Implications of Two-Sided Advertising
In the Automotive Industry

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Abstract

The extreme competition in the automotive industry results in razor-thin profit margins as original equipment manufacturers (OEMs) compete for market share and profits which increase shareholder value. Product differentiation thus becomes a key strategy used by OEMs to attract consumers to their products.

The typical product and/or service value proposition for an automotive manufacturer is composed of the following attributes:

Quality (segment leading or equivalent)
Reliability and Durability (segment leading or equivalent)
Price (competitive within segment)
Styling (meets or exceeds expectations of targeted segment)
Performance (meets or exceeds expectations of targeted segment)
Features and Functions (competitive within targeted segment)

To support an OEM's products in the marketplace, effective marketing and advertising strategies should build brand awareness and familiarity which induces consumers, both "loyal" and "avoiders," to traverse the purchasing funnel and eventually purchase.

To this end, the concept of "Two-sided Messaging" is used by OEMs as one advertising strategy. The use of "Two-sided Advertising" has been widely studied and debated as to its effectiveness when compared to "One-sided Advertising" strategies.

This thesis compares and contrasts the concepts of "Two-sided" and "One-sided" advertising. We discuss advertising strategies used in the automotive industry today, review past OEM (i.e., non-General Motors) Two-sided advertising situations, and review and discuss the current GM "Quality Advertising Campaign," also known as the "Road to Redemption" (R2R) advertising campaign.

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Biographical Information

**Jeff Luke** is a Director of Engineering within the North America Product Development organization at General Motors Corporation.

I have always been interested in and curious about the many approaches General Motors has used in its advertising strategies. The General Motors “Road to Redemption” advertising campaign was released at approximately the same time we started our Sloan Fellows’ experience, and it offered a great opportunity to study the unique, albeit controversial, “Two-sided” advertising technique. Further, the opportunity to work with my good friends, Chuck Vessels and Professor Christian Dussart, has simply added to this very memorable experience.

**Chuck Vessels** is a Mechanical Engineer for the U.S. Army Aviation and Missile Command, Aviation and Missile Research Development and Engineering Center.

After deciding I would do a thesis on a topic unrelated to the Department of Defense, and following a recent personal experience with General Motors, I concluded I would prepare a joint thesis with Jeff Luke. The decision to pursue this topic came after a very positive experience with our Marketing professor, Christian Dussart, and our own knowledge of the novel General Motors’ “Road to Redemption” campaign.

The recent personal experience began as a result of discussions with Jeff during the summer semester. Essentially, I told Jeff I avoided General Motors products because of a series of bad family experiences with GM products in the 1970s and early 1980s. As I got to know Jeff, and saw his commitment to and belief in General Motors—and his equal dedication to proving to me that GM was worth another look—I subsequently purchased a Hummer H2 in September 2003. I strongly felt that the one-on-one relationship and Jeff’s confidence made me decide to take another chance with GM. To date, I must say I am very pleased with the Hummer and feel that perhaps other GM avoiders should reconsider their negative biases.

Therefore, in an effort to encourage other “avoiders”, I decided to work with Jeff to research this thesis, develop a hypothesis, and publicize our results on the strategies used by GM in its two-sided advertising campaign.
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Mark Lantz, Executive Vice President
Christie Perry, Account Supervisor
Paul Serilla, GM Account Contact
Matt Soldan, Senior Copy Writer

Harris Interactive, Inc.:
Joy Sever, Vice President

Bentley College:
Professor Phillip M. Lowe, Marketing Professor
Executive Summary

Two-sided advertising is a great tool if it initiates a dialogue with a specific target segment. Then the dialogue should continue with follow-up that uses a One-sided message to continue communicating attributes that the consumer should be made more aware of. Thereafter, the program can be moved to a dealer that can provide the one-to-one interface and nurture the relationship to, through, and after the purchase—all the while maintaining a database and network that allows nationwide Customer Relationship Marketing (CRM) at the corporate level. A Two-sided message should not be part of a “damage control” effort, but should be perceived as honest and forthright, taking a positive approach to refute negative perceptions.

Our research into the General Motors Quality Campaign, and the Two-sided phase dubbed “Road to Redemption,” highlights new findings in the history of Two-sided advertising. We found that the GM campaign was highly successful in starting a dialogue (which was the plan), rather than changing attitudes. We also found that target consumers (so-called “Avoiders” and “Apathetics”) could be moved into and down the purchasing funnel. Equally important was data indicating that the Two-sided message increased support and interest among loyal customers. This finding went completely counter to past theories about Two-sided advertising.

At the time of this writing the “Road to Redemption” campaign and its strategies are still unfolding. We believe the initial steps have been successful, and the remaining campaign (as we understand it from interviews with the developers) will become a benchmark for future automotive advertising campaigns.
The role and importance of advertising to a company’s prosperity is paramount. In today’s highly competitive business world, a comment generally attributed to Lord Leverhulme and quoted by many experts including F.W. Woolworth, J. Wanamaker, and D. Ogilvy, seems appropriate: “Half my advertising is wasted, but I don’t know which half.” As costs (including those spent on advertising) are continually scrutinized, the accompanying expectation is that each expense will produce a positive return on investment (ROI).

Huge sums of money are spent each year by automobile manufacturers to advertise and market their products and services. With these expenditures comes the expectation that each advertisement will effectively communicate the company’s objectives and ultimately persuade customers to purchase its products.

The intent of this thesis is to examine the nature of “Two-sided” advertising and to review its application to the automotive industry. We do this by analyzing past industry examples, as well as General Motors recent “Quality Campaign” advertising, also known as the “Road to Redemption” (R2R) campaign.

General Motors embarked on the “Two-sided” advertising approach in its R2R campaign in an effort to halt a twenty years slide in market share, which was largely attributed to poor quality. Figure 1.1 shows the market share slide at General Motors:
The nature of the automotive industry can be illustrated in the following:

**Quality ➡️ Market Share ➡️ Net Income**

Thus, if the quality of OEM products is not competitive, market share will decline, and net income will fall. This, in a nutshell, is the story of General Motors Corporation.

This same relationship applies to other U.S. domestic OEMs as well. Asian OEMs, on the other hand, have gained market share lost by GM and the other domestic manufacturers due to the higher quality of their products. There is no denying the relationship.

The entry price into this highly competitive automotive marketplace is known as “Industry Leading Quality.” To achieve this, GM has invested significant resources in
training and process improvement over the past five years, with the result that the quality of GM’s products is now aligned comparably with those of its Asian competitors. However, consumer perception lags behind in recognizing GM’s quality improvements. Thus, GM adopted a proactive strategy with its consumer base to correct the misalignment or gap in perception which exists between “perceived” and “actual” quality.

The recent General Motors’ Quality Campaign advertising was released in print and over the Internet at the beginning of June 2003. Interestingly, we were approached that same month by one of our classmates who saw the advertisement in one of her favorite magazines. We recall that her reaction to the article could best be described as “curious uncertainty.” She said that the advertisement seemed “unorthodox” in its approach, one she had never seen before. After discussing the “Two-sided” objective of the advertisement with her, we felt the message was clearly thought-provoking—perhaps even “risky.”

Several months later, prior to beginning our Marketing class, we were approached by the professor, Christian Dussart, who asked us specific questions regarding the strategy behind the advertising. It was not too long thereafter that we decided to examine the use of “Two-sided” advertising, specifically the “Road to Redemption” advertising campaign just released by General Motors.

Our objectives and outline for this thesis are as follows:

1. In Chapters Two and Three, we define and document the theory of “Two-sided” advertising, and compare it with “One-sided” advertising. Much research has been done over the years, starting just after World War II. We summarize the findings of this extensive earlier research and point out which theoretical models apply in today’s environment.
2. In Chapter Four, we analyze and benchmark past examples of Two-sided advertising used in the automobile industry to illustrate how effective or ineffective they were in conveying the intended message.

3. General Motors "Road to Redemption" advertising strategy is documented and discussed in Chapter Five and Six. We will examine all aspects of the advertisement, from strategy to execution to customer acceptance testing, as well as legal ramifications that may bear on the issue.

4. We conclude with specific observations and recommendations regarding the use of Two-sided advertising in the automotive industry, as well as the effectiveness of the "Road to Redemption" advertisements which have been in circulation for over eight months at this time.
CHAPTER 2

Background and Theory of Two-Sided Advertising

Before launching into a detailed discussion of Two-sided advertising, it is helpful to first understand its background and underlying theory, as well as the complements and contrasts with One-sided advertising.

If there is one thing that our research has shown, it is that there are multiple, but similar, definitions for this type of advertising, with a core set of theories that support it. In this chapter we will define these types of advertising and explain the theories and nuances of the related options, executions, and applications.

Defining the Concepts

According to Kardes (1999), a One-sided message is a biased, lopsided message that contains only supportive arguments or arguments that are consistent with the conclusion. In contrast, a Two-sided message is more even-handed, and provides both supporting arguments and counter-arguments. Kardes and most other authors, who discuss Two-sided advertising, point out the need to keep the counter-arguments weak and emphasize the positive arguments. As we will see in this chapter, the primary objective is to establish credibility with the consumer by admitting or exposing (i.e., being forthright about) less-than-optimal performance of a company's product or service. These comparisons evolve from an understanding of the target audience and market segment on which the ad will focus.
Traditionally, One-sided advertising has proven more effective with customers who are already loyal to a brand. Two-sided ads focus on the unattractive and unfamiliar, and seek to appeal to customers who have heretofore been *avoiders*, especially the educated, highly involved consumers who historically avoid a company's brand.

Returning to definitions of advertising options that are specific to this thesis, Michael Kamins (2003) defines Two-sided advertising as advertising in which the advertiser makes favorable statements about the company's product but also introduces product limitations on attributes that are relatively unimportant to the consumer. Crowley and Hoyer (1994) define the Two-sided message as one that incorporates some negative information about the brand. They suggest that Two-sided messages generate relatively high levels of attention and a motivation to process because they are novel, interesting, and credible.

A final thought about definitions of One-sided versus Two-sided advertising: in the end, either one comes down to believability and credibility. If a One-sided message over-exaggerates the attributes of a product or service, then consumer will form their own counter-arguments and dismiss the ad as not credible. If a Two-sided message introduces counter-arguments but refutes them while emphasizing positive attributes, then the consumer is likely to perceive the brand as more credible.

**Earlier Research**

Hovland (1949) conducted early research into One-sided communications used during World War II. He and his colleagues researched specific messaging questions for the Information and Education Division of the U.S. Army. They found that Two-sided messages

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were more effective for better-educated men (high school graduates and beyond) and that One-sided messages were more effective with less-educated men (grammar school, some high school).

Lumsdaine and Janis (1953) reported that Two-sided communication was markedly more effective than One-sided when the audience was subsequently exposed to counter-propaganda.

McGuire (1961) found that a One-sided message provides information that the receiver can choose not to take seriously because it belabors the obvious.

Faison (1971) found Two-sided radio advertisements more effective in influencing economic attitudes and maintaining that influence for three different products.

Chebat and Picard (1985) found that Two-sided messages were significantly more persuasive than One-sided messages one when the recipient was highly involved.

Golden and Alpert (1987) found that while Two-sided messages achieved higher purchase intent for deodorant, generalizations could not be made across other products.

Allen (1991) found that a Two-sided message with refutation is more persuasive than a One-sided message; also that a One-sided message is more persuasive than a Two-sided message without refutation.

Crowley and Hoyer (1994) found that including negative information leads the receiver to conclude that the message is “telling the truth.”

O’Keefe (1999) found that when compared with One-sided messages, refutational Two-sided messages on nonadvertising topics enjoy significantly greater credibility and persuasiveness; nonrefutational Two-sided messages on nonadvertising topics are not significantly different in credibility and are significantly less persuasive.
More recently, Chebat et al. (2001) found that Two-sided messages were more persuasive when fewer arguments are utilized, and conversely for One-sided messages.

This is by no means a complete history of research on this topic. Rather, it illustrates the systematic findings of attributes, components, and steps that must be taken to make Two-sided advertising effective. Equally important are timing, execution, and follow-up—all necessary to achieving persuasion. Another factor is the implied intent to change consumer attitude, mental models, and mindsets.

