Following production, the final print advertisements or broadcast commercials are distributed to the appropriate newspapers, magazines, radio, or broadcast stations (media) for printing and airing. This step completes the copy-decision aspects of advertising management insofar as the basic messages are created and produced. Posttest copy-testing research, the subject of Chapter 14, can then be done to see how well the actually does, perhaps through tracking studies.

Creating Rough Print Ads

For print ads, the copywriter and art director may first create a *thumbnail sketch layout.* This is very rough and does not have much drawing detail, and could be in one-half or one-quarter size. Such thumbnail sketches are used to quickly see the effect of variations in the placement and size of the headline, main illustration, and so on, to find the most appealing layout.

After the general location of the ad's elements has been decided on, a full-size *rough layout* or *visual* may be prepared. Here, the headline will be roughed in, and there will be a more detailed (but still not "finished") illustration. Changes can still be made inexpensively at this stage. Some clients are prepared to review concepts at this stage.

Other clients, however, prefer to go on to the next stage of *finished* or *comprehensive layouts* (called *comps*). These require a lot of art time and can be expensive: the pictures may be sketched, the lettering done carefully. Figure 15–2 shows various layout formats.

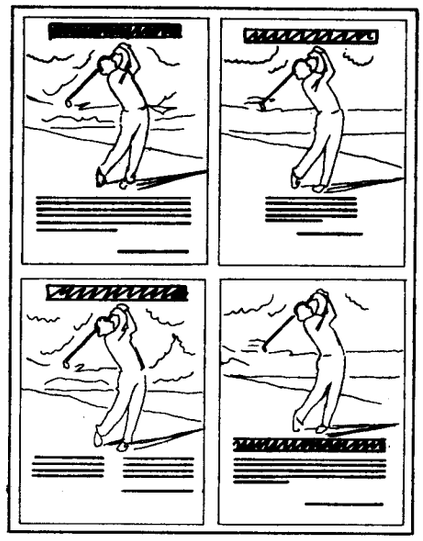
After this rough print has the approval of all the necessary people, it is worked on by an artist to produce the final art, so such layouts should be good enough to be followed accurately by the commercial artist who will create the final artwork or photograph, and by the outside production people who will do the final printing and engraving. To show the printer exactly where the type should be set, a tissue-paper tracing of the area where the type is to go is attached to the copy that is sent with the artwork, along with specifications of the typeface and size.

It is only after the artwork and set copy are okayed that the ad passes on to the engraver, in the actual production process set out below. Computers and word-processors are used today to speed up the process and lead to camera-ready work being sent to the engraver.

Creating Rough TV Ads

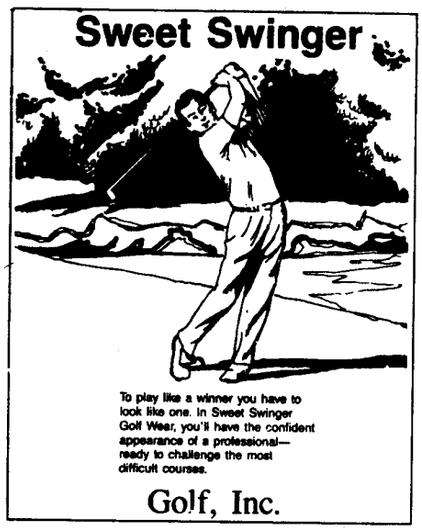
Again, rough TV ads begin by writers and art directors working together to get ideas of what the ad might look like. Once an idea has been found, the copywriter fleshes out the words and/or music while the art director sketches out the visual scenes. These are put together in a *storyboard,* which is a series of small sketches. Twelve small sketches may be used to represent a thirty-second commercial, since key scenes usually last for five or six seconds or more. (The final TV ad will actually have 1,440 frames per minute!).

The first storyboards start out very rough, and the level of detail increases as it moves closer to, and through, the approval process. The initial sketches can be improved by an illustrator. The storyboard may also be supplemented by a script



Thumbnail sketches. By executing thumbnails (and even a nonartist can do so), it is possible to experiment quickly with a number of different layout combinations. The art doesn't need to be expert because the purpose is to juggle elements until the best combination is achieved.

Rough layout. After the thumbnail the artist "roughs" up a layout that gives an idea of the finished concept. At this stage changes can be made inexpensively. If the client is sophisticated, he or she can visualize from a rough such as this. Some clients, however, like to work from more finished layouts.



Comprehensive layout. All the elements are presented well enough in the comprehensive to furnish an excellent idea of the printed advertisement. Comprehensives require much art time and can be expensive. Usually, few changes will be made—preferably none.

Figure 15–2. Types of print layouts.

Source: Philip Ward Burton, Advertising Copywriting, *6th ed. (Lincolnwood, IL: NTC Business Books, 1990). Used with permission.*

sheet, which uses two parallel columns, one for the audio and the other for the video, to describe what the key frames will be like. And the rough TV ad may even be converted into an *animatic*, in which a video camera "pans" across artwork (set on an artstand), with soundtracks and announcer voice-overs added on. Other rough forms are the *photomatic*, using filmed photographs instead of illustrations, the *livomatic*, using inexpensive actors, or the *ripomatic*, using scenes from previous commercials.

Eventually, the storyboard is what is used by the director and the production house to shoot and produce the final commercial (more on that below). Obviously, since the few frames described on the storyboard can only partially capture what the final ad will look like, the director and production house substantially shape the final ad. To give the director more guidance and the agency creatives more control, the storyboard is usually accompanied by a detailed shooting script that suggests camera angles, staging, props, casting considerations (which can be crucial), and music, and these are discussed at pre-production meetings. Yet the creativity and expertise of the director, camera-person, editor, and so on play crucial roles in what actually gets made.

Client Approval and Supplier Selection

Following the creation of the finished layout or comps (for print) and storyboard or animatics (for TV), the creative director and account executive usually get *client approval* of the advertising prior to production. There is always the danger at this point that the client will evaluate it subjectively and get involved in the creative process. When that happens, the result is usually a creative effort that is compromised. Rather, the focus of discussion should be on the advertising objectives and the relationship of the proposed copy to those objectives. The client could, properly, discuss copy testing that has been considered or planned to demonstrate that the advertising will be effective in achieving those objectives. The process of client-agency interaction is discussed further in the next section of this chapter.

Suppliers (typographers, engravers, and printers in the case of print and production houses; sound studios and many others in the case of broadcast) must be selected at this stage. In print, it is usual for an agency to have a group of suppliers that it has come to know and trust and for which print production activities are carried out. In broadcast, particularly television, it is more usual to "put the production out to bid." Often, this involves obtaining bids from three different production studios who will use the storyboard as a basis for bidding. Television commercials in this sense are like other supplies the corporation buys, and getting them produced is treated as a bidding process in much the same way. The production of all ads, whether print or TV or some other medium, requires client approval of production cost estimates.

Production Stage

Production of advertising generally involves a great number of external outside supplier firms and individuals. Although we have not stressed this component of

the overall advertising system presented in Chapter 1, it is indeed interesting and represents a "fifth" level or institution that depends heavily on advertising.

Print advertising production differs in significant respects from broadcast production, and we have stressed this fact in the model in Figure 15–1. In print, firms specialized in type and typesetting called typographers will be involved. Others specialized in graphic materials, engravers, may be necessary. Some large printers include these services as part of their offerings. The choice of whether to use specialists or one large printer is another decision facing the creative team.

Concerning broadcast, many other kinds of specialists are needed. These can include a producer, director, set designer, film editor, actors and actresses, composers, musicians, talent scouts, casting directors, music arrangers, camera crews, video and audio equipment supply companies, and many others. Many of these people freelance, and the process of producing a television commercial may require considerable effort in bringing a team together. Often production is channeled through a production house that will contain a sound studio and most of what is necessary to get the job done.

Production is a process that takes a considerable amount of time; from six to eight weeks can be involved. In what follows, we provide a brief sketch of the major activities involved in print and broadcast production. The advertising manager should not hope to become an expert in the graphic arts, but decision making can be enhanced once the basics are known.

Print Production

The rough artwork and copy of the ad must get legal approval before actual production can begin. (This is true of all media, not just print.) The rough artwork is then used by a photographer to take the necessary photographs at a shooting session, or by an illustrator to create the final illustration. The photographs or illustrations may need retouching.

The most important subsequent components of print production deal with the art and science of typography and engraving. Each is a fast-evolving field that has been affected greatly in recent years by computerization.

Typography is done by a specialist in type and typesetting. What the advertiser needs to know is that there are thousands of different type styles and forms from which choices must be made for a specific print advertisement and many ways of composing type. Figure 15–3 provides an example of an ad using different type styles for dramatic effect. Typography is a complex field in itself that takes significant skill and experience to master. It should be appreciated that there is a range of alternatives from which to choose, and the creative director must be prepared to question and oversee those choices. Figure 15–4 gives some valuable lessons on typography from an article by David Ogilvy.

Once the typography has been decided on, the client must approve the retouched photographs or illustrations, and the *mechanical*, which is the guide showing the positioning of the type, artwork, logo, and so on.

The second major activity in producing a print advertisement is engraving. *Engraving* basically deals with the generation and reproduction of pictures, pho-

