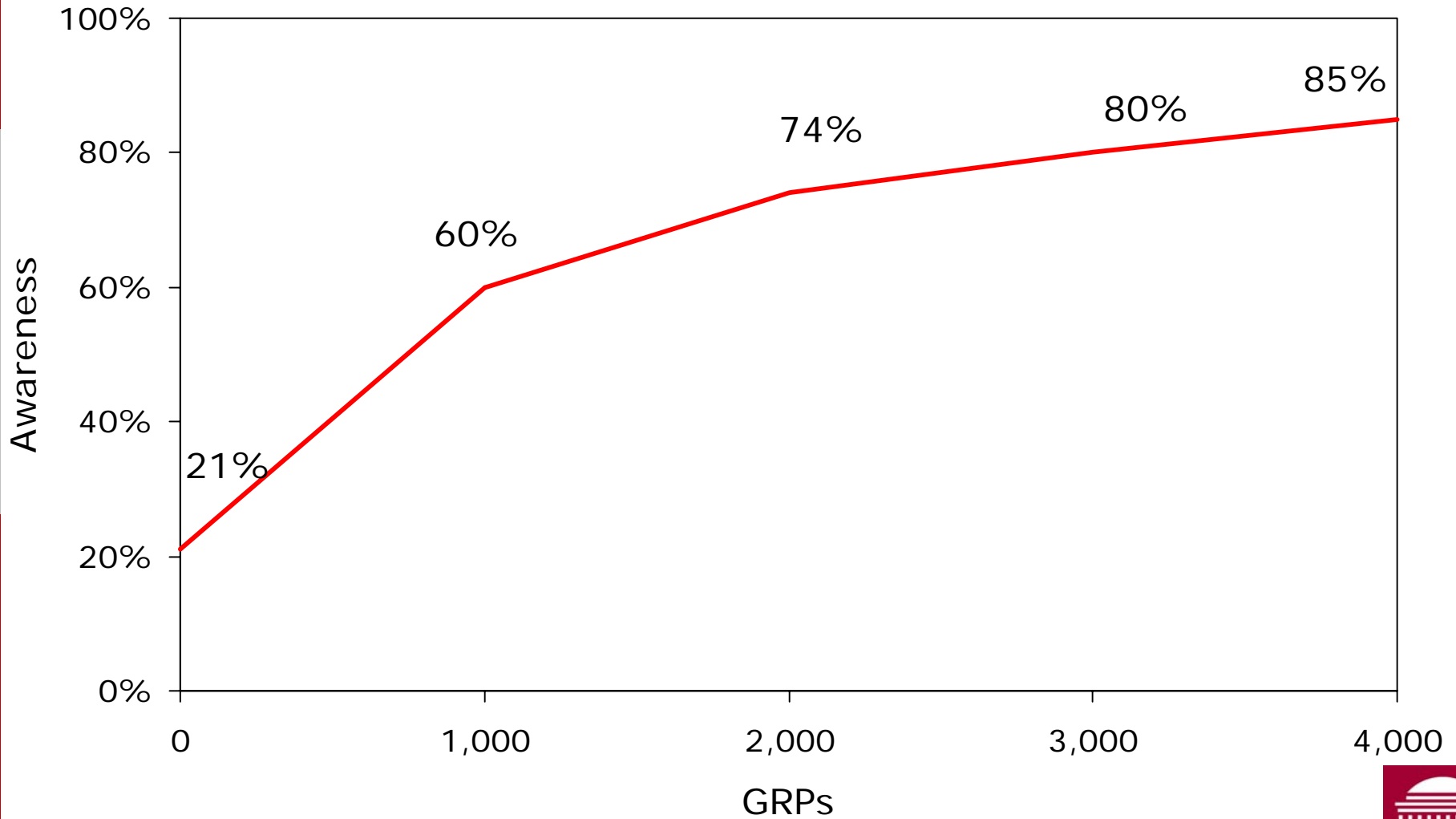
Communications decisions



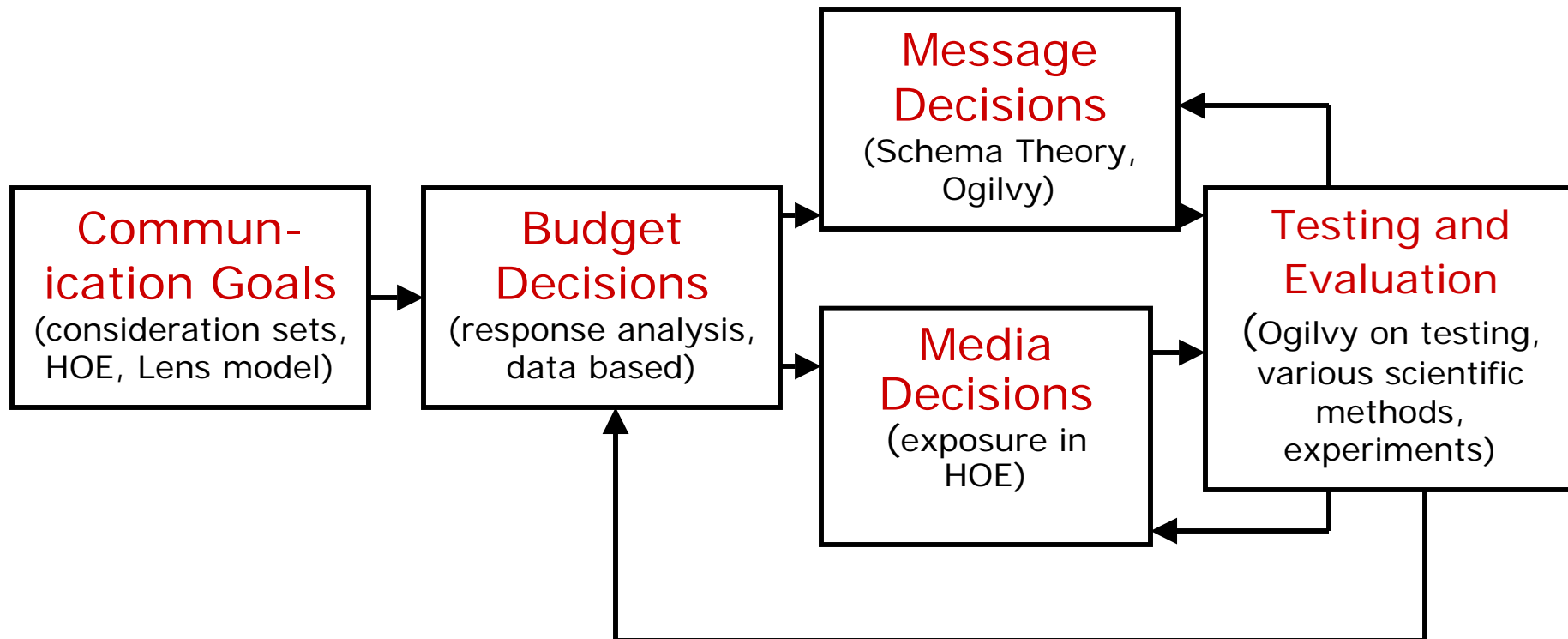
Budgeting decisions: recall the fall core.



Representative response curve (Leo Burnett, USA)



Communications decisions



Summary

- Advertising can be understood as one of the 4Ps

- Advertising needs to be coordinated with the product (promotion, price) through the “lens” model. A key component of “positioning.”

- Various scientific theories useful
 - economics of consideration sets
 - schema theory
 - hierarchy of effects
 - scientific testing
 - budgeting (from Fall core)