Our research found very little discussion about the use of Two-sided advertising to start a dialogue and then a transition to One-sided advertising to effect persuasion and change perception.

**Underlying Theories**

The website, MarketingProfs.com identifies two types of Two-sided messages. A message is identified as “Two-sided nonrefutational” if no attempt is made to refute the message’s opposing arguments. In contrast, a message is identified as “Two-sided refutational” if there is an attempt to refute the message. The important point in this research is the significance of delivery when mixing negative with positive attributes.

This source and many others found during our research, identifies three theories that explain the application and success of Two-sided advertising.

*Attribution Theory* assumes that the disclaimers used in a Two-sided message help to strengthen the credibility of the message or of the message’s endorser, and therefore induce a more favorable consumer attitude (Jones and Davis, 1965; Hastak and Park, 1990). Simply put, if the One-sided ad is not over-exaggerated, it may appeal to a consumer who knows the
advertiser is trying to sell the product. More important, if negative information about the product is offered, the consumer will perceive that the advertiser is being honest and credible.

*Optimal Arousal Theory* suggests that while One-sided messages may represent a kind of communication that the consumer is expecting, Two-sided messages are “pleasingly novel” and more apt to produce positive effects. Thus consumers often prefer Two-sided messages to One-sided messages (Crowley and Hoyer, 1994). Our research showed that some aspects of this theory depend on whether or not the Two-sided message is part of a damage-control campaign.

Finally, *Inoculation Theory* (McGuire, 1961) suggests that Two-sided messages are likely to be more effective than One-sided messages since presenting negative information about an issue or a brand helps to prevent counter-arguments. Inoculation theory also argues that the recipient of such messages receives practice in refuting negative arguments (Crowley and Hoyer, 1994). A supportive argument states positive attributes about a product or service and offers reasons to buy it. When using a Two-sided advertisement to identify a negative attribute about a product or service, it is important to use refutational arguments, which leads to drawing a conclusion. Research indicates that letting consumers form their own conclusions about the product or service will lead them to stronger intentions to purchase.

Crowley and Hoyer (1994) discuss these theories in some detail. They define *Inoculation Theory* as including mild attacking arguments (negative information) that are then refuted, which strengthens positive brand recognition. Inoculation does not explain the success of a Two-sided message when a refutation is not included. *Attribution Theory* is described as a Two-sided message (especially one that does not include a refutation) that promotes the perception that the advertiser is telling the truth. However, if an important
attribute is discounted, the consumer’s attitude toward the brand may diminish. *Optimal Arousal Theory* suggests that moderately novel, surprising, or complex stimuli are preferred over stimuli that have too much or too little novelty. Thus a Two-sided message should be more persuasive than a One-sided ad unless a large proportion (more than 40%) of attributes is discounted.

There are many definitions and theories behind the intent and success of Two-sided advertising, but all seem to fall into one of the three theories described above.

It is worth noting that most advertising and marketing references advise against using Two-sided advertising, the primary concern being the possible loss of loyal customers. In these same references, a commonly quoted relationship is this: the cost of acquiring a new or former customer is five to six times that of retaining a current one. The cost of bringing back a customer that was lost is ten times as much, with an associated lesser percentage of success. Therefore, it makes little sense to “run off” loyal customers. Our research underscores the fact that advertising and marketing are far from a science. If anything, it seems to be the use of science to track art.

**Persuasion is Key**

Understanding how to construct and deliver a Two-sided message is critical to its success. The key is appealing to consumers so persuasively that the message will convince them to change their perception of a brand, that is, their attitude about the brand.

All our research points to the fact that the Two-sided appeal is focused on the educated consumer. Equally important is the involvement of the consumer with the product. For example, groceries generally are not highly involved products. Most commodities do not
receive major research by the consumer prior to purchase. However, most durable goods, such as high-end electronics, automobiles, or homes involve considerable research on the part of the consumer, so these products are referred to as “high-involvement.” It appears that the appropriate time to use Two-sided messages is when the product includes much involvement and the target consumer is educated.

These factors lead straight to the need to persuade consumers to change their perceptions. Some are logical, deductive thinkers, and some are more open-minded, artistic, and emotional, but each must be persuaded. Understanding the persuasive effects of Two-sided advertising increases our understanding of how communication and persuasion processes are used to influence consumers.

Lee (2000) paraphrases Aristotle by defining persuasion as communication designed to influence listeners’ choices. She identifies three components of persuasion: ethos (source credibility), logos (logical arguments), and pathos (emotional appeals). If all three components can be combined into an argument, the chances of successful persuasion are increased. In her article, the model of persuasiveness identifies affect (attitudes), cognition (thoughts), and behavior (motives, desires) as three elements that contribute to consumer perceptions. Figure 2.1 shows Lee’s portrayal of persuasion.
According to Lee, the hypothesis governing the design of the Two-sided program was that men who were opposed would be stimulated by a One-sided argument to rehearse their own position and seek new ways of supporting it. The principles underlying the designed presentation were:

1. All of the main arguments on the other side should be mentioned at the very outset.
2. Any appeals to the motives of the opposed audience members should be presented early.
3. Opposed arguments that cannot be refuted should be presented relatively early.
4. An attempt to refute arguments on the other side should be made only when an obviously compelling and strictly factual refutation is available.

5. An unfututed opposed argument should be followed by an uncontroversial positive argument.

6. The timing in presenting counter-arguments of the opposition should be: positive argument leading an objection raised by an opposed counter-argument, and then positive argument offsetting the objection.

7. Any refutations, and those positive arguments that are potentially most antagonizing, should come late in the presentation.

8. Members of the opposition should not be given the choice to identify themselves as such.

As can be reasoned here, the predispositions of the target audience must be identified in order to construct an effective presentation. Distractions in the message will affect the success of attitude changes. There should be less counterarguing, for example, when humor is used in the ad. This all leads to the ad’s credibility and a greater increase in the intent to purchase. Positive versus negative framing of the ad makes a difference in the success of the persuasion. As can be expected, a positively framed message is more successful.

In discussing how advertising becomes the art of persuasion, let’s look at comparisons of rational versus emotional appeal in relation to high and low involvement with products, as detailed in MarketingProfs.com (2003). There are four combinations.
(1) The **High Involvement Product/Rational Persuasion** conveys multiple facts that illustrate the basic message using expert/credible sources, presents scientific evidence, uses Two-sided appeals, presents weak arguments first, and uses comparative advertising.

(2) The **High Involvement Product/Emotional Persuasion** combination uses drama and sources familiar to customers to create empathy and a vicarious emotional experience.

(3) The **Low Involvement Product/Rational Persuasion** does not use comparative ads, does use One-sided appeals, uses credible/expert sources, presents strongest arguments first, uses a large number of arguments, and draws a conclusion.

(4) The **Low Involvement Product/Emotional Persuasion** creates a likeable ad via the use of music, celebrities, humor, attractive visuals, and utilizes likable sources.

**Effectiveness**

Pechmann (1990) breaks down the effectiveness of Two-sided messages into four key dimensions:

1. the importance of potentially unfavorable disclosure.
2. the motivation underlying potentially unfavorable disclosure.
3. how counter-attitudinal or pro-attitudinal is the message overall.
4. the correlation between the potentially undesirable attribute to another potentially desirable brand attribute featured in the message.

Our research leads us to believe that an underlying consumer mindset is based on his or her belief that the advertiser is "forced to disclose" this information. Consequently, consumers form a perception as to the validity, credibility, and relevance of the message. We have identified a factor in the credibility and validity of a message based on whether the
advertiser follows an involuntary finding or disclosure of a negative attribute with a voluntary message that creates a perception of honesty and forthrightness. This tactic is referred to as “damage control.” If a highly-involved, educated consumer is targeted with a Two-sided message, then the consumer will perceive the message as too little too late. Only when the message is volunteered without the hint of damage control does it convey a perception of credibility, dialogue, and interest—and it does not antagonize the loyal customers.

In Chapter Five, we analyze General Motors Quality Campaign, referred to as the “Road to Redemption,” which emphasizes the success of the Two-sided message. We also share our (startling, compared to current theory) finding that loyal customers approved of the message.

**Summary**

It is widely agreed that the role of Two-sided advertising is to create an increase in credibility and perceived truthfulness among consumers with higher levels of education. As we have shown, research on this topic began during the 1940s and has continued ever since.

We learned that current research showed that Two-sided messages were more successful when the level of involvement in the product or service was higher. However, One-sided messages have generated a higher degree of intent to purchase.

The question of the effectiveness of One-sided versus Two-sided advertising is answered with “it depends!” It depends on the product, it depends on the target market, it depends on the perceptions of the consumers, it depends on the execution of the advertisement, it depends on the timing of the advertising campaign, it depends on the
transition of the Two-sided to One-sided arguments, and most important, it depends on the place targeted in the purchasing funnel and how that evolves into a customer relationship marketing capability that ultimately leads to purchase.

Lee (2000) offers the following:

Whatever the future applications of sidedness in persuasive messages, understanding the audience is critical. For all the research, it appears clear that optimizing what is known about the audience’s predisposition, attitudes, prejudices, social standing, habits, and cultural tendencies will tend to optimize the opportunity to persuade using the variety of methods available to the advertiser or communicator. Indeed, if Firestone and Ford had paid more attention to the consumer and not to their own corporate agendas by refusing to acknowledge the risk factors of their products and the negative affect their one-sided message would have on consumer perception of their brands, they would probably experience a different balance sheet today. (p. 5)
Automobiles are “high-involvement” products. Most consumers do extensive research in multiple media to decide what kind, where, and when to buy a new vehicle. Taking into consideration the theories discussed in the previous chapter, advertisers could be expected to initially assume an emotional versus a rational appeal to consumers. If it is assumed that the automotive industry wants to increase its market share by acquiring new customers, then two key segments are the “Avoiders” and the “Apathetics,” both of which are comprised of highly educated consumers.

This chapter addresses and compares the advertising strategies utilized by the automotive industry, followed by a discussion of Two-sided advertising specifically used in the automotive industry.

The Purchasing Funnel

Earlier we mentioned the so-called “purchasing funnel.” It begins with the first and widest tier known as “Image/Awareness.” The second tier is “Opinion,” the third is “Consideration,” the fourth is “Shopping,” the fifth is “Trial,” and the sixth and narrowest tier of the funnel is “Purchase.” Figure 3.1 illustrates the purchasing funnel.
The "Purchasing Funnel" Model  
As Applied to the Automotive Industry

![Diagram of the purchasing funnel](image)

Source: Luke/Vessels, 2004

Figure 3.1  The Purchasing Funnel

One of the biggest issues with this funnel is the transition from the national campaign to a local dealer, while creating a parallel synergy that complements both. Several strategies are possible which help to create this vital synergy.

**Strategy: Cultivating Brand Awareness and Loyalty**

Probably the most important factor in the automotive advertising business is consumer awareness of the brand and, ultimately, brand loyalty.

Before focusing on General Motors, we will look first at the automotive industry as a whole. Chatterjee et al (2002) found that U.S. car companies spent more than $50 billion on
marketing in 2000, more than any other U.S. industry and upwards of 200% of the total global net income of the Top Five automakers. Yet, from 1996 to 2000, while marketing costs per vehicle for the Big Three auto companies increased by 87% (to an average of $2,900 per vehicle sold), their combined market share dropped by more than four percentage points, representing $15 billion in lost revenue for 2000 alone.

But more spending is not the answer. The industry cannot turn the tide until it addresses a deeper problem: the loss of brand identity.

Carmakers spend 55 percent of their marketing budgets - $24 billion a year – on rebates and incentives. Price has become, in many cases, the main reason for choosing one brand over another – the classic trap of a commoditizing industry and the destroyer of healthy profit margins. (Chatterjee, 2000, p.1)

Even more disturbing, however, is the concept of commoditization, which we introduce to highlight the critical issues of perception, brand identity, and brand loyalty. Professor Christian Dussart, of MIT, makes sure his students understand that “Perception is reality.” Dussart also makes sure students understand that consumers are influenced by the emotional and rational connections they develop with products. The point is that the automotive industry must move from a more traditional, product-based advertising strategy to a brand-based strategy.