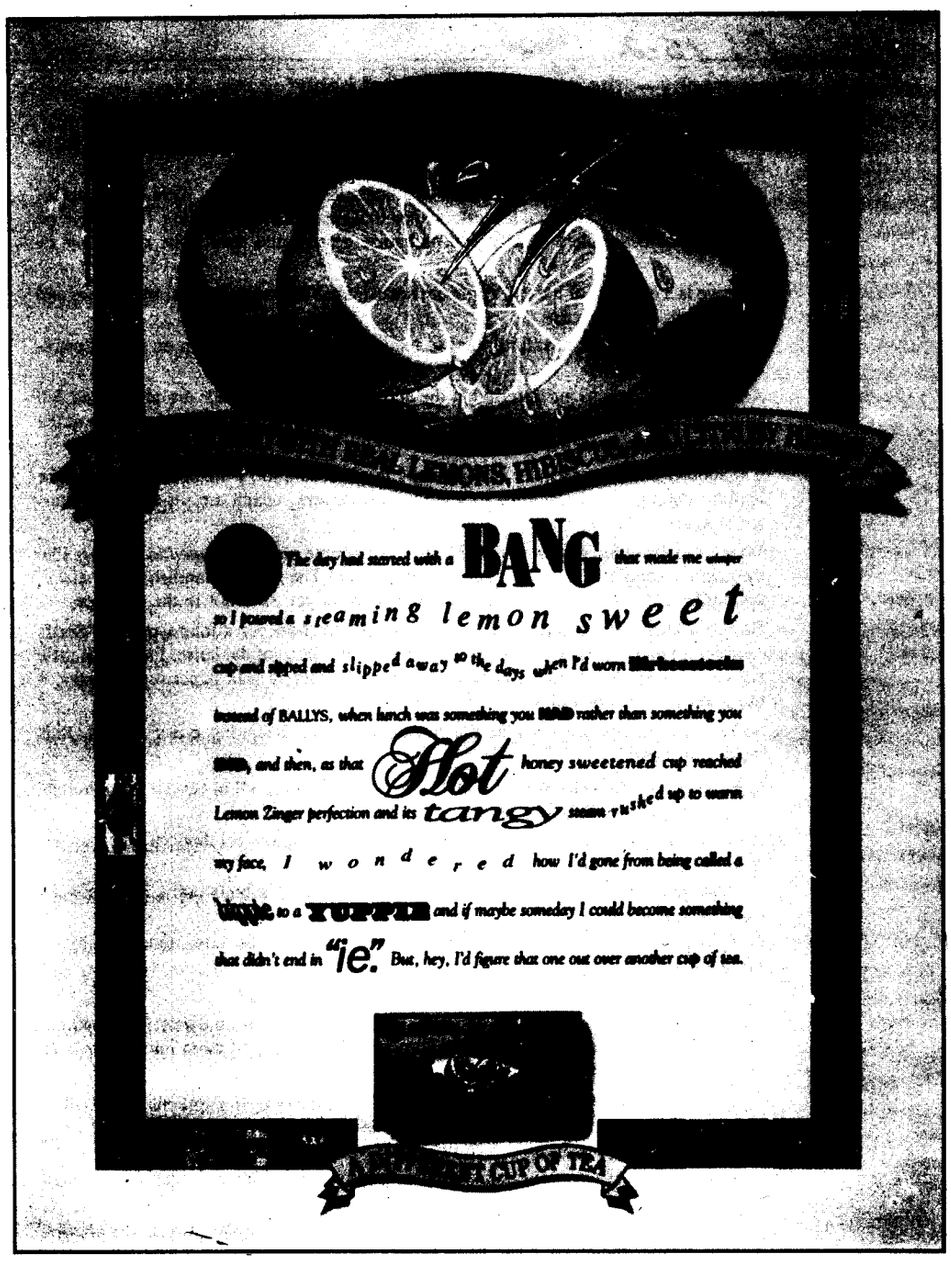


Figure 15–3. Creative uses of typefaces: Celestial Seasonings.
Courtesy of Celestial Seasonings.

Typography—"the eye is a creature of habit"

Good typography *helps* people read your copy, while bad typography prevents them from doing so.

Advertising agencies usually set their headlines in capital letters. This is a mistake. Professor Tinker of Stanford has established that capitals retard reading. They have no ascenders or descenders to help you recognize words, and tend to be read *letter by letter.*

The eye is a creature of habit. People are accustomed to reading books, magazines and newspapers in *lower case.*

Another way to make headlines hard to read is to superimpose them on your illustration.

Another mistake is to put a period at the end of headlines. Periods are also called full stops, because they stop the reader dead in his tracks. You will find no full stops at the end of headlines in newspapers.

Yet another common mistake is to set copy in a measure too wide or too narrow to be legible. People are accustomed to reading newspapers, which are set about 40 characters wide.

Which typefaces are easiest to read? Those that people are *accustomed* to reading, like the Century family, Caslon, Baskerville and Jenson. The more outlandish the typeface, the harder it is to read. The drama belongs in what you say, not in the typeface.

Sanserif faces like this are particularly difficult to read. Says John Updike, "Serifs exist for a purpose. They help the eye to pick up the shape of the letter. Piquant in little amounts, sanserif in page-size sheets repels readership as wax paper repels water; it has a sleazy, cloudy look."

Some art directors use copy as the raw material for designing queer shapes, thus making it illegible.

In a recent issue of a magazine I found 47 ads with the copy set in *reverse*—white type on a black background. It is almost impossible to read.

If you have to set *very long* copy, there are some typographical devices that increase its readership:

1. A subhead of two lines, between your headline and your body copy, heightens the reader's appetite for the feast to come.

2. If you start your body copy with a drop-initial, you increase readership by an average of 13 percent.

3. Limit your opening paragraph to a maximum of 11 words.

4. After two or three inches of copy, insert a crosshead, and thereafter throughout. Cross-heads keep the reader marching forward. Make some of them interrogative, to excite curiosity in the next run of copy.

5. When I was a boy, it was common practice to *square up* paragraphs. It is now known that widows—short lines—increase readership.

6. Set key paragraphs in bold face or italic.

7. Help the reader into your paragraphs with arrowheads, bullets, asterisks and marginal marks.

8. If you have a lot of unrelated facts to recite, don't use cumbersome connectives. Simply *number* them—as I am doing here.

Figure 15–4. Some principles of typography.

9. What size type should you use?

This is 5-point, and too small to read.

This is 14-point, and too big.

This is 11-point, and about right.

10. If you use leading (line-spacing) between paragraphs, you increase readership by an average of 12 percent.

You may think that I exaggerate the importance of good typography. You may ask if I have ever heard a housewife say that she bought a new detergent because the ad was set in Caslon. No. But do you think an ad can sell if nobody can read it? You can't save souls in an empty church.

As Mies van der Rohe said of architecture, "God is in the details."

Figure 15–4. Some principles of typography. (continued)

Source: Adapted from "Ogilvy on Advertising, Wanted: A Renaissance in Print Advertising," Advertising Age, *August 1, 1983, p. M4ff. See also the book,* Olgivy on Advertising *(New York: Crown Publishers, 1983), by the same author.*

tographs, and the visual elements of the advertisement. *Photoengraving* is the process using photography to create a printing surface. Through the photoengraving process, artwork (line charts, drawings, photographs) and paste-up of type can be transferred to a negative photochemically, and the image on the negative transferred to a metal plate for printing. Photoengraving is most commonly used to reproduce artwork, but is also used to reproduce combinations of illustration and type. Engravings can be four-color offset engravings, four color roto engravings, or black-and-white.

Actual printing of the advertisement involves yet another process and more alternatives. Printing can be done by letterpress, gravure, lithography, or silk screening. The first three are processes associated with basic ways of photoengraving. In each case, some type of plate or "mat" is developed from which copies are run. The client will be shown a *proof* before the ad is run; four-color proofs are actually the compilation of four separate engraving plates, one each for red, yellow, blue and black, printed on top of each other. Proofs that show each of the four colors printed separately as well as together are termed *progressive proofs*, or *progressives.*

Broadcast Production

In explaining the basic elements of broadcast production, we focus on television commercial production. Many of the elements of radio commercial production are analogous to the audio portion of television commercials and involve audiotapes rather than videotapes or films. Much radio commercial production is very uncomplicated, consisting of "live commercials" in which written copy is simply provided to a disk jockey or news commentator who reads the copy at the appropriate time slot (with appropriate emphasis, voice delivery, and so on). The studio time may cost a few hundred dollars per hour, and the only other cost is the cost of the talent and the music, etc.

Producing one television commercial can, on the other hand, involve 100 or more people and cost $200,000 or more. The directors that shoot the commercial

are often paid princely fees, and every actor appearing in the spot has to be paid a *residual*, or a fee for every time the ad is aired. The two major tasks in television commercial production are filming and editing.

Filming generally is based on a storyboard and a list of specifications supplied by the advertising agency; a production house is the usual type of company involved in television commercial production. These are centered in large metropolitan areas such as New York, Chicago, and Los Angeles, and many specialize in the business of producing television commercials.

Filming begins after all the necessary ingredients have been brought together. A director and/or producer will be assigned. A talent scout may be hired to interface with professional actors or actresses to be included in the commercial. A composer may be hired to develop an original score and musicians and singers to carry it out. The inclusion of a *jingle* in the commercial invariably leads to finding and using this type of talent.

The filming may be done in a fixed location studio. Often, however, it is necessary to move people and equipment to a location site where particular background scenes are called for—a forest, seaside cliffs, and so on. Filming is done in pieces and parts and later is put together and edited at the editing stage. The Green Giant commercial, for example, was made by building a Styrofoam model of a "valley," superimposing animated characters, and then filming the feet and legs of a male model (the giant) standing over the whole thing.

In sum, producing a filmed (or videotaped) television commercial is a major complicated process. Even before filming starts, the producer using the storyboard guide and production notes (announcer preference, set sketches, ideas for props, musical requirements, and so on) gets involved in many activities. These include casting sessions to select the actors and/or announcer, set design sessions to work out exactly how the background will look, location discussions or trips to decide where the commercial will be shot, prop sessions to decide on various articles to be used, and arranging shooting schedules, recording sessions, and completion dates. All this must be done before filming begins, and these meetings are called "preproduction" meetings. Filming of individual scenes is usually not done in the sequence in which they appear in the final commercial. Also visual and sound tracks are usually not recorded at the same time.

Editing is required because much more footage is generated than is finally used. Several different camera angles will be shot, for example, to give the director some choice of the best possible ones to use. After the shooting begins, the film is quickly developed, often overnight, to provide *rushes* or *dailies*, which are hurried prints of inferior quality. These are used by the director to screen the preceding day's work, to select the best shots, and to decide whether further retakes are necessary before the set is torn down and the cast disbanded.

After the sound track is completed and the picture cut and edited, the two are combined into an answer print. There are usually several sound tracks, including the voice and music tracks, and often special sound effects tracks. A sound cutter "lays in" these tracks so they can be mixed. An audio engineer is then brought in to weave the various tracks together. An equally complicated series of editing op-

erations takes place on the picture part of the track. When complete, it is brought together with the master sound track to produce the answer print. The whole process from storyboard to answer print usually takes seven to eight weeks. The answer print is used primarily to get agency and client approval. From it an appropriate number of release prints are generated and shipped to the networks and/or individual stations for broadcast. The release print is what is commonly referred to as the finished commercial. It is not uncommon to produce it in several versions, such as 15 seconds, 30 seconds, or 60 seconds, depending upon the media scheduling decisions. It is the release prints that are shipped to the broadcast media and aired. Recent technological developments allow this "shipment" to occur using satellite transmission.

The following sections discusses the development of a new television commercial for American Express. The issues and complexities of television commercial production are nicely illustrated in this story. Note the importance given to minute details such as what the actor wears, the subtleties required in the father-son relationship, the 43 takes plus "dozens without sound," and the great stakes involved.

Behind the Scenes at an American Express Commercial*

The marketing executives from American Express Co. are unhappy. After months of research, prepreproduction meetings, preproduction meetings, casting sessions, budget audits, and other preparations for this moment, they arrive on location for filming of their television commercial—only to find the leading man wearing the wrong jacket.

In a big national ad campaign, little things like this count. "We believe that advertising is important enough that you want to get it right," says Diane Shaib, vice president for consumer marketing at American Express. For this commercial, getting it right is especially urgent: both the client and its agency, Ogilvy & Mather, have a lot riding on the outcome. American Express is eager to get more men in their twenties and thirties to sign up for its plastic charge card. Ogilvy needs to come up with a successful commercial after the failure of a recent string of American Express ads that the client pulled off the air. Both nervously await reaction to the thirty-second ad, which cost about $100,000 and is now hitting the national airwaves.

Wardrobe Chaos

Just days before the filming, the American Express marketers discuss the wardrobe with the agency. What will look more universal, they wonder—a blue blazer or a corduroy jacket? They are still pondering the question and leaning toward the blazer when they walk onto the set and find the actor wearing a dark cor-

* Mark N. Vamos. Reprinted from the May 20, 1985 issue of *Business Week* by special permission.

duroy jacket. Some of the scenes have already been shot, and the budget clock is ticking. Amid the controlled chaos of a commercial shoot, exasperation is rising behind polite smiles, urgent confabulations are held in corners, and higher authorities are summoned.

For more than ten years, American Express has been running its "Do you know me?" commercials, aimed at its traditional market: successful, older businessmen. Three years ago, however, AmEx decided to pursue the large number of younger women entering the work force and launched its "Interesting Lives" series. The first commercial, its "New Card" spot, showed a young woman taking her husband out to dinner to celebrate the arrival of her card, and it scored big. Women applied in droves. By last year, they held 27 percent of all AmEx green cards, up from 10 percent in the 1970s. The spot won awards and lavish praise for showing a strong, successful woman.