**Strategy: Brand Management**

The next consideration is brand management—the actions required and the strategies needed to transition down the Purchasing Funnel. As noted earlier, the first critical stage is the Opinion stage. Most automotive advertisers are aware of this and spend the majority of their budgets to inform and persuade consumer opinion. However, it is critical to continue
down the funnel and to focus on the middle stages as well. Therefore, a specific market
segmentation and customer focus plan of action is required. It is at this point that Customer
Relationship Marketing (CRM) and Digital Loyalty Networks (DLNs) become important.
They are important considerations in the planning process and for implementing advertising
strategies. Unfortunately, traditional automotive advertising campaigns (those that are not
"branding" efforts) have actually stalled the transition down the funnel.

Our findings so far lead us to modify current advertising strategies so they start with a
dialogue that utilizes Two-sided advertising and follows up with traditional One-sided
advertising. Let’s look at some examples.

Volkswagen had a famous Two-sided ad in which the company portrayed a scratch
on the glove box door as sufficient reason to pull the car from the assembly line. It was
hoped that by admitting a small production flaw, and following with an immediate
production "reject" decision, would make consumers feel they are getting a higher-quality
automobile.

An Isuzu “Liar” campaign voiced outrageous and fluffy claims of vehicle capabilities,
even as the caption read “He’s lying”—all to provide a humorous and negative take on
automotive advertisements and their associated frequent exaggerations—in order to establish
market credibility and start people down the Isuzu purchasing funnel.

Avis used Two-sided advertising with negative (yet factual) claims about their
competitive position in order to appear more credible and persuasive. They also used
refutational arguments to provide value and quality of service believability.

In other industries, successful campaigns have included Two-sided advertising. Carl’s
Jr. (a hamburger chain) used a Two-sided campaign which stated that their service was slow
but the quality of the resulting hamburger was better. Continental Airlines admitted past service-quality problems, promised they had been solved, and said they are now committed to quality service.

One thing that is not clear but often implied in most of these campaigns is the concept of “damage control” — whether responding to negative media coverage or attempting to diminish perceptions of falling profits and loss of market share. Indeed, it should be remembered that perception can often be reality. If consumers perceive the message to be prompted by ulterior motives, then that message is viewed as less credible and will be successful.

**Strategy: Making Statements and Backing Them Up**

If an advertising campaign makes bold statements, especially if Two-sided advertising is utilized, as a way to change opinion and propel the Avoiders and Apathetics further down the purchasing funnel, then the company must be prepared to back up those statements. If new consumers are acquired as a result of the advertising, and then they discover the product does not match the advertised claims, those consumers will be lost forever; they will not be fooled and misled again. That is why it is important to focus on one-on-one personal relationships, beginning with the manufacturer right down to the dealer.

**Applying the Purchasing Funnel to General Motors**

Since the focus of this thesis is on findings that are relevant to General Motors, we have made an assumption that the factor of “Image/Awareness” as it applies to General Motors is a not an issue, given that General Motors enjoys major brand recognition as a
result of its products, facilities, and employees in 190 countries around the world. Therefore
the first step to increasing GM’s market share should begin with the “Opinion” tier of the
purchasing funnel

Before going into the details of GM’s advertising strategy, Chapter Four discusses the
fundamental principles and criteria of Two-sided messages, followed by an in-depth analysis
of a series of advertising campaigns that illustrate our points.
Two-sided advertising has been used by several automobile manufacturers and other industries over the years to illustrate their unique messages.

Consistent with one fundamental of Two-sided advertising, all manufacturers target their Two-sided messages at well-educated consumers. Some campaigns have achieved their stated objectives, some have not. Others have achieved their objectives but the results were not effective. Renault, the French automobile company, is an example of a manufacturer that utilized a Two-sided advertising campaign strategy called “Pear,” which met its objectives but was considered ineffective. The “Pear” advertising caused so much controversy that it alienated consumers and sales subsequently plummeted.

Both Ford Motor Company and Firestone Tire Company used Two-sided advertising approaches to react to the crisis in 2000 related to tire malfunctions on Ford Explorers. These advertisements were only marginally effective in communicating information to consumers regarding the incident, and both companies suffered credibility losses.

Exhibit 4.1 depicts the general decision flow used by automotive manufacturers when making a strategic decision to select One-sided versus Two-sided advertising.
Two-Sided Automotive Advertising

"Decision Progression"

[Diagram showing decision progression with nodes for Brand Repositioning, Two-Sided Message, Planned Strategic Move by Company (e.g., GM "R2R" responding to Market Share decline based on past poor quality performance), Pro-active, and One-Sided Renault "Pear".

Source: Dussart, 2004

Figure 4.1 Two-Sided Automotive Advertising

This chapter provides a benchmarking review of several manufacturers' advertisements. We have analyzed each advertisement on the following merits, which are consistent not only with Two-sided advertising principles but also general criteria for effectiveness.
Advertising Principles

1. Background
2. Purpose or Objective of Advertising
3. Theory type of two-sided message (Inoculation, Attribution, Optimal Arousal)
4. Approach
5. Reactive or Proactive
6. Observations and other assessments

Effectiveness Criteria

1. How important the potentially unfavorable disclosure is perceived to be.
2. The motivation underlying the potentially unfavorable disclosure.
3. How counter-attitudinal or pro-attitudinal the message is overall.

We chose the following automobile manufacturers’ Two-sided advertising campaigns for benchmarking:

Mercedes-Benz A-Class: Moose Test Failure Advertising

Isuzu: Joe Isuzu Advertising

Volkswagen: VW Lemon Advertising

In the non-automotive industry segment, we chose Two-sided advertising from:

Continental Airlines: Advertising a Turnaround

Avis Car Rental

Each is discussed in detail below.
**Mercedes-Benz A-Class: Moose Test Failure**

**Background**

Ermisch and Hong (1999) reported that in 1997 Daimler-Benz received news that one of its new A-Class subcompact vehicles had rolled over and was destroyed by Robert Collins, a Swedish car tester, while being evaluated in a test known as the “Moose Test.” The purpose of the test was to simulate a high-speed swerve to avoid a moose — an excellent way to test the vehicle’s ride and handling characteristics. It was not an unusual test and Ermisch and Hong noted that “98% of all cars pass without problems.”

The initial reaction by Mercedes-Benz was one of “ignorance and arrogance” toward news of the test results. A company spokesperson said, “We do not consider it necessary to reply officially to this matter, just because somewhere in the world a car was rolled over.” Then the company went on to ridicule the Swedish journal, even contemplating legal action against Collins for his part in the mishap. The company also tried to cast doubts on the legitimacy of the test, implying that the test was unrealistic and not representative of everyday driving, although it had been widely accepted for at least ten years.

Instead, company officials announced that the A-Class was “absolutely safe” and turned their attention from blaming Collins for creating the situation to blaming the tire producer, Goodyear, for the vehicle’s failure. In Germany, public disapproval and a general negative attitude toward Mercedes began to grow regarding Mercedes’ handling of the situation, and that public response was soon followed by similar reactions among the worldwide media. As public opinion pressure mounted on Mercedes regarding their denial and subsequent handling of the situation, it became the “leading target of show-masters, magazines, and newspaper, which all enjoyed a good laugh.”
When independent automobile sources confirmed that the A-Class indeed manifested poor stability, Mercedes was forced to change its strategy. The chairman of the Board of Directors acknowledged that there was “apparent weakness in extreme test situations.” Immediately thereafter, 200 of the company’s engineers were assigned to determine the root cause of the problem and to provide subsequent design changes to correct the situation. Ultimately, the company recalled about 100,000 cars from the market and suspended delivery until February 1998 to make the necessary upgrades. The company offered a trade-in option to some 2,600 European owners of the vehicle. Production was halted for more than twelve weeks at an approximate cost of $150 million.

The design and engineering changes amounted to chassis and suspension revisions, including the addition to each vehicle of a $900 electronic stability package. The total cost for the revisions amounted to approximately $100 million. When all the revisions were made, and the vehicle was ready to go back on sale, Mercedes began its advertising campaign by using a Two-sided approach.

**Purpose**

Taking into consideration the events cited above leading up to when the vehicle was ready for sale again, Mercedes realized that its ignorance, arrogance, shifting of blame, and unwillingness to acknowledge the validity of the Moose Test, had likely tarnished its reputation. In order to affect repairs and mend its relationships with customers and the media, it utilized a Two-sided advertising strategy that would, on the one hand, acknowledge the past situation and apologize for any problems, and on the other hand follow up with the
positive aspects of the A-Class. The basic premise of the advertising strategy was to repair the company’s damaged reputation and mend its relationships ("damage control").

Theory Type

By taking one side of the message to admit fault and apologize for its past mistakes regarding the situation, and then follow up with the positive attributes of the revised A-Class, Mercedes took an Optimal Arousal approach—i.e., attempting to surprise the audience and gain back lost credibility.

Approach

To the surprise of worldwide media, Mercedes advertisements joined in mocking the company’s unfavorable situation and made fun of it. Advertisements about the "A-Class and the Moose" were published in newspapers and magazines. Mercedes dealers in Germany were given stuffed moose toys and bumper stickers that read "Moose-Test Tested." Advertisements were placed on the Internet which, when double-clicked, caused the screen to turn upside-down.

To reinforce the image of its revised A-Class, Mercedes organized a special private demonstration and asked Robert Collins to authenticate its fixes. Moreover, other test drivers and performance car drivers were hired to further substantiate the car’s new capabilities. In a one-day advertising blitz, the company published advertisements in 180 German newspapers and on the country’s largest television networks, all with the following messages:

⇒ The A-Class passed the Moose Test
⇒ The company made a mistake, corrected it, and has learned from it
The advertisements showed that the vehicle no longer flipped over while also accentuating its improved stability and handling.

After the one-day blitz finished, poster advertising appeared which included popular German tennis star Boris Becker, who gave the same message: Mercedes was learning from its mistakes. Becker said, on their behalf: “I have often learned more from my defeats and setbacks before winning a championship.”

Reactive or Proactive?

It is clear that the approach taken by Mercedes when it changed its strategy to the Two-sided approach was reactive in nature. The company was forced, as a result of its earlier handling of the situation, to admit its mistake and begin rectifying the situation by apologizing for its mistakes.

Observations

The Moose-Test incident was a crisis that was not handled well from the beginning. It eventually cost Mercedes about DM300 million to design and engineer modifications. It also damaged general public perceptions about the company’s reputation, which cost the company some tens of millions of dollars.

Analysis of Effectiveness Criteria

1. How important the potentially unfavorable disclosure is perceived to be.

The disclosure that Mercedes was in fact both responsible and apologetic for the Moose-Test failure of its A-Class model was very important. However, consumers
manifested only lukewarm enthusiasm, largely because the message was received after Mercedes had already tried to deny involvement in the situation.

2. The motivation underlying the potentially unfavorable disclosure.

Mercedes was motivated to acknowledge its mistake after sustaining considerable negative scrutiny by the automotive press and the company’s worldwide consumer base over the apparent instability of its new model.

3. How counter-attitudinal or pro-attitudinal the message is over-all.

Overall, the company’s final Two-sided advertisements tended to “make fun” of their difficult situation. Even several of Mercedes’ competitors, including Saab, referred to the Moose Test in their advertising campaigns, jesting at Mercedes’ expense. In general, the final advertisements were pro-attitudinal.
Isuzu: The Joe Isuzu Ads

Source: Demori, 2003

Figure 4.2 Joe Isuzu Advertisement

Background

The “Joe Isuzu” character was created for the purpose of acting as the corporate “spokesman” for American Isuzu Motors (AIM), which cast Joe as a “pathological liar who promised all sorts of products.” He was the main spokesman for AIM from 1986 through 1990.
Purpose

According to Automotive Mascots (www.tvacres.com, 2003), the purpose of the Joe Isuzu Two-sided advertising was to solicit consumer interest in Isuzu products based on obvious preposterous claims made by the Joe Isuzu character. Although it was acknowledged each time that the character was “lying” about his claims, the advertisements also created a secondary effect of humor.

Theory Type

The Joe Isuzu Two-sided approach can best be described as Inoculation, where the focus of the advertising message is so preposterous that the consumer becomes sufficiently intrigued to listen to the message, if only to refute the arguments being made.

Approach

Between 1986 and 1990, Joe Isuzu was featured primarily in TV commercials for AIM. The advertisements typically featured Joe interacting with one of the Isuzu cars or trucks, while Joe enthusiastically made preposterous, exaggerated claims for the product. Below him, a caption read, “He’s lying.”

Joe’s trademark phrase was, “You have my word on it!” One commercial had Joe saying “... and if I’m lying may lightning hit my mother,” and then he said that the Isuzu Trooper 4X4 could carry a symphony orchestra or “every book in the Library of Congress.” The end was predictable—his poor mother standing beside the car only to be struck by lighting. The negative side of the message was Joe’s false claim of the vehicle’s capacity, but the positive side left it up to consumers to recognize the actual size of the product.
Another commercial was a shared advertisement between AIM and Burger King in which Joe Isuzu was promoting a new Isuzu pickup truck. The model was called the “Big Joe,” and the new hamburger was called the “Big Cheese.” The commercial showed Joe driving up in his pickup truck, saying “Hi, I’m Joe Isuzu and I used my new Isuzu pickup to carry a 2000-pound cheeseburger.” Then a subtitle flashed on the screen saying, “Uh-oh, here we go again.”

**Reactive or Proactive?**

The Joe Isuzu advertising strategy was completely proactive.

**Observations**

The Joe Isuzu Two-sided advertising strategy was clearly innovative among automotive manufacturers during the course of its advertising run. The advertisements were constructed in such a way so as to be both humorous and entertaining while also being informative. Further, the Joe Isuzu strategy appears to have been very effective in its ability to create consumer “recall,” as indicated by former President Reagan’s comparison of Nicaraguan leader Manuel Noriega to “that fellow from Isuzu” and former Chrysler CEO Lee Iacocca’s claim, “If Chrysler isn’t the performance company, then I’m Joe Isuzu.”

**Analysis of Effectiveness Criteria**

1. *How important the potentially unfavorable disclosure is perceived to be*

   The strategy, which had Joe Isuzu continuously lying as he spoke about AIM products, was considered to be unimportant and was not taken unfavorably at all.
2. *The motivation underlying the potentially unfavorable disclosure*

Other than the strategy to portray Joe Isuzu as a liar to elicit interest among listeners, there was no other motivation.

3. *How counter-attitudinal or pro-attitudinal the message is over-all.*

The Joe Isuzu advertisements were designed to be pro-attitudinal in a way that invited humor and entertainment.
Volkswagen Beetle: "Lemon"

Source: Freezor, 2000

Figure 4.3 VW "Lemon" Advertisement

Twitchell (2000) noted several variations of Volkswagen ad copy:

- "The Volkswagen missed the boat."
- "The chrome strip on the glove compartment is blemished and must be replaced. Chances are you wouldn't have noticed it; Inspector Kurt Kroner did."
- "There are 3,389 men in our Wolfsburg factory with only one job: to inspect Volkswagens at each stage of production (3,000 Volkswagens are produced daily; there are more inspectors than cars.)"
- "Every shock absorber is tested (spot checking won't do), every windshield is scanned. VWs have been rejected for surface scratches barely visible to the eye."
- "Final inspection is really something! VW inspectors run each car off the line onto the Funktionsprüfungstand (car test stand), tote up 189 checkpoints, gun ahead to the automatic brake stand and say 'no' to one VW out of fifty."

- "This preoccupation with detail means the VW lasts longer and requires less maintenance, by and large, than other cars. (It also means a used VW depreciates less than any other car.)"

- "We pluck the lemons; you get the plums."

**Background**

The advertising agency, Doyle Dane Bernbach, entered into a contract with Volkswagen in the late 1940s in which it would be responsible for all of Volkswagen's advertising. Mr. Bernbach had specific responsibility for the VW account, and he crafted advertising messages based on his personal mantra: "The Product. The Product. Stay with the Product." His objective was to create "Virtue Out of Necessity" for these advertisements by adding personalities to the products. Moreover, the VW ads, including this example of the "Lemon," were all considered "like homework assignments—you had to spend time on them." Each advertisement was designed to make the receiver "think, but not too hard" (Arens, 2002).

**Purpose**

The purpose of the Lemon advertisement was to engage the receiver in such a manner that he or she would perceive VW's commitment to quality. The negative side of the message was the title—"Lemon"; the positive side was the attention to workmanship and quality as
identified in a list of numerous checks performed by factory workers before the product was allowed to leave the plant.

In the ad, the car is considered a lemon because it apparently has a scratch in the paint which prompted its removal from the assembly line in order to be corrected prior to shipping. Volkswagen made the claim that no mistake was too small and nothing would be sold "imperfect." The use of the word "imperfect" embodied Bernbach’s own personality.

Theory Type

The “Lemon” advertisement is an example of Optimal Arousal, where the receiver of the message is surprised by the novel approach, thus encouraging further study.

Approach

All of the VW Lemon advertisements were offered only in the print media. The “Lemon” is a “curiosity” advertisement, which causes the receiver to engage and contemplate. He or she is prompted to wonder why the car is called a Lemon and then to become engaged in the advertisement to learn more about the VW quality policy for each Beetle.

Reactive or Proactive?

This advertising campaign was proactive in that VW sought to advance its quality message to the receiver.
Observations

The Lemon advertising strategy was considered highly innovative for its time, given its ability to both engage the receiver and at the same time inject “personality” into an innate object like a car. Further, the use of the Two-sided message, where “Lemon” is the title, provokes curiosity and a desire to read further to understand the reasons why a company would suggest that its product was imperfect.

Analysis of Effectiveness Criteria

1. How important the potentially unfavorable disclosure is perceived to be.

Using the term “Lemon” would typically cause a reader to think of “poor quality,” so the use of this word is significant. However, the clever way the writer pulls the reader into the advertisement through curiosity is noteworthy and eventually explains and downplays the initially unfavorable impression.

2. The motivation underlying the potentially unfavorable disclosure.

There is no underlying motivation behind what appears to be an unfavorable disclosure, except to cause the curious receiver to respond further.

3. How counter-attitudinal or pro-attitudinal the message is over-all.

The VW “Lemon” advertisement is pro-attitudinal.
Continental Airlines: Advertising a Turnaround

Background

In the late 1980s, Continental was ranked near the bottom among major U.S. airlines in such performance measures as on-time departures and arrivals, lost luggage, passenger comfort, cancellations, and overall customer service, as tracked by the U.S. Department of Transportation.

The airline underwent a major turnaround in the early 1990s under the leadership of Gordon Bethune, who was named president and CEO. Bethune enacted what he called “customer-centric service,” which turned the company’s performance around until it is now recognized as one of the top airlines in the industry. In its study of airline passenger satisfaction, J.D. Power and Associates and Frequent Flyer magazine both ranked Continental first in customer service for three of the last four years. Continental also received excellence in performance awards from Fortune magazine in 1999 as one of the 100 best companies to work for in America. Given such tremendous improvement in performance, it was time to regain consumer confidence through the use of a Two-sided advertising strategy.

Purpose

The purpose of Continental’s advertising was two-fold. First, in the negative side of the message, it admitted to past poor performance in areas such as on-time departure and arrival, lost luggage, passenger comfort, and cancellations, and it used the advertising to seek consumer forgiveness. Second, in the positive side of the message, Continental assured
passengers that the problems had been eliminated through an intensified commitment to
service and quality.

Theory Type

Continental’s Two-sided advertising strategy is Optimal Arousal.

Approach

Continental’s approach to this advertising campaign was through the written media, i.e., newspapers and magazines.

Reactive or Proactive?

Continental’s Two-sided strategy was proactive. It had corrected its performance deficiencies and was now using the Two-sided advertising approach to engage the receiver by admitting past poor performance. This tactic enabled Continental to increase its credibility and to entice consumers to give the airline another chance.

Observations

The Continental turnaround is a good example of a company that experienced performance problems, corrected them, and subsequently used Two-sided advertising to regain customer confidence.

In this type of example, it is imperative that two ideals be followed when using Two-sided messages:
Avis Car Rental Company

Background

Avis is a car rental company which, at the time it used Two-sided advertising, was ranked second in the industry. Its advertising made use of this fact, along with several other “negative facts” to script its advertising strategy.

Purpose

In its headline and copy, Avis communicates negative information about itself, and then refutes it in an effort to appear more persuasive, more truthful. This ad and the campaign below are an example of Two-sided refutational.

Avis is only No.2 in rent a cars. So why go with us?

We try harder. (When you're not the biggest, you have to.)

Avis can't afford dirty ashtrays. Avis is expected to have the cleanest, tallest cars. We know we're the best but there are things we can't afford that affect the experience. Things that keep us different.

When you're only No.2, you try harder. Or else.

Source: Freezor, 2000

Figure 4.4 Avis Advertisements
1. *It is not a one-shot campaign* (that is, they apologize and are accountable on a consistent basis until public acceptance is apparent).

2. *It is not just another version of “spin,”* (a marketing technique that is not an authentic communication to the public). If it were, the company’s actions would be inconsistent with its words and would be disregarded; the company would lose what little credibility it had.

**Analysis of Effectiveness Criteria**

1. **How important the potentially unfavorable disclosure is perceived to be.**

   The unfavorable disclosures of past poor performance are very important, especially if each performance characteristic is not corrected. If the consumer decides to give the firm a second chance, all current and future credibility rests on a perception that positive changes have been made.

2. **The motivation underlying the potentially unfavorable disclosure.**

   Continental’s motivation for disclosure is its desire to seek redemption and credibility by acknowledging past performance problems.

3. **How counter-attitudinal or pro-attitudinal the message is over-all.**

   Continental Airline’s advertising approach is pro-attitudinal.
Theory Type

The Two-sided advertising used by Avis, as illustrated above, is an example of Optimal Arousal theory because it is both surprising and novel in its approach while at the same time engaging.

Approach

This advertising was limited to a written format and distributed both in magazines and newspapers as well as in a poster format.

Reactive or Proactive?

Avis’ use of Two-sided advertising in this example is proactive.

Observations

The approach taken by Avis in this example, where the advertisement offers a negative title and then refutes it in the body of the text, provokes curiosity and further examination on the part of the receiver.

Analysis of Effectiveness Criteria

1. *How important the potentially unfavorable disclosure is perceived to be.*

   The use of negative titles in the Avis advertisements relate well to the needs of target consumers. Yet, as in the VW advertisements, these ads are used to entice curiosity to learn the true about Avis service, provided in the fine print of each message.
2. The motivation underlying the potentially unfavorable disclosure.

Avis’ motivation to use negative titles is an attempt to differentiate itself from among its competitors who utilized only one-sided advertising.

3. How counter-attitudinal or pro-attitudinal the message is over-all.

The Avis advertisements are pro-attitudinal.

Summary

We found that advertising messages can be classified as either Reactive or Proactive, and by Product Oriented or Innovative. Figure 4.5 summarizes the approach used in each of the automotive manufacturers’ Two-sided messages.

Summary of Two-Sided Automotive Advertising Messages

- **Objectives**
  - Proactive
  - Reactive

- **Attribute or Product Oriented**
  - VW “Lemon”
  - GM “R2R”
  - Mercedes “A-Class”

- **Innovative and/or Provocative**
  - Isuzu “Joe Isuzu”
  - Renault “Pear”
  - Mercedes “A-Class” - initiating humor with “Moose” images


Figure 4.5 Summary of Two-Sided Automotive Advertising Messages
This figure shows that the risk level associated with using a Two-Sided message increases when an advertiser has an option to be “Reactive” and “Innovative.” We also believe it is more likely that a Two-Sided message will not be as effective if it is designed to be both “Reactive” and “Innovative.”
CHAPTER 5

"Road to Redemption": GM's Advertising Quality Campaign

Much of the research extant today indicates that customer loyalty to General Motors' products is appalling, and that 40% of automotive consumers do not even consider GM products when thinking about the purchase of their next vehicle. GM is aware of this problem, and is taking steps to focus on its products and brand. To this end, the company has begun a corporate quality campaign which utilizes a Two-sided advertising strategy. This campaign is called "Road to Redemption" (R2R).