While that reaction startled American Express, subsequent audience research surprised the company even more. Instead of offending young men by showing a woman taking a man out to dinner, the commercial actually attracted them. "We're talking about three years ago—and markets outside of New York," says Shaib. "That's a bit shocking."

That's also when the trouble started. The company and its agency decided to extend the "Interesting Lives" campaign to attract young men by intention rather than by accident—in effect, to turn it into an all-purpose yuppie campaign. "The mission is to tweak their awareness of the card's appropriateness for them," says Shaib. Over the next three years, the company shot six new ads, but the only things they seemed to tweak were noses. One by one, as audience reaction arrived, AmEx pulled the ads. Two were so troublesome that they never even made it past the test-marketing stage. One showed a woman paying for dinner on a first date, the other a husband accompanying his wife on her business trip. Audience reactions included words such as "abrasive" and "castrating"—not exactly the message American Express wanted to convey. "It's very difficult these days to do ads with men and women as equals," sighs Kathleen O'Shaughnessy, a manager of marketing research at AmEx.

Early this year, the client and the agency agreed to try again, and Ogilvy wrote five new commercials. This time, however, AmEx decided to test the spots in rough form before any were produced, something it had not done before. Each ad was translated into color sketches that were transferred onto slides. Actors recorded the accompanying dialogue. With the roughs in hand, AmEx and Ogilvy headed into the field.

One-Way Mirror

At 8 o'clock one evening in late February, nine men and a moderator sit around a gray conference table in midtown Manhattan. They are the targets of the campaign—young men who are eligible for an American Express card but haven't applied. Each will receive $50 for participating in this focus group, the last of eleven such sessions held nationwide. Observing them from a darkened room behind a one-way mirror are eleven staffers from AmEx and Ogilvy, including account man-

agers, researchers, and copywriters. Surprisingly, in a commercial aimed at men, all the observers are women.

Eugene Shore, a psychologist and president of Business Information Analysis Corp., a Pennsylvania research firm, shows the five rough commercials. He asks the focus group for comments and suggestions after each. Some win raves, others are panned. After one rough is shown, someone says, "If I saw this on TV, I'd just say, 'Boy, this is another one of those dumb commercials that make no sense.' "

Working with comments like these, the marketers have already narrowed the choice to two or three strong candidates, one of which is known as "Young Lawyer." It opens with father and son seated at a restaurant table. The dialogue concerns the son's career and how disappointed the father was when he didn't join the family law firm. But now that the son is "Mr. District Attorney," the father is proud of him. The son objects, saying he's only "an assistant to an assistant." He places his American Express card on the tray that the waiter puts on the table with the check. The father laughs, saying: "The pay must be getting better over at City Hall."

The lights come up, and Shore asks for reactions. "I feel this is pointed at the business community, because you have to be successful to have this card," says Stephen, an accountant. Tim, who works for a menswear designer, disagrees: "He says he's an assistant to an assistant. So maybe I can qualify." The women behind the mirror smile at this response. The line is a crucial one. To attract new cardholders, the commercial must convey accessibility—but not too much. The American Express card is prestige plastic. The ad can't make it seem as easy to get as MasterCard or Visa, which AmEx staffers contemptuously refer to as "shoppers' cards." As O'Shaughnessy, the market researcher, later puts it, "It's very difficult to communicate eligibility and at the same time maintain prestige. We're sort of talking out of both sides of our mouth."

"Too Northeast"

Over the next few weeks, Ogilvy staffers begin scouting locations for "Young Lawyer." They also hunt for a director with a flair for filming realistic dialogue. "This ad lives and dies on being able to cast two people who have believable rapport," says Ann Curry Marcato, the Ogilvy vice president responsible for producing the spot. And, Shore warns at the session, the father and son risk "coming across as WASP, bank-club, Harvard."

It is late March when the account management team from Ogilvy and two executives from American Express hold a preproduction meeting to go over the casting, wardrobe, location, and production schedule. That's when the problem of the corduroy jacket first surfaces. "The feedback we've been getting from the research is that the Midwest and West Coast don't respond because they read it as too Northeast," says K. Shelly Porges, director of special markets at AmEx. "Can we do something more cross-country?" Ogilvy's Marcato replies that the agency is aware of the problem, and the discussion moves to other topics.

Ed Bianchi, Marcato's choice for director, who once shot a Dr Pepper extravaganza set on a giant pinball machine, outlines his notion of how the commercial

should unfold. He plans to open with a wide shot, showing diners and waiters, and then cut to a close-up of the father and son. "We pick them out through the crowd so you really have the feeling of eavesdropping on them," he says.

Porges objects to opening with a wide shot crowded with fourteen extras. "What makes this an interesting life, anyway? The quality of a relationship. What will a long shot add to that?" she asks. Paul Pracilio, a vice president and associate creative director at Ogilvy, replies: "We have thirty seconds to reach out of that tube and grab someone by the necktie. By cutting in to see them, it's a damn sight more exciting piece of film."

Happy Medium

The discussion moves to the waiter who will bring the check. Since the ad must make the card seem upscale but still accessible, the waiter can't look as if he works at too ritzy a restaurant. "It must be above Brew Burger but below the 21 Club," says Porges. Director Bianchi suggests that the waiter appear early in the commercial, as the son is saying he's only an assistant to an assistant district attorney. "The action of the waiter bringing the check is a subtle hint of what this commercial is going to be about," he says. Porges objects again. "Because of the 'assistant to an assistant' line, the focus groups said, 'Gee, maybe I could get this card,' " she says. "Getting that part garbled would be disastrous to us."

Three days later, the film crew has converted Jerry's Restaurant in Manhattan into a madhouse. The sidewalk is a jumble of cables, reflecting panels, and tripods. In the dining room, twenty-five crew members mill about, carrying equipment and shouting. The father-and-son team sits at a table, repeating their lines. The entire commercial will be shot from several angles, Bianchi explains, to give the editor the option of cutting from one perspective to another.

Representatives from Ogilvy and AmEx are at the back of the room, watching and making suggestions. Still more staffers are in another room, watching a video monitor. Director Bianchi calls for take after take. Frequently, a telephone rings or a bus rumbles past on 23rd Street, ruining the shot. For most of the takes, Bianchi sits next to the camera, his face pressed against the lens so he can see what it is seeing, and grins at the actors.

After forty-three takes involving dialogue—and dozens more without sound—Bianchi is satisfied. But suddenly, he insists on one more close-up of the son pulling the charge card from his wallet. The executives from Ogilvy and American Express are crowded around a video monitor, staring intently as the image of the wallet fills the screen. The son's hand reaches over, pulls out the card, and pauses. It's a VISA card. Everyone laughs and goes home.

Tense Tryout

A week later, the preliminary version of the commercial is ready. A dozen client and agency people sit in red bucket chairs in an eighth-floor screening room at Ogilvy & Mather's New York office. Tension is in the air—not least because, after all the discussion of wide shots and extras, those scenes wound up on the cutting-

room floor. "We were thrilled to find so much of the personality of the son and father coming through," Marcato explains as she introduces the commercial. "We thought that it would be strongest to stay up tight." The commercial is run several times. The ad seems a bit choppy, jumping from close-ups of the son to the father to the check to the wallet and, finally, to the card. The Ogilvy team waits for a reaction.

"I think you've captured them just as I always envisioned them," says Shaib, the AmEx marketing vice president. "But because of the number of cuts back and forth, I never feel like I'm intimate with them." She also points out that, with all the close-ups, the commercial never shows the father and son together. After some discussion, the Ogilvy representatives agree to reedit the commercial to include the wide shot that American Express had initially argued against.

AmEx executives say they are pleased with the final version, which includes the wide shot. All the research was worthwhile, they say, because it helped them avoid some pitfalls, such as making the father too stern or the son too wimpy. The father's line about his son's pay getting better, for example, was ultimately given to the son because some viewers saw it as a subtle putdown. Now, the marketers say, the father is distinguished but warm, and the son is the kind of likable but independent character with whom the target market can identify.

The ad, which first appeared on May 6, will run for six to eight weeks, after which American Express will assess its impact. The company thinks it has a winner, but there's one little thing that still bothers it a bit: the son is wearing a corduroy jacket.

THE CLIENT-AGENCY RELATIONSHIP

Selecting or Changing an Agency

In the single month of October 1993, U.S. marketing clients changed ad agencies, announced agency reviews, or consolidated assignments on accounts with total billings of over $1 billion—including accounts such as Burger King, Diet Coke, IBM PCs, Jeep/Eagle, Subaru cars and TV Guide magazine. This was possibly the biggest set of account changes to occur in one month, but it was not unusual, because clients change their agencies all the time.[2]

Clients usually begin an agency search by putting up their account for a "review," in which both the incumbent agency and invited new agencies could be asked to make presentations to retain or obtain the account. Such a review could be a regular periodic one, or be precipitated by some unhappiness with the quality of the creative work the client thinks it has been receiving from the incumbent agency, or be sparked by an unsolicited contact from one of the "new business" departments of a nonincumbent agency. Agencies often maintain special new business departments, with individuals (nicknamed "rainmakers") charged with the responsibility of getting new business.

Sometimes the source of friction with the current agency could be a change in marketing strategy at the client, with a perception that the current agency is un-

able or unwilling to implement the new strategy. The dissatisfaction might be caused by poor sales or market share performance, or heightened competitive activity (leading to an agency change as a "quick fix"). Or it might be caused by disputes over agency compensation (sometimes initiated by the agency, which feels it is making too little money on the account). A frequent catalyst for change is the appointment of new marketing or advertising chief at the client, who brings a new perspective (and a different set of agency loyalties and contacts) to his or her new job (the "new broom" syndrome). Such personnel shifts are sometimes caused by a change in ownership of the client, such as merger or acquisition activity.[3] Sometimes it is personnel shifts at the agency that lead to client dissatisfaction, or changes in agency policies.

A recent development has been agency changes caused by changes in client servicing needs, such as the need for global account servicing, the need for specialty advertiser services, or simply the need for wider agency involvement as clients move to creating more integrated communications.[4] A recent example was Reebok's decision in September 1993 to move its account from the small Chiat/Day agency to much-bigger Leo Burnett, ostensibly because Burnett could better serve Reebok's needs to grow internationally. According to Reebok's top marketing executives, "Chiat did not have the global resources."[5]

New agencies making presentations often present speculative (*spec*) campaigns indicating what kind of campaign they would create if they had the account and demonstrating their knowledge and understanding of the client's business. The costs for researching, staffing, and creating these spec campaigns can run in the many hundreds of thousands of dollars; often, but not always, the client inviting the spec campaign will pay for part of these costs.

There are other costs to the client too: the selection of a new agency consumes much management time and attention, as does the creation of a new working relationship. The new agency will require time to get "up to speed" on the client's brands—by one estimate, up to two years. Probably because these nonfinancial costs are larger for more established brands at larger firms, larger firms appear to change agencies less often than smaller firms.[6] On the other hand, it has been found that the stock market does appear to view the news of an agency change positively for the client's stock, at least for a short while.[7]

Clients selecting a new agency are sometimes advised by one of several agency selection consulting firms. A study by James Cagley showed that in making this selection, clients place high weight on the quality and number of people assigned to the account, their creative abilities, a perceived similarity of objectives and operating styles (including personal "chemistry"), the degree of understanding displayed by the agency of the client's business, the agency's reputation for integrity, the agency's reputation for making—and sticking up for—recommendations, and so on. Also important are the agency's size and stability, its servicing, strategic planning, market research and media buying abilities, and the compensation and cost-control aspects.