Campaign Objectives

The objectives of the R2R advertising campaign were four-fold.

1. **Reach Out**: begin a dialogue with the target consumer segments known colloquially as “Avoiders” and “Apathetics.”

2. **Influence the opinions** of the target segments while building attitudes of consideration. Specifically, the advertising is focused on the “Opinion” stage of the Purchase Funnel. The R2R campaign is also known as a “Quality Campaign,” and its overarching message is to reach the negative perception held by GM Avoiders and Apathetics and realign it with a positive perception of the quality of GM products.
3. **Support divisional sales and advertising efforts.** While not acknowledged as part of a planned strategy regarding the quality message, it is clear to us that the R2R advertising strategy could be considered a beginning within the Purchasing Funnel, which extends to other GM strategies such as the “24-Hour Test Drive,” “Quality Road Show,” and “Hot Button” advertising campaigns, which target the “Consideration”, “Trial,” and “Purchase” aspects of the Funnel.

4. **Turn from negative to positive** the opinions held by the target segment of Avoiders and Apathetics.

**Perception versus Reality**

The gap between perception and reality among opinions held by GM Avoiders and Apathetics is so large and therefore so important that GM recognized that it needed to take action. However, automobile and media analysts, who themselves sometimes fall into the GM Avoider or Apathetic categories, were also unaware of some of the realities. The opinions about GM that exist within these two segments can be summarized as follows:

- They dismiss domestic manufacturers in general.
- They harbor specific resentment against GM.
- They are unaware of the current status of GM product and services.
- They hold smug attitudes regarding their anti-GM status, flaunting a sense of social superiority which suggests that GM is not good enough and that in general imports are better.
- They can be characterized as patronizing well-wishers who know GM is an important company but regard it as one they would never purchase a product from.
In the end, these biases create a wall of inertia against purchasing that works against GM.

**Defining the Target Segments**

It is important to understand these two GM target segments, Avoiders and Apathetics, in order to perceive the nature of the situation that prompted the R2R advertising campaign.

Within General Motors there is an organization called Global Market and Industry Analysis (GMIA) which provides research on segment behavior in the form of a “Buyer Continuum.” The GM Buyer Continuum classifies consumers into the following four “attitude” groups:

1. GM Avoiders (including GM Young Nevers, a subset of Avoiders)
2. GM Apathetics
3. GM Rejectors
4. GM Buyers

GM defines each segment as follows:

<table>
<thead>
<tr>
<th>GM Avoider</th>
<th>GM Young Never subset of GM apathetic</th>
<th>GM Apathetic</th>
<th>GM Rejecter</th>
<th>GM Buyer</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Didn’t shop GM for last purchase</td>
<td>• Never owned GM</td>
<td>• Didn’t shop GM for last purchase; did not buy</td>
<td>• Bought GM for last purchase</td>
<td></td>
</tr>
<tr>
<td>• Don’t intent to shop GM for next purchase</td>
<td>• Would not consider GM in future</td>
<td>• Might shop GM for next purchase</td>
<td>• Would shop GM for next purchase</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Diagnostic Research Inc. 2003

Table 5.1 GM segment definitions

Information that forms the database for studies conducted by GMIA was acquired through a panel comprised of Internet users. A Buyer Continuum Survey (Diagnostic Research Inc., 2003) was conducted, which generally took participants 17-20 minutes to complete. The sample population was drawn from Harris Poll Online Panel.
Participants were screened to fit the following qualifying criteria:

1. Each had purchased or leased a new vehicle in the past six months
2. Each had at least an equal share in the purchase decision
3. Only one in the household works in a sensitive industry

Table 5.1 depicts the most recent breakdown of the 2,483 qualified survey respondents who were used versus the specific quota assigned to each GM category.

<table>
<thead>
<tr>
<th>Description</th>
<th>GM Avoiders</th>
<th>GM Rejecters</th>
<th>GM Apathetic</th>
<th>GM Buyers</th>
<th>Ford Avoiders</th>
<th>Toyota Avoiders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quota</td>
<td>600</td>
<td>300</td>
<td>300</td>
<td>No Quota</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Sample Size</td>
<td>599</td>
<td>301</td>
<td>302</td>
<td>650</td>
<td>255</td>
<td>300</td>
</tr>
<tr>
<td>Overall Completes</td>
<td>609</td>
<td>523</td>
<td>701</td>
<td>650</td>
<td>983</td>
<td>836</td>
</tr>
</tbody>
</table>

Source: Diagnostic Research Inc. 2003

Table 5.2 GM Buyer Continuum Survey Population

Once the data was collected and analyzed, it was sorted in several ways to provide insight into the opinions of the four segments:

1. sorted by vehicle type (i.e., cars, trucks, mid-size car, entry luxury car, large SUV, large pickup, mid-size SUV, small SUV);
2. sorted by region of the country (i.e., North Central, Northeast, South Central, Southeast, West);
3. sorted by education level: college graduate versus non-college graduates;
4. sorted by GM divisional brand (i.e., Buick, Cadillac, Chevrolet, GMC Truck, Pontiac, Saturn, Hummer, and Saab).
What the Data Indicates

The GM Buyer Continuum study is comprehensive and totally confidential within GM. Therefore, we can summarize the study’s findings for the GM Avoider and GM Apathetic segments, which highlight the magnitude of the problem and are the basis for the R2R advertising.

Overall Findings

- Combining GM Avoiders and GM Apathetics together totals more than 50% of the market who did not shop for their last purchase and either will not or might consider GM products for their next purchase.
- The data varies when comparing each segment by vehicle platform. There are no startling revelations in this comparison.
- The Western region of the U.S. has a higher proportion of GM Avoiders and GM Apathetics.
- GM Avoiders are more likely than GM Buyers to be college graduates, i.e., highly educated.

Findings Specific to GM Avoiders

- By a factor of 2 to 1, GM Avoiders are most likely to avoid the brand they have previously owned. Prior ownership experience is a significant contributor to their opinions regarding GM and their decision to avoid GM in the future. This is true for both
car and truck buyers, and is significantly higher for those over age 35. Notable is the fact that the median model year for a GM vehicle last owned by a GM Avoider was 1984, the period when GM experienced significant quality problems.

- Over half of GM Avoiders are open to considering domestic models for their next vehicle.
- Concerns about both Quality and Reliability/Durability of GM products are the most frequently mentioned reasons for avoiding GM products. The third is Value for the Money.
- GM Avoiders are wealthier than those who avoid other competitor brands.

Findings Specific to GM Apathetics:

- Over half of GM Apathetics were aware of a GM vehicle that could meet their needs.
- Among GM Apathetics who earned less than $75,000, Value for the Money and Sticker Price were the most frequently cited reasons for not considering a GM product. Quality and Reliability/Durability were cited as third and fourth reasons.
- Among GM Apathetics who earned more than $75,000 income, Quality and Reliability/Durability were the most frequently cited reasons for not considering a GM product. Value for the Money and Sticker Price were cited as the third and fourth reasons.
- Over 70% of GM Apathetics either currently or have previously owned a GM vehicle, which contributed significantly to their opinion of GM products and, along with Value, influences their attitude to not consider GM in the future.

The findings above show that GM Avoiders and GM Apathetics are significantly influenced regarding their opinions of GM based on past ownership experience with a GM product, which has led them to conclusions of Quality and Reliability/Durability problems
followed by Value for the Money. Further, “bad” ownership experience has led to lost consumer confidence and trust, and ultimately to a “broken” relationship.

Regaining Lost Customers and Loyalty

Regaining lost customers and acquiring new customers is not easy; indeed, the challenge must be embarked upon both strategically and economically. Retaining existing customers must be the first priority in any business, as it is far less costly than attracting lost and/or new customers.

Customer Lifetime Value

The buyer continuum must be viewed economically on a “value per person” basis, meaning that every person (ranging from existing loyal buyers to rejecters, apathetics, and avoiders) must be assigned a value. Through the application of Customer Relationship Marketing (CRM) techniques, each loyal buyer must be assigned a “customer lifetime value.” The Rejectors, Apathetics, and Avoiders also have a “cost to attract” factored into the “customer lifetime value.” assigned to them.

Calculating the Lifetime Value of Customers

Debra Schmidt, of Spectrum Consulting Group, uses the following method for calculating both the lifetime value of customers while identifying the costs of attracting new customers:

When you lose a single customer, you don’t lose just one sale but a lifetime opportunity of profitability with that individual. Do you know what your customers are worth?
To determine the average lifetime value of your customers, estimate how much they will spend with your company on an annual basis and multiply it by the number of years they could potentially use your products or services. For example, if an average grocery customer purchases $100 worth of grocery products per week, 52 weeks a year, for approximately 45 years—their average lifetime value will be $234,000.

Don’t stop there. Next, factor in how much your customers could potentially increase their spending each year because they’re thrilled with the great customer service. There’s more! Although it’s difficult to calculate, you need to estimate the value of all of the new customers that your loyal customers will refer to your company. (www.theloyaltybuilder.com, 2002)

Here are some examples of the average lifetime values of customers in several industries:

- **Dry cleaning Customer**  $50K
- **Life insurance owner**  $80K
- **Automobile owner**  $200K
- **Grocery customer**  $234K+
- **Medical patient**  $1 million+

Increasing customer retention by as little as 5% can translate into as much as a 100% increase in profitability. Therefore, it’s important for all employees within an organization to understand the lifetime value of their customers. Then they can focus on building relationships with people who will keep the company in business.

**The Cost of Replacing Customers**

It costs five to six times more to attract new customers than to retain old ones, and it costs sixteen times more to acquire a new customer and build them to the same level of profitability as a loyal customer. Customer loyalty and the lifetime value of a customer can be worth up to ten times as much as the price of a single purchase.

Richard Gerson of Spectrum Consulting Group (2002) says:
Businesses that provide superior customer service can charge more, realize greater profits, increase their market share and have customers willingly pay more for their products simply because of good service. In fact, you can gain an average of six percent a year in market share simply by providing good service: satisfying and keeping your customers. (p. 13)

Taking into consideration the lifetime value of a customer, then, it is worth it to provide refunds when a customer returns a purchase that is deemed unsatisfactory. Such actions generate good will and positive word-of-mouth and will build loyalty. According to Gerson, customer service is governed by the Rule of 10s—if it costs $10,000 to get a new customer, it takes only ten seconds to lose one, and ten years for the customer to get over it. Poor service is expensive but good customer service is invaluable. Retaining customers directly affects the bottom line, and can only be accomplished through a focused customer loyalty program.

Blattberg, Thomas, and Fox (2004) define the concept of “Customer Winback”—which must be considered when analyzing both GM Avoiders and GM Apathetics with prior GM ownership experience—as the process in which a firm revitalizes its relationship with customers who have defected. The importance and impact of Customer Winback as a key element of any firm’s CRM strategy cannot be underestimated. Research shows that a firm has a 60% to 70% chance of successfully repeat-selling to an active customer, which drops precipitously to a 20% to 40% chance of successfully repeat-selling to a lost customer, and only a 5% to 20% chance of successfully closing a sale to a brand-new customer.

A key opportunity for firms to increase or maintain a customer base is the mining and evaluation of the firm’s database of defected customers. Strauss and Friege (1999) make this argument even more convincing in a case study in which they found that acquiring new
customers obtained from an external list amounts to only 23% as compared with a 214% return on investment from the reinstatement of a customer who had defected.

As noted above, Customer Lifetime Value is the central profitability metric, which is defined in terms of Net Present Value (NPV) of the customer’s profitability throughout the relationship. However, when it comes to recapturing former customers within the Avoider, Apathetic, and Rejecter segments, another metric called “Second Lifetime Value (SLTV)” can be used to understand the profitability of those customers in NPV terms. The value assigned to each potential recaptured customer should be the guiding factor when considering how much time and resources to apply to recruiting these customers. According to Blattberg, Thomas, and Fox (2004), such key considerations as “dynamic pricing” along with the past nature of the relationship (tenure, pricing, duration of lapse) between the firm and customer must be taken into account when deciding to target a potential customer for recapture.

As the analysis above shows, retaining current loyal customers should be the first and foremost responsibility of a company. Further, when attracting potentially new and defected customers, it is imperative that either initial lifetime values (new) or second lifetime values (previous owners) be assigned so as to guide decisions regarding the amount of time and money to be spent.

**Approach to the “Road to Redemption” Advertising Campaign**

The Road to Redemption advertising campaign was designed to start a dialogue with the GM Avoider and GM Apathetic segments, both to acknowledge and to apologize for past GM quality problems and to provide detailed explanations of GM’s current improvements in
quality and technology—basically, to align the perception of the consumer with today’s reality.

McCann-Erickson was the advertising agency hired by GM to design the message. The agency reviewed the GM Buyer Continuum data; press releases from GM leaders Bob Lutz (GM Vice Chairman of Product Development) and Gary Cowger (General Motors North America (GMNA) President); and held discussions with Steve Hill, Director of GM Brands. A consortium of these parties set out to develop a Two-sided message that would be provocative, upscale in its message, and change in a positive manner the paradigms of the GM AVOIDER and GM APATHETIC segments. After much brainstorming regarding the message and format of the advertising, messages were developed and presented to GM management for review.

The R2R campaign had a number of components, beginning with the initial “Road to Redemption” story as already reviewed earlier in this thesis. The others are:

⇒ Introduce “The Stranded Driver” story, which told the world about the company’s real loss of customers due to past quality problems.

⇒ The “Smell the Coffee” campaign, which tells readers that GM is so committed to quality that they began meeting at 6:00 a.m. in order to have time to complete everything that needed to be done.

⇒ That segued into the evolution of commitments to future environmental considerations and technological strategies, focused on the “Hybrid Progress” campaign.

⇒ Next came the “Willkommen to the Revolution,” a story informing the world that such car manufacturers such as BMW were already using GM components to build the exceptional quality already perceived in those cars.
⇒ Then came the “Air Quality” story, which stated that the air coming out of GM vehicle exhausts was actually cleaner than the ambient air—illustrating again GM’s commitment to the environment.

⇒ Next step was the “Parent’s Import” message that current GM cars were of higher quality with more features than the imports that had the loyalty of their parents.

⇒ Then came the “There’s No Texas in Japan” segment, which was intended to enforce the message that Asian manufactures do not know how to build trucks!

⇒ Finally, the “TJ Hurley” ad was intended to illustrate to consumers that GM is winning awards and gaining recognition for its commitment to quality.

The entire campaign spread, as proposed, is illustrated in the following series of advertisements.
Segment #1 - Road to Redemption

Figure 5.1 Road to Redemption

Segment #2 – The Stranded Driver

Figure 5.2 The Stranded Driver
Segment #3 – Smell the Coffee

Figure 5.3 Smell the Coffee

Segment #4 – Hybrid Progress

Figure 5.4 Hybrid Progress
Segment #5 – Willkommen to the Revolution

Figure 5.5 Willkommen to the Revolution

Segment #6 – Air Quality

Figure 5.6 Air Quality
Segment #7 – Parent’s Import

Figure 5.7 Parent’s Import

Segment #8
There’s no Texas in Japan

Figure 5.8 There’s No Texas in Japan
During the reviews at GM, many discussions took place concerning the Two-sided message of the advertising, especially admitting past quality problems, the worry being that such admissions might cause a backlash among current loyal customers. To resolve the problem, GM requested pre-release market testing to ensure that the advertising would be effective for the target segments. GM also wanted confirmation that its loyal customers would not be offended. Thus two separate research studies were conducted: one by a firm named 7th Sense, the other Diagnostic Research Inc.
Qualitative Pre-Testing – 7th Sense

The first pre-release research and testing was conducted by a firm named 7th Sense. The firm agreed to provide feedback from pertinent audience members prior to campaign launch. Its research was refined to include current GM owners, GM Apathetics, and GM Avoiders in order to gauge the broadest reaction on the following factors:

Attention: Does the advertisement tell a story of interest to the target audience?

Messaging: Are they receiving what is intended out of the ads?

Comprehension: Is there any content that is not clearly understood?

Motivation: How does the ad affect their impression of GM?

- Overall as an American/global company?
- As the parent of prominent American car lines?
- As a source for their next vehicle?

Branding: Does the voice of the work fit desired perceptions of GM?

For the study, respondents were broken into four distinct groups: GM Avoiders, GM Apathetics, GM Opinion Leaders, and GM Owners. The research was conducted via one-on-one interviews. Initially, fifty individual interviews were completed in Westchester County, New York and Los Angeles, California. An additional twenty interviews were completed in Chicago, Illinois. All the interviews were completed at research facilities.

Interview Results

After completing all 50 interviews, the data was analyzed and showed the following results:

⇒ GM owners are not alienated, they are receptive. There is receptiveness to the advertising overall. It shows that GM is building momentum.
⇒ Owners fundamentally believe in GM and its products. This has a halo effect from the advertising overall.

⇒ The message that GM is improving is taken at face value. It is thought to signal that GM is continuing to build quality products and working hard to develop new and innovative ideas.

⇒ Owners believe this indicates GM is taking the initiative to improve quality—a self-improvement of sorts—rather than being pushed into improving quality to compete.

⇒ New vehicle imagery (i.e., GTO, SSR, etc.) illustrates GM’s progress and fortifies the overall message of growing momentum.

⇒ Customers believe this advertising suggests GM is retaining their customer focus.

⇒ GM Avoiders and GM Apathetics are skeptical but they understand the message.

⇒ The campaign effectively delivers its intended message. Consumers clearly see a GM that is reinventing itself.

⇒ Through the campaign, GM is viewed as a company that is changing its direction and becoming more focused on quality and regaining consumers’ trust.

⇒ The idea is credible for people because, regardless of real or perceived past transgressions, GM is recognized as an industry leading company with the resources to accomplish a great deal of change and renewal when it makes up its mind to do so.

⇒ Exciting looking new vehicles (SSR, GTO, etc), the promise of good looking and efficient hybrid vehicles and a sense that GM has a new, progressive and forward-looking attitude help consumers believe the message of reinvention

**Implications and Recommendations from the Research**

The 7th Sense research produced the following implications and recommendations regarding each of the original objectives:

♦ *The campaign delivers a relevant and meaningful message to owners and non-owners alike.*

- Current owners see the company they know and trust addressing past issues, confidently moving forward with a plan. They are not at all alienated.
- Non-owners see a GM that is re-inventing itself. They see…

   A GM that is refreshingly honest in acknowledging past sins.

   A company working hard at making a comeback and earning back customers.

- Current owners need no further convincing; non-owners remain skeptical despite their positive reaction to the campaign.

- Non-owners will need to see proof of GM’s resurgence to be fully bought into the story. This proof can only come in the form of new and exciting products and legitimate quality improvements.

♦ The campaign effectively talks to consumers in a different way, and this makes GM stand apart.

- The advertising sets GM apart among domestic manufacturers; the perception is that the company is talking to its customers in a different way.

- This is important because it suggests to consumers that GM is thinking differently.

- It reinforces what current GM owners already believe about the company and gives non-owners something to think regarding GM.

- It has the potential to lay the groundwork for further differentiation of GM in the future (i.e., sales growth, quality improvements, and focus on detail).

♦ The print ads effectively deliver a new and interesting message, but the visual breakthrough is limited. This is true for owners and non-owners alike.

- People believe the message is compelling but are neutral about the ads’ ability to grab their attention in a magazine.

- The campaign should stimulate product and company research and investigation.
Following campaign launch, web and dealer research traffic should be monitored.

- Develop the “Road to Redemption” storyline for Internet application for those looking for more information.

◆ The message acknowledging past problems, coupled with news about improving quality, signals a believable change of direction for GM.

- The credibility and believability of each ad in the campaign is of paramount importance to encouraging consumer belief that there is ongoing change at GM.

- Keeping the messages simple and providing proof for all claims of improvement furthers the impression that GM is changing for the better.

- The tone of the campaign should be maintained going forward, that is, ratify all future claims humbly.

◆ Consumers, especially non-owners, want to see a variety of proofs that suggest GM is changing.

- They want to see quality improvements and goals for the future.

- They will compare GM relative to its competition, especially against acknowledged quality leaders like Toyota and Honda.

- They look to independent third parties, like Consumer Reports and the automotive press, for information on quality.

- Ensure that the story goes beyond “we are making the best cars in our history” and extends to how the cars compare with the competition.
Quantitative Pre-Testing - Diagnostic Research Inc.

An analysis of the testing performed by Diagnostic Research Inc. (DRI) is summarized below.

Testing Results

♦ The word “Redemption” in the campaign title successfully conveys the idea that GM seeks to “improve its line of vehicles.”

♦ Viewers appreciate GM’s unique message and react positively to the company’s commitment to quality.

♦ People welcome hearing about GM’s effort to improve its quality and are pulled in by the pictures of “retro-looking” cars and the inviting open road.

♦ The text-heavy ad, while daunting, does not impede communication. However, people complained about the amount of text and without more prominent branding cues, some people struggled to identify GM as the sponsor of the advertising.

♦ GM’s message of its journey back to quality is acknowledged to be unique in all segments.

♦ Overall, GM’s claims of improvement have a positive effect on brand opinion. GM is seen as a leader.

Test Results from the Target Segments

♦ GM Avoiders and GM Apathetics hold back, thus making overall importance and relevance scores somewhat shy of the norm. Not surprisingly, however, among GM Buyers and GM Rejectors these messages are meaningful and important.
- GM Buyers responded the most positively to each question posed, indicating that the advertising did not offend them.
- GM Avoiders responded the least positively of the four segments
- GM Apathetics and GM Rejectors responded with growing favor.

Based on the research and findings from these two testing companies, GM authorized the release of its R2R campaign for the end of the second quarter 2003. The advertising was targeted for release in early June 2003, primarily in newsmagazines, newspapers, and the Internet.

On May 28, 2003, GM officials held a news conference with the media to explain the nature of the campaign and answer any questions. Following the news conference, a press release (shown in Figure 5.10) was handed out.
May 28, 2003

**GM Reaches Out To Consumers Who Don’t Consider GM Vehicles**

"Road to Redemption" Ad Debuts First Week of June

DETROIT- General Motors Corp. today announced that it will launch an unconventional effort to attract American consumers who don't consider GM products when shopping for a new car or truck.

It will begin the first week of June with an initial print installment called "The Road to Redemption," which tells the story of GM's long-term commitment and success in dramatically improving the quality of its cars and trucks. Over time, the campaign will describe GM's leadership on several other fronts, including technology, the environment and leading-edge design.

"We need to communicate to consumers in a new way, in a voice that's very different from what they expect," said Gary Cowger, president of GM North America. "This is much more than a traditional advertising or image campaign. It's a unique effort to reach those consumers whose perceptions of GM are out of step with today's reality, and we plan to use some innovative tactics to achieve that goal.

"The text of the first ad details the company's long journey on the longest road in the world - the 'Road to Redemption,'" Cowger said. "Now, with a lot of great-looking, high-quality products and higher levels of customer satisfaction, we want to persuade consumers to consider GM products in a different light."

The campaign complements GM's other ongoing efforts designed to let consumers experience how good GM products really are: the GM 24-Hour Test Drive program, which offers potential customers the opportunity to take a test drive of a new GM car or truck and return it the next day; and Auto Show in Motion, which since 1998 has allowed non-GM owners to test drive GM vehicles against competitors' products in a relaxed, outdoor setting.