Of course, the situational importance of these varies across clients and situations.[8] In fact, personal contacts between agency heads and client top manage-

ment, and positive recommendations from satisfied clients, have been found to be key to agencies' winning new client business.[9] It is important to note at this point that a smart client will not simply select an agency that thinks exactly like the client personnel do, but rather will choose one that provides a complementary perspective.

Account Conflicts

Probably the most important aspect, however, is the absence of account conflicts. Clients will simply not give their account to an agency which already services a competitor—with the notion of a competitor sometimes being defined rather broadly (for example, Hallmark once switched its account from Young & Rubicam because Y&R had a part of the AT&T long-distance service account). The frequency of conflicts increases as the client business undergoes mergers and consolidations—we are rapidly reaching the stage at which a handful of mega-corporations in the consumer packaged-goods fields have brands in almost every product category (e.g., Procter & Gamble/Richardson-Vicks/Noxell, Philip Morris/General Foods/Kraft, Unilever/Chesebrough Pond's/Lipton, Nestlé/Carnation, etc.). This tendency has accelerated as companies introduce more brands, in response to greater consumer segmentation.

The agency response to such client consolidations has been to structure their agencies into "groups," with maximum autonomy: Interpublic, for example, operates as merely a holding company with three autonomous networks: McCann-Erickson, Lintas: Campbell-Ewald and Ammirati and Puris/Lintas, and Lowe and Partners/SMS. The idea is that a client should not object to another agency in the group having the account of a competitor, since there is no opportunity for the transfer of secrets across the agency groups in such a network, and no conflict of interest. Of course, this argument is not always successful.

Building Partnership and Trust

Once an agency has been selected, perhaps the most crucial aspect that can pull them apart is the perception on the client side that the agency is not contributing to the client's business growth. A client should not (and usually does not) hire an agency merely to support what the client thinks: the agency is being hired to bring its own unique talents and perspectives to the client's business, to do the kind of creative thinking that the client simply does not and cannot do in-house. A client who does not expect and reward an agency for fresh thinking is usually going to get terrible advertising.

However, the agency can only make such contributions if both the agency and client work hard to develop the right kind of relationship.[10] Good clients create a sense of partnership with the agency—sharing information, research, and sales data; trusting the agency; being honest with the agency; respecting the expertise of the agency; asking the agency to provide its best thinking and not to settle for safe and mediocre creative. Good clients ask for the agency to get totally immersed

in the client's business (such as sales and factory visits) and make it easy and possible for the agency personnel to do so.

The Briefing and Approval Process

The client should brief the agency clearly on what is required and obtain agreement—before creative work is done—on exactly what the ad is expected to shoot for. Consultant Nancy Salz recommends that the client think through the answers to three questions before the briefing: (1) What exactly is the agency being asked to do? (e.g., develop a new TV campaign to defend against a new competitor); (2) What information does the agency need? (e.g., product research, marketing research, etc.); and (3) What questions is the agency likely to ask?[11] It is helpful if the briefing session is attended not only by the agency account personnel but also by the creative and media people working on the account, because this should provide them with greater insight into the marketing context around the ad campaign.

At the briefing session, and in the briefing document, the agency should be given all the information they might need to come up with strategic and creative ideas—product information, competitive information, consumer information, legal information, etc. It is vital that the agency be provided with the problem that the client has, but not with any suggested advertising solution to that problem—because coming up with the solution is what the agency is being hired to do. Any solution-suggestions by the client will only serve to limit and inhibit the agency's creative response. Some of the most famous ad campaign ideas have been born of agency folk asking "way out" questions. Legend has it that Dove soap came up with the claim "contains one-quarter cream" when the agency creative director, at the briefing, asked the scientist what the soap ingredient stearic acid really was, and was told that stearic acids are a main ingredient in face cream. What the client never saw in that fact, the agency creatives did—because they were allowed to let their minds roam freely.

When the agency comes up with its proposed campaigns, the agency account executive should be expected to fight for the agency's recommendations regarding good creative, and not be a passive "yes-man" for the client. A good client does not treat the agency as a superior treats a subordinate, but rather as an equal partner, as a part of the client's own marketing organization. A good client treats the agency people with respect and does not squander the agency's resources through wasted motion. A good client accepts occasional agency mistakes—which will always occur—with good humor; an agency that never makes mistakes is probably not trying hard enough to be fresh in its creative product.

A key element of this relationship has to be the desire and willingness of the client to support creative work that is not simply "safe" but instead is bold and takes risks—as long as it is on strategy. This can happen only if the approval process is kept short and simple, without several layers of management, and without committees, each trying to rewrite the ad and nitpick different creative elements. The approval process needs to use, but not rely exclusively on, research, and the people making the approvals on the client side need to be trained to recognize and approve fresh but on-target creative work. A standard agency com-

plaint is that most MBA brand managers are typically overly analytical, risk-averse, and committee-oriented and have little training in recognizing good creative work.[12]

It is especially important that advertising not be written to please the client's top management only (and their spouses!). Such a process distorts the original vision of the ad and greatly hurts the morale of the creatives. When the agency makes its presentations, criticism should be honest but not brutal; it should be constructive and tactful and depersonalized; it should focus not on the ad's elements but on failures to communicate the agreed-on strategy and message. Praise and reward should be often and plentiful (when it is deserved). The agency should be given the responsibility to take whatever decisions it feels are necessary to achieve its creative vision. While the client should ask for the best creative, the client also needs to stick, over the years, to an idea that is working, instead of asking for change for its own sake.

On the agency side, the agency needs to display a great ability to listen carefully to what the client needs are (including those needs and desires that are not fully articulated) and must appreciate the political ramifications of agency recommendations. Good creative ideas can come from anywhere—including the client—and the agency should be open-minded. The agency needs to take a leadership role in developing and pushing for high quality and bold creative work on the client's account. It is the agency's role to be intellectually honest, to be "of counsel," to offer an outside perspective that the client may not have.

However, in standing up for what it believes is right, the agency should not be arrogant, and should not seek creative awards for their own sake but seek the kind of creative work that is appropriate to the client's strategic objectives. It is also important that the agency not shuffle people—creative, account, and top management—from the client's account simply because it begins to take the client's business for granted. Great attention needs to be placed on creating and maintaining the chemistry and rapport in the day-to-day agency-client relationship.[13] Budgets, details and deadlines must be respected. There should be good communication with the client—clients hate unpleasant surprises!

Costs and Compensation

One major source of friction in client-agency relationships is a client perception that the agency is charging costs unfairly[14] or is making too much money on the client's account. It is important for the agency not to treat the client's money wastefully, but it is equally important for the client not to nitpick on production and other expenses and to ensure that the agency makes adequate profit on the client's account. The key idea, of course, is that an agency's compensation should match its work load.

The basic compensation structures for an agency were discussed in Chapter 1; we will only repeat here that the trend is clearly away from the flat 15-percent commission on billings to a reduced commission, fee-plus-commission, or fee-only arrangements. An agency that creates several campaigns for a client, or has to modify the ads frequently (as in an airline or retail account, whose prices change

all the time), or does substantial new work on small-billing brands probably does not make enough money on a flat commission and deserves to negotiate additional fees. On the other hand, an agency that essentially does only maintenance work on long-running campaigns for big-billing brands should probably expect cost-conscious clients to negotiate lower commission rates with it.

Fees and commissions both have advantages and disadvantages—while commissions are not tailored to the amount of work and can lead to agencies making biased recommendations on how much money the client should spend, fees can lead to too much client interference in agency operations, can lead to nitpicking and friction and can create a dangerous "meter-running" mentality in which the quality of work can get hurt. Many clients negotiate the right to inspect the agency's books annually for the client's account to see if it is making too much money on it.

More than the long-term compensation structure, it is the cost-plus expenses that the agency incurs on the client's account that are often the source of friction. Clients are usually accustomed to tight cost controls; many agency people, on the other hand, knowingly or unknowingly treat the client's money as someone else's money (which it is)—money that can be freely spent. In this context, particular mention must be made of commercial production expenses. While it is true that these are usually very small proportions of a brand's overall budget—the brand may be spending $20 million, and three ads in the campaign may cost $450,000 to produce[15]—it is also true that ads are often produced to lavish production budgets, and this can breed resentment and a sense of wasteful spending in the client.

An ad's production costs go up when it requires a distant, high-cost shooting location, a high-priced director, expensive props, an expensive endorser, and when ad hoc "on-location" changes are made in the ad, rather than in "preproduction" meetings. Costs can be reduced by getting multiple bids from different production houses (which charge a 35- to 50-percent markup on their own costs) and by carefully scrutinizing every element of these bids, often with the assistance of consultants.[16] Here, it is important for the agency creatives to remember the cost implications when they *write* a commercial: the same message can often be communicated equally effectively at a much lower production cost (though it is also true that today's video-sophisticated consumers expect expensive, slick "production values" in today's TV commercials).

For example, consider the launch of a new type of motor oil, which (among other advantages) won't freeze at low temperatures. One possible ad in this situation might involve freezing a car in a block of ice, photographing it through time-lapse photography as the ice melts over thirty-six hours, then using special effects to show the motor oil's logo catching fire and the car bursting through an oversized paper logo, using expensive special-effects photography. A second creative photographic possibility might be simply to open a commercial freezer locker to freeze a rose and an open can of the oil, then show a gloved hand squeezing the rose (which shatters) and then picking up the can of the oil (which pours easily). Clearly, the second ad will cost much less, yet be as effective.

As the commercial production consultant Hooper White writes,[17] "production dollars are typed into the spot by the writer and drawn into it by the art di-

rector . . . cost control in production is a before-the-fact exercise . . . the most effective cost control is exercised by agency creative directors, not by outside consultants."

The Ongoing Relationship: Reviews and Audits

It is usually considered a good idea for the client to have a system of regular performance reviews, in which latent sources of dissatisfaction on both sides can be aired and, it is hoped, resolved. This way, if the agency's performance is unsatisfactory, the agency can take early remedial steps, instead of finding out by surprise one day that it has been fired.

For example, if the client is unhappy with the quality of the creative output, the agency can bring a new creative team to work on the client's account or have talent from the agency's other offices contribute ideas. This way, the client can get the fresh creative it wants, without sacrificing the entire, long-term relationship with its present agency. A set of criteria to be used in such audits has been proposed by Paul Michell, consisting of a review of changes in the environment, of changes in organizational and individual relationships (communication, openness, and interpersonal styles, etc.).[18]

SUMMARY

Following the creative work on an assignment, and any advertising pretesting considered necessary, the ads have to be produced and sent out to the selected media to be "run." This production process involves various people, including many suppliers and vendors outside the advertising agency.

The production process differs by the medium involved. For print production, it involves typographers, engravers, and printing. The rough ad goes through actual typesetting of the verbal copy, photoengraving of the visual elements and the type, and the production of the plate or "mat" from which the actual printed copies will be run. For television production, it includes the casting of actors and actresses, the composing and production of music scores, the actual filming (using a director and support staff), and the editing and mixing of audio and video tracks. Such production usually involves the services of an external production house, selected after competitive bidding. Various "tactical" decisions made at this stage—the choice of exact typeface, the casting of key characters, the choice of musical elements—can have an enormous impact on the success of the actual ad.

Through this production process, and throughout the entire advertising planning and implementation process, the relationship between the advertising agency and the marketing client becomes vitally important. Clients select agencies that they believe have the talent, skills, experience, resources, and insight into their business—as well as the "personal chemistry" to service their needs effectively and to bring in a creative perspective that the clients themselves may lack. Avoiding client conflicts is a major criterion as well. Clients can get more from their agencies if they give them some creative autonomy, share information and objectives with them, treat them as partners in the entire marketing effort, and develop a fair and nondestructive ad approval process. Compensation and cost control are often

sources of friction that need to be carefully monitored. The entire agency-client relationship should be carefully reviewed at annual (or other) intervals.

DISCUSSION QUESTIONS

1. In the American Express example in the chapter, should the client and agency really have been that concerned with the nature of the jacket worn by the actor?
2. Identify a television ad that you have seen recently that apparently required a huge production budget, and discuss ways in which the same creative idea might have been communicated as effectively without such expense.
3. If you were the chief executive officer of a corporation hiring an ad agency, how would you go about selecting one? What would you look for?
4. Why should a marketing company not simply produce all of its ads at an "in-house" agency staffed by company employees, to save money, rather than go to an outside agency that might cost it more money?
5. Describe three different compensation arrangements that might exist between a client and an agency and discuss the pros and cons of each for (a) a large-budget advertiser and (b) a small-budget advertiser.

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READING

IN ADVERTISING, WHAT DISTINGUISHES A GREAT CLIENT?

Ten Principles for Building a Better Relationship with Your Agency

Ammirati & Puris, the New York-based ad agency, was asked by its client, Brown-Forman Inc., a simple yet provocative question: What distinguishes a great client?

The question is one that has been tackled before. A great deal has already been written on the subject, from clients and agencies alike. It's interesting to note a remarkable consistency, be it from clients or agencies, from recent documents or those written decades ago. We are not out to reinvent the wheel here; we want to make points that have been made elsewhere. As might be expected, we've added our own perspective.

Here are ten principles that distinguish the great clients:

Inculcate a spirit of partnership.

It is an irony of the business that those clients who pause to ask, "What makes for a great client?" probably already are. That those clients who think to ask, "What can we do to help make better advertising?" often already have very good advertising. And those who ask their agencies for advice in these areas are, by thinking to ask the very question, already practicing the principles that make agency/client relationships work: partnership, honesty and a constant commitment to making things better.

We have observed that there are two kinds of agency/client relationships. There are those in which the client attempts to establish a superior/subordinate relationship and those in which agency and client are equal partners. The former are all to common in our industry—an astonishing fact given that this kind of relationship rarely results in great work.

The "superior/subordinate" relationships are characterized by an atmosphere of mistrust, a lack of respect for the expertise of the agency, and undercurrents of intimidation. It is always clear that the client will make the agency pay if something goes wrong. It is always clear that the client is ready to exercise the option to dismiss the agency.

In some instances, this condition is the sorry result of mismanagement. In others, unfortunately, it is the client's preferred strategy for dealing with the agency, based on the premise that the agency must be pressured and even threatened before it will exert itself sufficiently on the client's behalf. But the irony is that mediocre advertising inevitably results. Threatened peo-

"In Advertising, What Distinguishes a Great Client?", *Adweek*, February 15, 1988, pp. 36–38.

ple seek safe solutions, conventional, tried-and-true approaches that may appear sound, but which go unnoticed amid the overwhelming clutter of other "safe" commercial messages.

In our view, the great agency/client relationships are those based on equal partnership. Fear, intimidation and disrespect have no place. And it is precisely the absence of fear that makes the relationship work. That allows for honesty. That allows agencies to disagree with their clients, to argue, to take the great risks that almost inevitably are required to achieve great results. It also allows agencies to admit when they have failed.

Great advertising is the product of a very real partnership, a joint effort, based on mutual respect of intelligence and expertise.

So, the simplest answer to the question is that great clients insist on a spirit of partnership. What follows are the ways this spirit is most clearly manifest.

Be wary of change for change's sake.

We noted with interest the question: "Who's hot and why?" We encourage a healthy skepticism.

One of the greatest sins an advertising agency can commit is to imitate an advertising trend. The flood of "new wave" commercials of a few years back and the recent rash of "cinema verité," black-and-white footage shot with hand-held cameras, are testaments to how often agencies jump on the bandwagon.

By imitating a trend, the agency fails by definition to achieve its first purpose: to provide a distinctive image for a client. By the time a trend catches on, it is old news. Each new imitation blends in all the more.

We think that success in advertising is achieved by finding a long-term positioning and sticking with it. Advertising must be designed to defy "trends." We are very proud of the fact that our first television commercial for BMW—filmed in 1976—could air today and look thoroughly up to date.

So we would urge our clients to be less concerned with what other advertisers are doing, or with trends in the advertising industry. Instead, we would urge clients to tune into changes in the consumer.

Make sure your agency is making a fair profit on your account.

This is a seemingly self-serving suggestion, to be sure. But there is considerable self-interest to the client, as well. If a client's demands relative to his budget make its account unprofitable, that account will be less important to the agency. It may not get the same attention. In a crisis, it may not get the extra help it needs.

Make the agency totally absorbed in the company's product, the people and the corporate culture.

Great clients totally immerse their agencies in their products. This is hard work for both client and agency. It often costs lots of money to send agency people to operations centers, to sales-force meetings. It involves risks; bringing your agency inside the company so it can witness its weaknesses and know its secrets.

But, it is only in this thorough immersion that agency people can learn facts that become symbols—the parts that stand for the whole. That UPS washes their planes to achieve greater operating efficiency. That Waterford takes "1,120 times longer than necessary" to make a glass. That 400 brand new BMWs are destroyed in tests every year as part of that company's outstanding commitment to quality control. Concrete facts make for terrific claims in a company's advertising campaign.

Yet these facts are simply the most tangible and obvious by-products of a thorough understanding of the product. The far most important part of the "thorough immersion" is that the agency team will have a feel for the client's corporate culture in their fingertips. Client companies are exceedingly different: some are cautious, conservative; others are risky. Some pride themselves on their efficiency; others their commitment to service. But virtually all are proud of their personality.

In our view, the real value of the "total immersion" is that when an agency team thor-

oughly understands a client's "corporate culture," it will be more likely to create campaigns that last. It goes without saying that the advertiser who keeps a single campaign for a decade will have a greater cumulative success than one who changes every year. But the simple fact is that many of great campaigns do not "work" immediately.

If a campaign precisely reflects the advertiser's corporate culture, there's a better chance a client will stick with it. If it evokes a sense of corporate pride or articulates a corporate mission, a client will give it longer to work. That is the real benefit of "total immersion."

Create an environment of experimentation and be prepared to pay for failure.

Probably nothing predicts mediocrity in advertising quite so precisely as an environment of risk-aversion. This form of fear is a very human response to the ever-increasing costs of television production, coupled with the diminishing value of each dollar invested in media. It is natural to want to conform to rules and formulas in the quest for a measure of certainty that the outcome of the development process will be viable advertising. But the sad truth is that very few advertisers have the massive budgets to ensure that a plodding and unobtrusive television commercial will, through omnipresence, ultimately enter the target's mind. Most advertisers spend at a lower level—a level at which you cannot afford to change messages frequently. You have to find a winning campaign: one that will stand out, and last.

Great clients want advertising that stands out. So great clients create an environment of risk-taking, and great clients back up this philosophy with a willingness to pay for experiments that go wrong.

Treat the agency people well.

Agency people enjoy the same movies and sports clients do, and they have the same problems with their kids that clients have. Great clients take the time to get to know their agency people as people. Great clients know that it is human nature for people to work harder for their friends than for business acquaintances. The happy consequence is that the great client gets more effort out of the agency.

Agree on a clearly defined objective for advertising.

We often tell our new business prospects that 80% of advertising has failed before the first word of copy has been written. It's our way of emphasizing the value of thorough, up-front research and attendant analysis.

Similarly, the failure to define or agree upon the precise purpose of advertising dooms the creative process from the start.

It is an irony that creative strategies are often "approved" with an alarming lack of discussion—but creative executions are scrutinized with a fine-tooth comb, often at numerous levels within an organization. Then our creative direction would be precise, our marching orders unambiguous.

It's often in cases of outright failures that truly great clients stand out. We have all experienced big disappointment in our own work. Great clients know these moments are exactly the time to encourage further risk taking.

Keep approvals simple, and disapprovals kind.

Nothing will sap the energy level of an agency more than presenting the same work over and over at succeeding layers of the client's organization, debating the nuances of the copy at every step of the way. The best system for approval of advertising is, frankly, to have as few layers as possible. And yes, this does mean one layer is best.

If there is disagreement, there are these extremely simple axioms. First, be honest. It's very frustrating to be told after the production is complete, "Well, I never really loved this in layout form, but I went along with you because you were so adamant." If clients don't like something, they must say so.Second, be specific. Don't ask for a new execution because this

one "doesn't do it for me." Fight hard to articulate the problem. Only then can it be addressed.

Third, be kind. It helps to think of commenting on copy as if you are evaluating the person who wrote it—even though, of course, you are not. But that is, somewhat inevitably, the way the writer takes criticism.

So, trite as it may sound, great clients are kind. They find ways to keep the creative person whole, by commenting on what is terrific about the work, or, very simply, by demonstrating that they have listened very carefully to the agency's point of view and respect it.

Make the agency responsible for the advertising and give it the authority it needs to be responsible.

One exceedingly difficult line a great client must walk is that of involvement in the process. On one extreme of the spectrum are clients who would wash their hands of the whole mess, charging the agency with "complete responsibility for the advertising." Often, this lack of involvement is just a way for the client to avoid sharing responsibility for the end results. It is a way to hold the agency and its advertising at arm's length until the outcome is certain.

At the other end of this spectrum are those who say that the advertising is the agency's responsibility, yet consistently deny the approval that empowers the agency to realize its vision.

This takes all forms. The agency recommends a specific headline, a certain director, a particular daypart mix. A client may disagree. But the ideal client does not mandate specific changes. Clients cannot tell an agency that it must achieve its stated goal in a particular television production while mandating that it use a director it does not want to use. Great clients state precisely why they disagree, and then challenge the agency to find a solution that both parties can feel responsible for.

Give the agency a formal evaluation every year.

This sounds more unpleasant than it is. Good agencies rather enjoy the idea that the client will periodically reflect on whether his advertising is better or worse. And, any agency wants to know if there is a major problem before reading about it in the trade press.

Great clients draw up the terms of evaluation—like everything else—in partnership with the agency. And—very importantly—great clients write this evaluation themselves, and they personally review it with agency management. Delegating this function to juniors (often done on the theory that they work most directly with the agency), can make the review too narrow.

CASES FOR PART

PERDUE FOOD*

"It Takes a Tough Man to Make a Tender Chicken" was the theme of the advertising campaign developed for Perdue Foods, Inc., of Salisbury, Maryland, by its New York–based agency, Scali, McCabe, Sloves, Inc. The campaign often featured Mr. Frank Perdue, president of Perdue Foods, who had become something of a celebrity as a result in the New York market and elsewhere where the print and radio and TV ad campaign had been run. From an obscure position as one of several hundred companies raising broilers in 1968, Perdue Foods had become by the end of 1972 the largest producer of branded broilers in the United States, killing about 1.5 million birds each week, almost twice as many as when the new agency had acquired the account in 1971.