The campaign's initial ad is scheduled to break the week of June 2. The ad template features a four-color, two-page spread, which includes a technical story, product examples, and detailed copy that supports each particular focus. All GM brands in the United States, including Saturn and Saab, are featured in the ads, which will run in national and regional newspapers and magazines. McCann Erickson Detroit is the creative agency responsible for the work.

In the recent results of the J.D. Power and Associates 2003 Initial Quality Study, GM was the top-performing domestic manufacturer. Fourteen GM vehicles ranked in the top three of their respective segments, including three that came in first place. In addition, five of the top six highest quality assembly plants in North and South America were GM plants, including the first-place plant (Oshawa 1 in Canada) and second-place plant (Lansing Grand River in Michigan).

General Motors Corp. (NYSE: GM), the world's largest vehicle manufacturer, employs 342,000 people globally in its core automotive business and subsidiaries. Founded in 1908, GM has been the global automotive sales leader since 1931. GM today has manufacturing operations in 32 countries and its vehicles are sold in more than 190 countries. In 2002, GM sold more than 8.6 million cars and trucks, nearly 15 percent of the global vehicle market. GM's global headquarters is at the GM Renaissance Center in Detroit. More information on GM and its products can be found on the company's consumer website at www.gm.com.

Figure 5.10 GM ‘Road to Redemption’ Press Release
Feedback

Immediately after the press release and simultaneously with the first advertisements arriving at newsstands and in magazines, GM received significant coverage from three media sources: auto industry analysts, news media reports, and the advertising/marketing media. A summary of the feedback from each media source follows.

Auto Industry

• In articles by Jean Halliday (2003) appearing in Automotive News and Advertising Age, no critical analysis was offered. Instead, the articles focused strictly on comments from both dealers and GM contacts.

• Mary Ann Keller (2003), writing in Automotive Industries, commented: “Mercifully, GM’s mea culpa ‘road to redemption’ has run its course. I can just hear the conversation inside GM’s executive suite that prompted the decision to waste money on a campaign to air past sins…” She comments further: “I think it would have been better to let sleeping dogs lie.”

• Writing for Reuters, Justin Hyde (2003) commented: “The first ad, titled ‘Road to Redemption,’ included a passing nod to GM’s quality problems, along with vows that GM’s new cars and trucks are now as reliable as the best in the world.”

• Jerry Flint (2003), commenting in Ward’s Automotive News, said, “The ‘Road to Redemption’ is none of those standard approaches: we’ve been bad, but don’t worry, it’s all fixed. How many times have we heard this?” He ends by stating: “Some good things are happening at GM and good people are moving up. But too many still confuse talk
with action, words with deeds, and promise with achievement. I’ll just say once more:

Actions speak louder than words.”

News Media

- Garsten (2003) in the Detroit News Auto Insider called the “Road to Redemption” strategy “the closest a company can come to publicly decreeing: ‘I have sinned, I have mended my ways, now please forgive me.’” He goes on to say: “Experts disagree about whether the quality mea culpa will work. Some say it’s a risky move that could ring hollow with the audience, but others counter that GM benefits from controlling the message.” He quotes Wes Brown, an analyst with Iceology, a unit of the market research firm Nextrand, as saying “It’s going to be difficult to overcome those perceptions with boomers, Generation Xers, and kids of boomers who grew up in households where GM was talked about negatively.” He also quotes Robert Fisher; the founder of Fisher and Associates Inc., a Los Angeles-based firm specializing in corporate crisis management as indicating that “Coming clean is a classic move in restoring a company’s reputation.” He ends the article by saying: “The GM ad campaign, however, is not aimed at boosting sales immediately, but rather a long-term rehabilitation of the automaker’s image and future sales prospects.”

- Jeffrey McCracken (2003b) quoted Dave Moore, chief creative officer at McCann-Erickson in Detroit as saying: “We were looking for something jarring, and the most jarring thing was the hard truth, saying that 20 years ago we had some really bad products, but we’ve learned our lesson is a pretty unconventional thing to admit in an ad.” He also
quotes Aradhna Krishna, a University of Michigan marketing professor as saying “If you think back to Tylenol, they admitted problems with tampered bottles, but most are like Exxon, which never did an ad to admit mistakes so openly. This is unique to GM. They are kind of acting like a company in a crisis situation, and maybe their crisis is the entire market share they and other U.S. automakers are losing to foreign automakers.”

- Warren Brown (2003) wrote in the Washington Post: “In what will be one of the U.S. auto industry’s most unorthodox, riskiest ad campaigns, GM is ‘fessin up. Yes Lord! It’s come-to-consumer time at the world’s largest manufacturer of cars and trucks.” Further on he asks: “Will it work? There is a school of thought that says when you mess up, you should ‘fess up. But GM’s mess-ups occurred a long while ago when the company wasn’t in the mood for confessing anything. Many people are willing to forgive you if your action of contrition is immediate and sincere. But when you obfuscate and deny, when you mess with their minds and their dignity after messing with their pocketbooks, they tend to hold a grudge … confessing your well-known sins under those circumstances simply might confirm their belief that you’re an untrustworthy rascal.”

- Danny Hakim (2003), writing in the New York Times, began by stating, “GM is ready to try the redemption card.” He quoted Clive Chajet, founder of Chajet Consultancy, a corporate identity specialist, as saying: “If they had wanted to leverage the General Motors corporate image for the benefit of the brand, they should say only the most positive statements about it instead of digging up negatives.”
• In a May 29, 2003 article in *The Holland Sentinel* entitled “GM Hopes to Boost Sales by Taking ‘Road to Redemption,’” the Associated Press called the advertising “unconventional” and quoted Art Spinella, an analyst with Oregon-based CNW Marketing Research, as saying “The advertising tactic was unusual in that shortcomings are not something auto companies either easily or readily admit. But basically this seems to be a conversation with dealers and their staffs and with GM’s own employees as much as it is with consumers. It’s sort of cathartic.”

• JoAnn Muller (2003) stated *Forbes*, “Now here’s an interesting idea: admit to people you once had a lousy product but now, really, it’s much better.” She quoted Al Ries, a marketing consultant at Ries & Ries, as saying: “Bringing up the past just keeps the problem alive. It’s like picking a pimple. It only aggravates things.”

• Rob Walker (2003) concluded an article in *Slate* with the following observations: “In fairness, it’s more the rule than the exception for companies to think the way GM is thinking now: If there is trouble, it lives in the past; the present is an eternal moment of comeback and rediscovery, a happy corner that is constantly turned anew. Moreover, the carmaker may really be in better shape today than it was in the 1980s. Reading up on those days reminded me of just what a basket case General Motors was back then. I’d forgotten all of that – until, of course, the current marketing campaign reminded me.”

• George Spaulding (2003), a retired GM executive and executive-in-residence emeritus at the School of Business and Economics at College of Charleston, wrote in the *Post and*
*Courier (SC)* newspaper: “Media analysts may question the wisdom of running advertisements that refer to past product problems as being too negative. To balance the negativity, the positives are taking over. No matter how you feel about the ‘redemption’ message, it is refreshing to see another perspective, another marketing strategy – other than rebates.”

- Tom Walsh (2003) concluded his article in the *Detroit Free Press* by saying: “In a newspaper and magazine ad campaign this summer dubbed ‘Road to Redemption,’ GM apologizes for its three decades of wandering in the automotive wilderness and invites long-lost customers to return. OK, we get it. Detroit’s automotive leadership isn’t in denial anymore.”

- Daniel Howes (2004), in the *Detroit News*, pointed out that consumers’ perception of quality as currently embodied in U.S. vehicles, significantly lags reality. He further reminded the reader “Don’t forget the ‘Road to Redemption’ ad campaign, an obvious acknowledgement by GM of it image problem combined with a public plea for another chance.”

**Advertising/Marketing Media**

- Barbara Lippert (2003), writing in *Adweek Magazine*, made the following comments: “First, let’s take a detour to the ditch in which the recent GM corporate-image ad has inexplicably plunged itself, wheels spinning. It’s not often that the world’s largest automaker gets down and begs for forgiveness, or even pity, without so much as a federal
investigator in sight. Maybe GM just wants to feel part of the sweeping mea culpa trend, to join ranks with the New York Times, Sammy Sosa, et. al.”

- Michael Fischler (2003), writing on the website MarketingProfs.com, stated: “If the perception in the market is of low-quality product, GM does in fact have a problem to solve. But there are better ways to do it. (In fact, I really can’t think of a worse way, unless they told us they made lousy cars on purpose and they had every intention of continuing to do so). And I’m all for attacking the problem head-on, with candor and honesty. But there are a lot of ways to demonstrate quality without telling everyone you used to build lemons but you don’t anymore. Feature-by-feature comparisons with the prime competition (they’ll win some and lose some like everyone else). Detailed technical specifications. Testimonials and endorsements. Test results. And, in fact, they’re doing some of this… I applaud their 24-hour test drive program as innovative and intelligent. But announcing that you’ve been peddling poor product for 20 years? Somewhere there’s an agency and some marketing executives who deserve a mighty big tactical spanking for this one.”

- YouAreSoSmart.com (2003) stated: “The new move by GM, contrary to traditional marketing logic, appears like a rather desperate move by the grand dame of Detroit. Likewise it is very unlikely that an ad campaign can seriously change consumers’ mindsets that have been molded over several decades. As Bob Garfield from AdAge puts it very fittingly, ‘It all boils down to ‘GM’s utter ineptitude as a marketer.’” Talk is easy and cheap – which perfectly describes this campaign.”
• Malandro (2003) cites the ad’s approach as “A roll of the dice,” and “They may have to apologize many times, over and over again, in the same way one has to ‘apologize’ repeatedly following damage done.” She ends the article by saying, “Woe to GM if this is a marketing gimmick of ploy, rather than a real commitment, because this time the public will not forgive and forget.”

Feedback Summary

Based on the media reports summarized above, we have drawn the following conclusions:

⇒ In general, the coverage can best be described as negative, basically insisting that the R2R approach was not appropriate, for the following reasons:
  - Admitting past mistakes will alienate your loyal customers.
  - The past mistakes were so long ago that people have generally forgotten and this approach only serves to bring back bad memories.
  - Automotive manufacturers typically do not use a negative/positive (two-sided message) approach. Their point was: do not express negative messages in your advertising.

⇒ Among the three media groups, the opinions expressed about the objectives of the advertising were not consistent. Some felt that the message was mostly about the mea culpa, whereas others understood the intended balance of the message, i.e., 5% mea culpa and 95% positive attributes (McCracken, 2003).

⇒ Several writers observed that GM must be “desperate” to save its reputation and revitalize it image, to consider use this approach.
Modifications to the Campaign

After six weeks of exposure in newspapers, magazines, and on the Internet, GM officials had received extensive feedback—in many cases unfavorable—regarding the R2R advertising campaign. Most of the feedback came from the organizations referred to above. Overall, these comments sent a strong signal to GM that the advertising had “struck a cord,” especially the mea culpa message.

This response prompted GM officials to truncate the original version of the campaign. Instead, it was decided that Segments #2 (The Stranded Driver) and #3 (Smell the Coffee), which reinforced the mea culpa message, would be removed from the campaign. GM officials argued that the extensive feedback, generally unfavorable, showed that spending additional advertising dollars on Segments #2 and #3 was not needed and would be unwise, because a dialogue had been started with the target audience. Furthermore, the words “Road to Redemption” were removed from print advertising and the Internet website and the Internet link to the “Road to Redemption” website was removed from the GM corporate website.

The revised advertising continued its planned course for the remainder of 2003 and in a “One-sided” manner.

Effectiveness of the R2R Campaign

In an effort to understand the effectiveness of the R2R advertising campaign, GM contracted with Millard Brown, a company that conducts Market Initiative Tracking Study (MITS) research for GM, to perform a survey-based analysis of the campaign. MITS is a powerful business intelligence solution that offers advanced dynamic and interactive data
reporting. It takes information in the company's system and makes it quickly and easily accessible. In October 2003, using MITS, Millard Brown conducted research on the effectiveness of the R2R campaign.