Such visibility attracted competitors as well as customers, and in February of 1973 a major competitor, Maryland Chicken Processors, Inc., launched a direct frontal attack on Perdue Chickens with ads in the New England trade press carrying the headline:

> *Read how Otis Esham's Buddy Boy chicken is going to beat the pants off the other guy's chicken.*

The "other guy," of course, was Frank Perdue, and the Buddy Boy trade ad even featured a back-of-the-head picture of Frank Perdue with the caption "the other guy." It was a no-holds-barred approach which made direct and frequent reference to Perdue chickens. For example, the trade ad began,

> *The other guy has been a friend and neighbor of ours for years, as well as a competitor.*
>
> *To be truthful about it, our hat's off to him. In the past year or so, he's probably done more for the chicken business than any other guy we know.*
>
> *With his help and the help of his fine New York advertising agency, the consumer is now beginning to realize that it's worth paying a few more pennies a pound to get the kind of fine, plump, golden-yellow chicken we produce down here on the Eastern Shore of Maryland.*
>
> *What this means is that the days of footballing the price of chicken all over the lot are probably numbered.*
>
> *The new name of the game is Profits, and that's not just profits for the*

*This case was prepared as a basis for classroom discussion by Frederick E. Webster, Jr. Copyright © 1973 by the Trustees of Dartmouth College.

chicken business but profits for you, too. So, as far as we are concerned, that other guy is doing a real good job.

But he's vulnerable.

The other guy is a spunky little guy (no offense intended, Frank) who loves to go on television and the radio and tell folks about the fine kind of chicken we produce down home.

You think those commercials are going to hurt us?

Uh-uh. They can't do anything but help *us.*

What those commercials are doing is making the consumer aware that a chicken that's good enough to carry the brand name of a proud producer is going to be a better *chicken than the one that is only good enough to be acceptable to the U.S. government.*

Well, the actual truth is, those commercials could just as well be talking about Otis Esham's fresh Buddy Boy chicken. Because Otis's methods of raising and processing chicken are just about identical to the other guy's.

Except for one very important thing and here's where we get to the part about how the other guy is vulnerable.

That was only the first of four columns in a double-page spread. The ad went on to say that "the other guy's" chickens are packed and shipped in ice and that as the ice melts "your chicken is going to begin to get all water-logged," whereas Buddy Boy chickens are quick-chilled to 30°F and shipped in refrigerated trucks. The ad reported that Purity Supreme, a major New England chain, had taken on the Buddy Boy product and that a "hot" Boston-based ad agency, Pearson and MacDonald, had been given the Buddy Boy account. The ad also featured pictures of Otis Esham (whose position was not disclosed[1]). Jack Ackerman, head meat buyer for Purity Supreme (with the caption "Jack Ackerman of Purity Supreme, a 'tough bird' "), Pearson and MacDonald, and a crate of dressed broilers showing the "old-fashioned 'ice-packed' method." The ad went on to explain that "By the time you're reading this, Otis Esham will be on the major Boston radio stations telling your customers about how his fresh Buddy Boy chicken is a better chicken because it's a chilled chicken." More information about media plans was given, and readers were given a telephone number to call collect in Parsonburg, Maryland, to talk with "Bubba Shelton, Otis Esham's right-hand man for sales."

An executive at Scali, McCabe, Sloves called this "one of the most blatant frontal assaults I have ever seen in advertising" as the account executive and top agency personnel began to talk about their response. Three classes of action were being considered. Some favored simply ignoring the Buddy Boy campaign because "it can't hurt us, it can only help us." Others wanted to respond directly, with trade and consumer ads, to the charge that ice-packing was an inferior method and that chickens became "water-logged," because this was not true. A third group sug-

* In point of fact, Esham was president of Maryland Chicken Processors, a family-owned business. Esham and Perdue had known each other all their lives; at one time they had owned abutting properties.

gested that now was the time for an entirely new Perdue campaign to take the initiative away from Buddy Boy and go after entirely new segments.

Growth of Perdue Foods, Inc.

An article in *Esquire* magazine in April 1973 described chicken farming as "about the last free-enterprise industry in America. Chicken is produced in a no-holds-barred, rags-to-riches, no-control system, at the fascinating confluence of all the commercial strains in the land: the chicken is where the most volatile elements of the assembly line, of the farm and the field, and bid-and-ask all come together." Until 1968, Perdue was raising chickens for resale to other processors. In 1967, sales had been about $35 million, mainly from selling live birds, but the business also included one of the East Coast's largest grain storage and poultry feed milling operations, soybean processing mulch plants, a hatchery, and 600 farmers raising broilers under contract to Perdue.

A buyer's market existed in 1967, which had squeezed chicken profits. More and more processors were lining up their own contract growers and cutting out Perdue and other middlemen. As Frank Perdue noted, "The situation was good for processors. As in all commodities, profit depends on high volume and small margins. A processor's normal profit on chickens runs ¼ to ½ cents per pound. But in 1967's market, processors were paying us 10 cents a pound for what cost us 14 cents to produce, and their profits were as much as 7 cents per pound.

As a result of these conditions, Frank Perdue decided to redesign his business to coordinate egg hatching, chick delivery and feeding, broiler processing, and overnight delivery to market and to develop his own brand. The aim was to develop a quality chicken that could demand premium prices. Special attention was devoted to development of exact feeding formulas which would optimize the chickens' growth rate and give the chicken a golden-colored skin preferred by consumers.

Over the next three years, Perdue began consumer advertising on a limited basis. Distribution was concentrated in New York, with a small percentage of other East Coast cities and as far west as Cleveland. The Perdue brand was identified by a tag on the wing of the processed chicken. Distribution was concentrated in butcher shops and smaller chain food outlets.

Perdue Advertising

As the new strategy of integrated production and profit differentiation began to prove itself in the form of increased sales and profit margins, Frank Perdue became increasingly concerned with the quality of his advertising. After a period of intensive reading on the subject and interviews with almost 50 agencies, Perdue selected Scali, McCabe, Sloves, Inc., in April 1971. The agency immediately began to prepare for a major campaign to be launched in New York City in July. Over Frank Perdue's initial objections, the agency developed a campaign featuring him as the spokesman for the product.

The campaign focused on the quality of Perdue's product, often using subtle

EXHIBIT 1 Perdue Foods, Inc.

SCALI, McCABE, SLOVES INC.

CLIENT: PERDUE FOODS INC.

PRODUCT: PERDUE CHICKENS

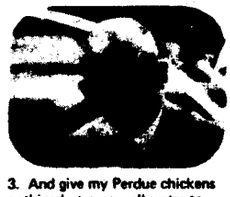
TITLE: "MY CHICKENS EAT BETTER THAN PEOPLE"

LENGTH: 30 SECONDS

COMMERCIAL NO.: TV-PD-30-2C

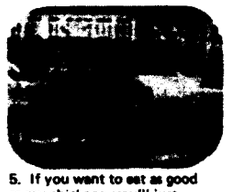
1. FRANK PERDUE: A chicken is what it eats. And my chickens eat better than . . .

2. people do. I store my own grain and mix my own feed.



3. And give my Perdue chickens nothing but pure well water to drink.

4. That's why my chickens always have that healthy golden-yellow color.



5. If you want to eat as good as my chickens, you'll just have to eat my chickens.

6. That's really good.

humor to make the point. The direction of the campaign is indicated in Exhibits 1 to 4, photo boards of four TV commercials. Radio and newspaper advertising was also planned. A new wing tax was designed featuring the company name and a money-back guarantee of quality. In an early 60-second TV commercial, Frank Perdue made the following comments:

> *When people ask me about my chickens, two questions invariably come up. The first is "Perdue, your chickens have such a great golden-yellow color it's almost unnatural. Do you dye them?" Honestly, there's absolutely nothing artificial about the color of my chickens. If you had a chicken and fed it good yellow corn, alfalfa, corn gluten, and marigold petals, it would just naturally be yellow. You can't go around dyeing chickens. They wouldn't stand for it.*
>
> *The other question is "Perdue, your chickens are so plump and juicy, do you give them hormone injections?" This one really gets my hackles up. I do nothing of the kind. When chickens eat and live as well as mine do, you don't have to resort to artificial techniques, . . .*

In the first year with the new agency, all advertising expenditures were aimed at the consumer. Only after consumer awareness and preference had been created was trade advertising begun. By the end of the first year, Perdue had achieved distribution in more than half of all New York butcher shops and small retail food out-

EXHIBIT 2 Perdue Foods, Inc.

SCALI, McCABE, SLOVES, INC.
CLIENT: PERDUE FARMS
PRODUCT: CHICKEN

TITLE: "BUTCHER SHOP"
LENGTH: 10 SECONDS
COMM'L. NO.: TV-PD-10-9

1. FRANK PERDUE: I don't allow my superior chickens in just any store.

2 That's why you can only buy Perdue chickens in butcher shops and better markets.

3. I don't want to give my name a bad name.

EXHIBIT 3 Perdue Foods, Inc.

SCALI, McCABE, SLOVES INC.

CLIENT: PERDUE FOODS INC.

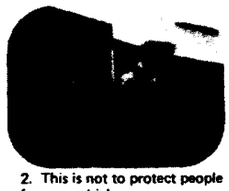
PRODUCT: PERDUE CHICKENS

TITLE: "CLEAN LIVIN' "

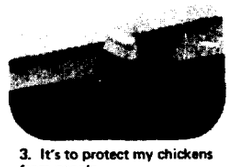
LENGTH: 30 SECONDS

COMMERCIAL NO.: TV-PD-30-3C

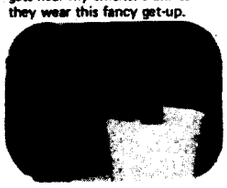
1. FRANK PERDUE: Nobody gets near my chickens unless they wear this fancy get-up.



2. This is not to protect people from my chickens.



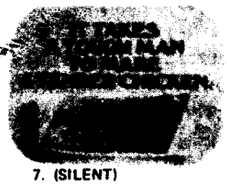
3. It's to protect my chickens from people.



4. My competitors think I'm nuts to go through all this.

5. But why do you suppose my chickens always have that healthy golden-yellow color . . .

6. Instead of a pale one. I'll tell you why.. Clean livin'.



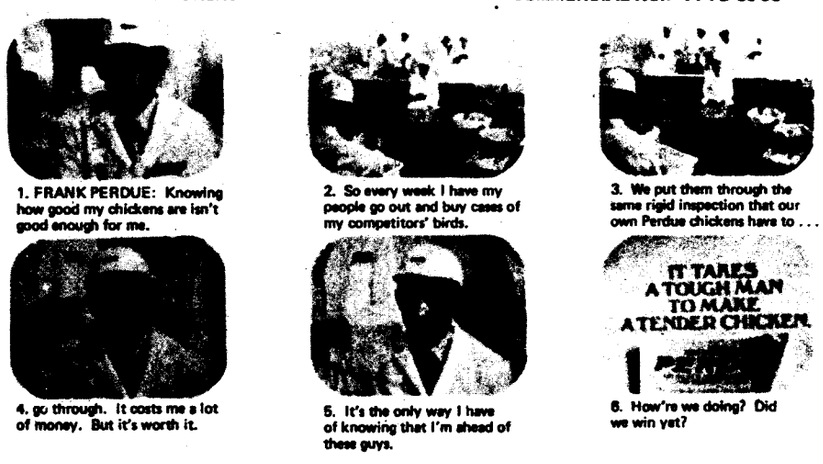
7. (SILENT)

EXHIBIT 4 Perdue Foods, Inc.