The findings from the MITS research produced the results that are summarized below:

- The R2R advertising had a significant positive influence on the "overall rating" and "consideration" of consumers regarding GM. Figure 5.11 illustrates GM's performance in relation to the Purchasing Funnel. Note the increased score in relation to the release of the R2R advertising.

*The latest MITS data suggests that the R2R campaign significantly increased GM's consideration and overall rating.*

Figure 5.11 MITS Survey Tracking Results
• 14% (this value is typical of print-oriented campaigns) of the survey group acknowledged remembering the R2R advertising in aided recall.

• 73% of those who were aware of the R2R campaign indicated that it was effective in promoting current product quality.

• When attributed to GM, R2R positively affected non-GM owners' receptivity to GM brands.

Summary

“GM – Loyal Buyers” were the most receptive to and appreciative of the advertising. For this group, the ad validated what they already believed, and GM was perceived to be nothing less than dependable, successful, a leader, and a company that knows good quality.

“GM – Avoiders” and “GM – Apathetics” were generally both unwilling to consider GM before viewing the advertising. Yet, while these respondents were most likely to claim the advertising had nothing to do with their needs, there was a sense of appreciation for GM’s claims of improvement.

These groups described the advertising as informative and newsworthy, and credit the approach for being unique. While negatives are higher among these groups—they saw the layout as too wordy and dull—they reacted favorably to the messages conveyed and exhibited above-average involvement. In the end, while they still rated GM at the lower end, there were signs of improved brand opinion.

All segments perceived GM as being more “Credible” after viewing the R2R advertising.
Generally, the news media, auto industry analysts, and marketing/advertising analysts all responded to the R2R advertising negatively. The three groups cited two specific problems with the advertising:

1. The R2R advertising is "just another" corporate example of acknowledging "apology" for past transgressions.

2. The R2R advertising will cause loyal customers to become upset and dissatisfied with GM for admitting quality problems in the past and otherwise being dishonest.
During our thesis research, we found a few brief commentaries which suggested there might be potential legal ramifications and/or liabilities associated with Two-sided advertising. One of the main questions was: Does a company set itself up for a lawsuit by admitting to less-than-optimal performance from a product or service? This chapter considers the issue of possible liability.

When we discussed this issue with our interviewees, all agreed that the only real concern is product safety and the ability to verify all claims made in the advertisement. Everyone interviewed believed the issue of product performance liability was not a concern.

When we looked specifically at the GM Quality Campaign and the Road to Redemption messages, we thought they possibly be used by past GM car owners as the basis for filing lawsuits seeking damages from problems they may have had with cars owned in the past. Personnel involved in the R2R campaign, as well as senior communications and legal personnel felt all such claims had been settled in the past through warranty, arbitration, or other means and were not of consequence now.

According to Earl and Pride (1984), “Consumer information is seen as having been improved by disclosure in advertisements.” This begs the question: Do disclosures set up potential liability claims? Do consumers feel they have a claim if a company discloses a failure with a product the consumer had purchased?
According to Morgan and Stoltman (1997),

Advertising has become increasingly important in product liability litigation when consumers have been harmed by faulty products since the late 1970s. Courts seem willing to consider the impact of advertising on consumer behavior leading to injury-causing situations. If consumer reliance on the content of advertising can be established, the marketer may be subject to liability under a variety of theories of recovery, including warranty, misrepresentation, negligence, and strict liability. The role of advertising in product liability litigation is examined. Managerial and public policy recommendations based on the analysis are made. Advertisers are increasingly being held accountable for consumer injuries associated with products whose communications can be connected to those injuries. Further, plaintiff consumers continue to try to recover under every possible product liability theory when advertising is used as part of the evidence. (p. 1)

The authors clearly identify the issue as safety with product liability and it doesn’t seem to matter whether the advertisement was one-sided or two-sided. The real issue is whether the message could be construed to lend credibility to a consumer’s claim that the failure, action, or inaction of the company’s product led to a consumer’s injury.

Issues of liability regarding reliability and/or quality never arose during our research, but we feel it is important not to dismiss any concerns about liability.

As a side note, if the GM ads were so exaggerated that the consumer could not reasonably rely on their content, then the claimed injury would also not result in liability on the part of the product manufacturer. The attorneys of the world are continually looking for liability cases to pursue.

Of major importance is the reaction by Congress to the disaster that befell the tire industry in 2000. Moore (2003) stated:

The Transportation Recall Enhancement, Accountability and Documentation (TREAD) Act is one of the most sweeping pieces of tire and auto safety legislation ever passed, second only to the original Highway Safety Act of 1966. It also is one of the most expedited bills in recent history, racing through the House and Senate in the Fall of 2000 only a few short weeks after the House and Senate Commerce Committees began hearings on the controversy involving Ford Motor Co.’s
Explorer sport-utility vehicles and the recall of Bridgestone/Firestone-made Firestone light truck tires. (p. 1)

This is a safety-related issue, but it preceded a series of two-sided advertisements used as damage control by Ford and Firestone to reassure the consumers that the two companies were completely aware of the problems and were making every effort to put consumer safety as the first priority. These advertisements covered recalls, attacks ads between Ford and Firestone, and many other issues not relevant to this thesis.

In case the reader is uncertain whether we researched every avenue, we can assure one and all that we found countless articles associated with so-called “Lemon Laws” pertaining to quality, reliability, and many other performance-related attributes. None of these articles discussed issues of advertising and marketing and are therefore not covered in this thesis.
Renewing Relationships

As stated in Chapter 5, one objective of the R2R advertising campaign was to take responsibility for past poor performance and to apologize for any transgressions. Relationship re-building is not easy and requires a clear plan, one that puts the customer at the center of every strategy. Relationships should be considered as personal—the price of entry in today’s business-to-consumer world—if a company hopes to understand how customers want to be treated. And this understanding must include all segments of the buyer continuum. It means understanding the expectations of the loyal customers just as well as the Avoider customers. It includes understanding how an Avoider customer, who has perhaps been wronged as a past customer, expects the company to behave during the re-building process. Each customer has a different set of beliefs and expectations, and it is important for a company to focus on this fact.

We offer the following steps as basic building blocks for developing a personalized strategy which a company could use to rebuild a broken relationship or renew a former relationship with a customer.

Step 1: Begin with the customer at the center of the relationship. Acknowledge that the customer wants to be treated with honesty, respect, and trust.
**Step 2:** If a situation occurred in the past in which the customer was mistreated, the company must be prepared to honestly apologize as often as it takes to regain credibility.

**Step 3:** Be prepared to be a good listener and allow the customer to vent past frustrations. This is an important step in the communication process. Seek first to understand before trying to be understood.

**Step 4:** The company must be both humble and patient when rekindling a broken relationship or when restarting a past relationship. Being overly aggressive and/or pushy is perhaps the worst approach when trying to rekindle a relationship. It is important to approach each situation personally, taking advantage of any and all past knowledge of prior business dealings with that customer.

**Step 5:** Be flexible and adaptable. After all, human beings can be both rational and irrational, depending on the situation. It is more likely that past experience in a broken or strained relationship was unpleasant, which could lead to more irrational responses.

**Step 6:** Always back up words with deeds. This is the best way to build credibility. And along with building credibility, the company will also be rebuilding its reputation.

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**Rebuilding the Company’s Reputation**

The Merriam-Webster dictionary defines “reputation” as follows: (A) overall quality or character as seen or judged by people in general; (B) recognition by other people of some characteristic or ability.

As we identified at the beginning of Chapter 4, the GM R2R advertising campaign was specifically aimed at the “Opinion” portion of the Purchasing Funnel, where “Reputation” is a significant contributor.
Harris Interactive, a corporate reputation analysis and tracking firm, suggests that a firm’s reputation can be measure and quantified by what they call a Reputation Quotient (Harris Interactive Inc., 2004), which is comprised of the following elements:

**Vision and Leadership**
- Market Opportunities
- Excellent Leadership
- Clear vision for the future

**Products and Services**
- High Quality
- Innovative
- Value for Money
- Stands behind

**Financial Performance**
- Outperforms competitors
- Record of profitability
- Low Risk of Investment
- Growth prospects

**Emotional Appeal**
- Feel good about
- Admire and respect
- Trust

**Workplace Environment**
- Rewards employees fairly
- Good place to work
- Good employees

**Social Responsibility**
- Supports good causes
- Environmental responsibility
- Community responsibility

To collect data, Harris Interactive utilizes a methodology that consists of a “nominations” phase followed by a “ratings” phase. As many as 600 respondents, who are pre-screened to verify that they either “very” or “somewhat” familiar with the company being surveyed then complete a survey which establishes validity. The results are converted into a Reputation Quotient for each company and added to a list with other companies that are considered to have highly “visible” reputations in the judgment of the general public.

In February 2004, Harris Interactive released the results of the 2003 reputation survey, which are shown in Table 7.1 below.
### Annual RQ 2003 Ranking

*(Including 2003 Rank and RQ Score, and 2002 Rank Where Applicable)*

Respondents rated companies on 20 attributes in six key dimensions: Products & Services, Financial Performance, Workplace Environment, Social Responsibility, Vision & Leadership, and Emotional Appeal.

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Table 7.1 Harris Interactive: Reputation Survey, 2003

As can be seen in the survey, GM dropped five ranking spots, from number 32 in 2002, to number 37 in 2003. Alsop (2004) noted: “The public also apparently didn’t buy General Motors’ plea for ‘redemption’ in a big corporate ad campaign last year that claimed it had overcome many of its auto-quality problems.”
The “Reputation Quotient” is one of many methods for assessing a firm’s overall reputation as perceived by the general public, and its six elements do a good job of capturing a balanced perspective of the entire firm. As it relates to the GM R2R advertising campaign, the featured content can be grouped into the following elements that are found in the Reputation Quotient:

Vision and Leadership
Products and Services
Emotional appeal
Social Responsibility

Observations

- Two-sided advertising should be utilized for market segments that contain the following elements: high involvement products or services, and highly educated consumers.

- Two-sided advertising messages should always be tested, both qualitatively and quantitatively; prior to release to validate that the message achieves its stated objectives.

In addition, the following should be considered:
  - Ensure that the negative aspect of the message will not alienate the current loyal customer base.
  - Ascertain that the perception of specific ads increases the credibility of the company.

- Two-sided advertising should be considered when the company is attempting to persuade the customer in a manner that builds credibility for the company’s products or services.
General Recommendations

(1) We recommend that in the future Two-sided advertising not be used in applications that suggest a negative message or an apology for past poor performance, which is then offset by positive messages. Although loyal consumers usually respond favorably to such messages, Avoiders and Apathetics typically respond somewhat less favorably, and the response to such advertising from the news media and other sources tends to be negative, which in the end can adversely influence consumers. In such circumstances, the company should consider One-sided advertising coupled with a customer-centric, CRM approach.

(2) If Two-sided messages are part of a company’s marketing and advertising strategy, one of the most important recommendations we urge is a survey of consumers. Do not be content with feedback from the press and fail to go further. Time constraints prevented us, as researchers, from conducting consumer market surveys after the GM R2R campaign to obtain a normalized analysis of the effects on the automotive consumer.

(3) We believe multiple executions of a campaign should be tested in market research and focus groups, testing various timing options, to better mature the campaign before release. Along these lines, never create a nonrefutational Two-sided message!

(4) Most important—continue to reiterate the company’s message with a strategy that carries the individual through the full Purchasing Funnel. And after the sale, reinforce the relationship with Customer Relationship Marketing.
A Recommendation for General Motors

If there really are 400,000 GM avoiders, we suggest the company should develop incentives among its employees and loyal customers, encouraging them to build a one-to-one relationship with a known Avoider, Apathetic, or Young Never, which might encourage those potential customers to consider purchasing a GM product. For example, any employee or loyal customer who brings a proven non-GM consumer to a purchase could be given a credit of $1,000 toward their next automotive purchase (without restrictions). Allow them build up as many credits as they would like.

By developing a nationwide (eventually worldwide) database of customers, GM could easily track this growing base of potential customers. It would certainly be cheaper than the $3,000-per-car advertising campaign now in place, and should definitely produce a huge increase in market share.

What a thought!
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