SCALI, McCABE, SLOVES INC. TITLE: "COMPETITION"

CLIENT: PERDUE FOODS INC. LENGTH: 30 SECONDS

PRODUCT: PERDUE CHICKENS COMMERCIAL NO.: TV-PD-30-5C



lets. Consumer surveys showed well over 50 percent awareness of the Perdue brand. While financial information was not publicly available, Perdue said "you have to assume it paid off." Competitors estimated that Perdue's costs increased between 2 and 4 cents per pound due to promotional expenses. At the retail level, Perdue chickens were able to command a premium of 5 to 10 cents per pound. One out of every six chickens sold in the New York market carried the Perdue brand. Similar campaigns were launched in Hartford, Connecticut (March 1972), and Baltimore (April 1972). Sales in 1972 exceeded $80,000,000.

Perdue advertising attracted a good deal of public attention, partly due to the distinctiveness of Frank Perdue's presentation, which was described by one commentator as having the sincerity and fervor of a Southern preacher. Stories about the company and its advertising appeared in *Business Week* (September 16, 1972), *Newsweek* (October 16, 1972), and *Esquire* (April 1973), among other places.

The Boston Campaign

Perdue's Boston campaign was launched in December 1972, following the basic pattern now established. The Boston market was somewhat different from New York in that a high percentage of chicken sales occurred through chain store supermarkets, whereas in New York the majority was sold through butcher shops and independent food outlets.

Shortly thereafter, Otis Esham publicized his plans to advertise in Boston and

even gave the exact dates on which consumer advertising would break. Perdue's immediate response had been to triple Gross Rating Points (GRP) TV and radio coverage and to contract for additional newspaper coverage on heavy food-buying days, in anticipation of Buddy Boy's campaign. Perdue's first radio ads ran on December 18 and TV ads began on January 15.

Now that Buddy Boy's first trade advertising had appeared early in February, executives at Scali, McCabe, Sloves were wondering what steps to take next. Esham was planning radio for the second week of February and TV was scheduled for the beginning of April. It would be possible for Scali, McCabe, Sloves to prepare television ads within 72 hours to refute the points about "water-logged" chickens in the Buddy Boy advertising.

A principal of Buddy Boy's agency, Terry MacDonald, was quoted as saying "We're going to kill them. They have brilliant advertising. But we have the product advantage."

DISCUSSION QUESTION

1. What action should Scali, McCabe, Sloves recommend to Frank Perdue?

LEVI STRAUSS & CO.*

Sue Swenson, a member of the research group at Foote, Cone & Belding/Honig, a San Francisco advertising agency, was reviewing four copy-testing techniques described in the appendix to Chapter 14. A meeting was scheduled with the Levi Strauss account group the next day to decide on which copy tests to employ on two new Levi's campaigns. The following week a similar meeting was scheduled involving a campaign for a new bar soap for another client. In each case the task was to determine which testing approach would be used to help make the final selection of which commercials to use in the campaigns. Sue knew that she would be expected to contribute to the discussion by pointing out the strengths and limitations of each test and to make her own recommendation.

Levi Strauss & Co. had grown from a firm serving the needs of miners in the Gold Rush era of the mid-1800s to a large sophisticated clothing company. In 1979 it had sales of over $2 billion drawn from an international and domestic operation. The domestic company, Levi Strauss USA, included six divisions: Jeanswear, Sportswear, Womenswear, Youthwear, Activewear, and Accessories. In 1979, Levi Strauss was among the 100 largest advertisers, with expenditures of $38.5 million, primarily on television.

Concerning the Levi's campaigns, Swenson recognized that two very different campaigns were involved. The first was a corporate image campaign. The overall objective was to build and maintain Levi's brand image. The approach was to build around the concepts of "Quality" and "Heritage," the most meaningful, believable, and universal aspects of the Levi's corporate personality. Unlike competitors who claim quality as a product feature, Levi's 128-year heritage advertisements had an

* Courtesy of Levi Strauss.

important additional dimension. More specifically, the advertising involved the following strategy:

1. ***Heritage-quality:*** **communicate to male and female consumers, ages 12 to 49, that Levi's makes a wide variety of apparel products, all of which share in the company's 128-year commitment to quality.**
2. ***Variety-quality:*** **Communicate to male and female consumers, ages 12 to 49, that Levi's makes a wide variety of quality apparel products for the entire family.**

Exhibit 1 shows one of the commercials from the pool that was to be tested for the corporate campaign.

The second campaign was for Levi's Action suits. In 1979, the Sportswear division responsible for Action suits spent approximately $6 million on network television commercials and co-op newspaper ads to introduce Actionwear slacks, which topped the sales of both leading brands of men's slacks, Haggar and Farah, in that year. The primary segment was middle-age males who often suffer from middle-age spread. Actionwear slacks, a blend of polyester and other fabrics with a stretchable waistline, were presented as a solution to the problem. The advertising objectives for the new campaign were guided by the following:

Focus: **Levi's Action garments are comfortable dress clothes.**
***Benefits*:** **Primary—comfortable**
Secondary—attractive, good looking, well made, long wearing
Reasons why:
1. **Levi's Action slacks are comfortable because they have a hidden stretch waistband and expandable shell fabric.**
2. **Levi's Action suit jacket is comfortable because it has hidden stretch panels that let you move freely without binding.**
3. **The Levi's name implies quality and well-made clothes.**

Brand character: **Levi's Action clothing is sensible, good-value menswear manufactured by Levi Strauss & Co., a company dedicated to quality.**

Exhibit 2 shows a commercial from the pool for the Levi Action campaign.

Swenson also knew that previous Levi's commercials had proved exceptionally memorable and effective, owing to their distinctive creative approach. In part, their appeal lies in their ability to challenge the viewer's imagination. The advertising assumes that viewers are thoughtful and appreciate advertising that respects their judgments.

In preparing for the next day's meeting with the Levi account group, she decided to carefully review the notes on four copy-testing services prepared by a staff assistant at FCB/H (see Appendix, Chapter 14). The immediate problem was to decide which of the services to recommend for testing commercials from the two Levi's campaigns. She knew that similar issues would be raised in discussions with another of the agency's clients the following week concerning a national campaign for a bar-soap line extension. Positioning for the bar soap essentially involved a dual cleanliness-fragrance theme and a demonstration commercial focusing on these two copy points.

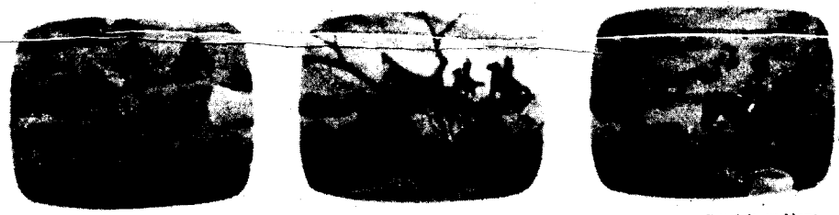
EXHIBIT 1 A corporate commercial

LEVI'S® "ROUNDUP"

(Music) Yessir, this drive started over a hundred years ago, back in California.

Just a few head of Levi's Blue Jeans, and a lot of hard miles.

Across country that would've killed ordinary pants.



But Levi's? They thrived on it! If anything, the herd got stronger —and bigger.

First there was kid's Levi's. Ornery little critters...seems like nothing stops 'em.

Then there was gal's pants, and tops, and skirts. Purtiest things you ever set eyes on.

And just to prove they could make it in the big city, the herd bred a new strain called Levi's Sportswear.

Jackets, shirts, slacks... a bit fancy for this job, I reckon, but I do admire the way they're made.

Fact is, pride is why we put our name on everything in this herd.

Tells folks, "This here's ours!" If you like what you got, then c'mon back!

We'll be here. You see, fashions may change...

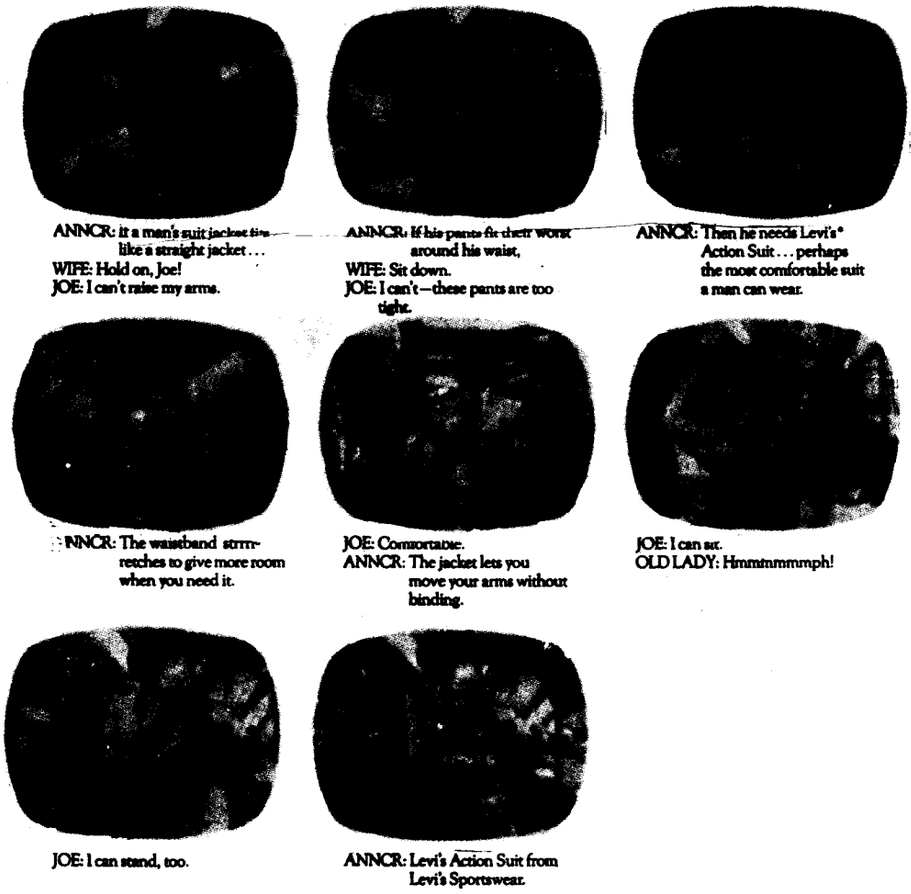
...but quality never goes out of style!

Courtesy of Levi Strauss & Co., Two Embarcadero Center, San Francisco, California 94106.

EXHIBIT 2 An Action Suit commercial

Levi's

TV. 30 Sec.
Title: "Action Suit/Bus"



Courtesy of Levi Strauss & Co., Two Embarcadero Center, San Francisco, California 94106.

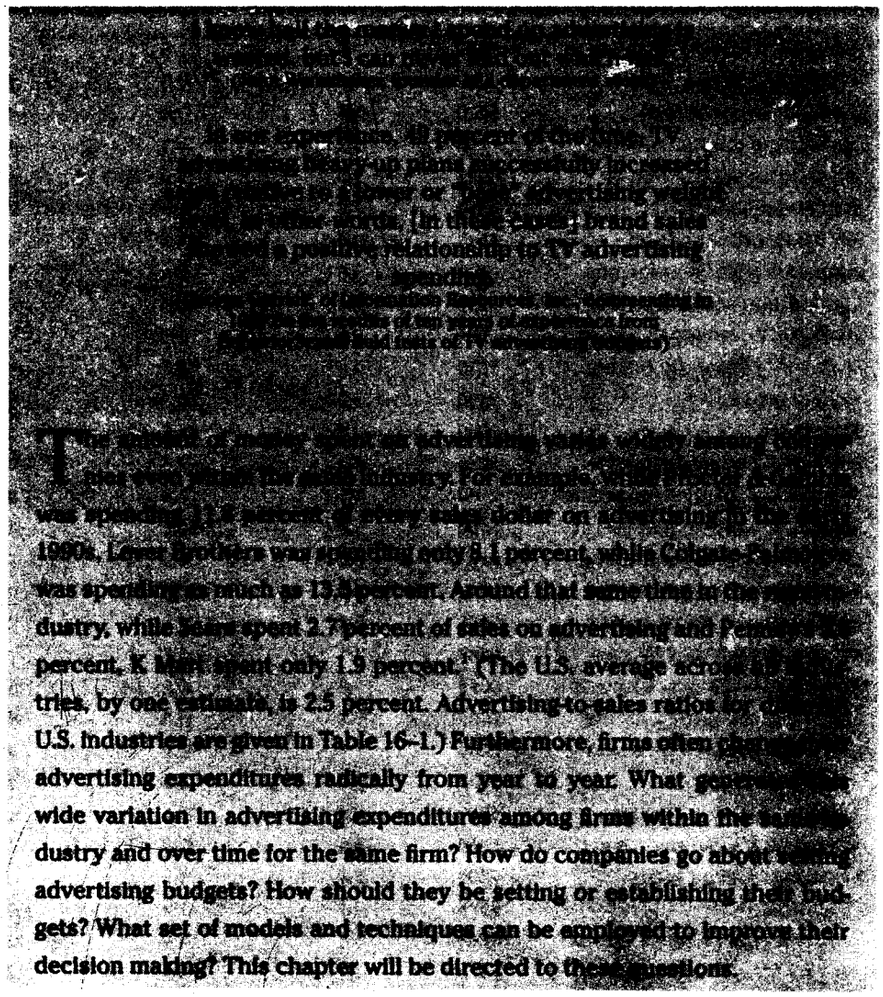
DISCUSSION QUESTIONS

1. What copy-testing service or services should Sue Swenson recommend for testing the two Levi Strauss commercials?
2. What service or services should she recommend for testing the bar-soap commercial?

PART V

EDIA STRATEGY AND TACTICS

16 MEDIA STRATEGY: SETTING MEDIA BUDGETS



The amount of money spent on advertising varies widely among firms in the same industry. For example, while Procter & Gamble was spending 11.8 percent of every sales dollar on advertising in the 1990s, Lever Brothers was spending only 8.1 percent, while Colgate-Palmolive was spending as much as 13.9 percent. Around that same time in the paper industry, while Mead spent 2.7 percent of sales on advertising and Pennsylvania 2.2 percent, K Mart spent only 1.9 percent.[1] (The U.S. average across all industries, by one estimate, is 2.5 percent. Advertising-to-sales ratios for various U.S. industries are given in Table 16–1.) Furthermore, firms often change their advertising expenditures radically from year to year. What generates such wide variation in advertising expenditures among firms within the same industry and over time for the same firm? How do companies go about setting advertising budgets? How should they be setting or establishing their budgets? What set of models and techniques can be employed to improve their decision making? This chapter will be directed to these questions.

Table 16–1. 1994 Advertising-to-Sales Ratios for the 200 Largest Ad Spending Industries

Industry	SIC no.	Ad dollars % of sales	Ad dollars % of margin	Annual ad growth rate (%)
[illegible]	[illegible]	1.1	2.5	2.5
[illegible]	[illegible]	2.8	12.1	7.5
[illegible]	[illegible]	1.3	7.0	−8.1
[illegible]	[illegible]	2.5	7.1	−1.8
[illegible]	[illegible]	2.4	5.9	2.6
[illegible]	[illegible]	2.3	12.5	0.8
[illegible]	[illegible]	3.4	14.6	2.6
[illegible]	[illegible]	5.8	15.4	9.1
[illegible]	[illegible]	2.2	6.5	11.5
[illegible]	[illegible]	5.9	2.5	2.0
[illegible]	[illegible]	2.4	13.5	−1.1
[illegible]	[illegible]	6.9	40.7	−7.5
[illegible]	[illegible]	7.8	12.5	6.9
[illegible]	[illegible]	1.3	2.3	17.7
[illegible]	2760	5.5	6.9	8.0
[illegible]	3200	5.5	10.2	−0.7
[illegible]	2731	5.5	6.0	5.8
[illegible]	2211	4.0	16.2	9.0
Bttld & can soft drinks, water	2086	2.7	5.9	2.4
Cable and other pay TV svcs	4841	1.1	1.7	−1.5
Calculate, acct mach, ex comp	3578	1.8	4.2	13.8
Can Fruit, veg, presrv, jam, jel	2033	0.8	3.1	−16.3
Can, frozn presrv fruit & veg	2030	7.1	18.4	4.4
Carpets and rugs	2273	2.4	8.1	−8.9
Catalog, mail-order houses	5961	6.8	17.2	10.8
Chemicals & allied pds-whsl	5160	3.6	12.9	5.3
Chemicals & allied prods	2800	2.8	6.5	2.5
Cigarettes	2111	4.4	7.9	−2.5
Cmp and cmp software stores	5734	1.5	25.5	23.1
Cmp integrated sys design	7373	1.5	4.1	3.0
Cmp processing, data prep Svc	7374	1.4	3.1	6.4
Communications equip, NEC	3669	1.5	3.8	−3.0
Computer & office equipment	3570	1.2	3.3	1.9
Computer communication equip	3576	1.9	3.4	17.6
Computer peripheral eq, NEC	3577	2.8	7.0	13.8

(continued)

Table 16–1. 1994 Advertising-to-Sales Ratios for the 200 Largest Ad Spending Industries (*Continued*)

Industry	SIC no.	Ad dollars % of sales	Ad dollars % of margin	Annual ad growth rate (%)
Computer storage devices	3572	0.8	3.1	6.4
Computers & software-whsl	5045	0.5	5.9	14.4
Construction machinery & eq	3531	0.2	0.6	−1.1
Convrt papr, paprbrd, ex boxes	2670	5.8	15.7	1.8
Cutlery, hand tools, gen hrdwr	3420	10.2	19.1	9.8
Dairy products	2020	1.4	5.5	9.3
Dental equipment & supplies	3843	2.0	3.9	19.9
Department stores	5311	2.6	10.6	1.8
Dolls and stuffed toys	3942	15.1	28.0	14.0
Drug & proprietary stores	5912	1.4	5.0	4.5
Eating places	5812	3.2	16.2	7.5
Educational services	8200	6.5	16.7	1.8
Elec meas & test instruments	3825	2.7	5.7	5.4
Electr, oth elec eq, ex cmp	3600	2.4	7.3	6.2
Electric housewares and fans	3634	5.1	16.4	5.9
Electric lighting, wiring eq	3640	1.7	4.3	8.5
Electrical indl apparatus	3620	2.3	6.2	10.7
Electromedical apparatus	3845	1.0	1.6	2.4
Electronic comp, accessories	3670	3.0	18.7	9.4
Electronic components, NEC	3679	0.8	2.7	16.3
Electronic computers	3571	1.7	5.0	14.1
Electronic parts, eq-whsl, NEC	5065	2.9	13.0	14.6
Engines and turbines	3510	1.8	7.2	7.9
Engr, acc, resh, mgmt, rel svcs	8700	0.7	3.0	4.1
Fabricated rubber pds, NEC	3060	1.5	5.6	3.1
Family clothing stores	5651	2.5	7.9	8.3
Farm machinery and equipment	3523	1.2	4.7	3.7
Finance-services	6199	0.9	5.6	20.1
Food and kindred products	2000	6.3	16.3	4.7
Food stores	5400	4.2	10.3	10.8
Footwear, except rubber	3140	5.8	9.9	5.8
Functions rel to dep bke, NEC	6099	11.5	34.9	11.5
Furniture Stores	5712	6.4	14.8	4.9
Games, toys, child veh, ex dolls	3944	18.4	39.7	20.0
Gen med & surgical hospitals	8062	0.8	4.0	4.0

(continued)

Table 16–1. 1994 Advertising-to-Sales Ratios for the 200 Largest Ad Spending Industries (*Continued*)

Industry	SIC no.	Ad dollars % of sales	Ad dollars % of margin	Annual ad growth rate (%)
General indl mach & eq, NEC	3569	0.7	2.0	4.2
General industrial mach & eq	3560	2.2	7.7	4.3
Glass, glasswr-pressed, blown	3229	1.1	2.6	4.9
Grain mill products	2040	9.1	18.3	1.5
Greetings cards	2771	4.9	7.2	10.3
Groceries & related pds-whsl	5140	2.0	16.1	3.3
Grocery stores	5411	1.1	4.5	0.3
Guided missiles & space vehc	3760	0.4	1.7	1.6
Hardwr, plumb, heat eq-whsl	5070	2.5	37.9	8.0
Help supply services	7363	1.0	5.4	−0.4
Hobby, toy, and game shops	5945	1.5	4.9	11.3
Home furniture & equip store	5700	2.9	8.0	10.7
Hospital & medical SVC Plans	8324	0.9	4.0	16.1
Hospitals	8060	4.2	26.8	−5.0
Hotels, motels, tourist courts	7011	3.6	12.2	9.4
Household appliances	3630	3.0	9.6	5.8
Household audio & video eq	3651	3.8	12.2	7.2
Household furniture	2510	6.8	13.8	8.9
Ice cream & frozen desserts	2024	3.8	10.7	−1.1
In vitro, in vivo diagnostics	3826	2.1	8.5	8.2
Indl inorg chem, plastics, pln eq	3558	4.1	14.2	12.9
Indl trucks, tractors, trailers	3537	1.0	4.9	10.0
Industrial measurement instr	3823	0.8	2.9	8.7
Industrial organic chemicals	2869	0.8	2.7	−1.4
Ins agents, brokers, & service	6411	1.1	4.9	6.3
Investment advice	6282	7.5	18.8	15.5
Jewelry, silver	5944	4.5	10.0	−2.4
Jewelry, precious metal	3911	3.0	8.8	5.6
Knit outerwear mills	2253	2.5	7.9	14.9
Knitting mills	2250	3.6	8.9	4.3
Lab apparatus and instruments	3821	1.9	8.2	2.1
Lawn & garden equip mfg	3524	1.1	6.0	7.5
Leather and sheep lined clothing	2386	0.2	1.1	2.6
Life insurance	6311	3.0	9.8	6.9
Logging camps & contractors	2411	3.5	10.1	−0.1

(continued)

Table 16–1. 1994 Advertising-to-Sales Ratios for the 200 Largest Ad Spending Industries (*Continued*)

Industry	SIC no.	Ad dollars % of sales	Ad dollars % of margin	Annual ad growth rate (%)
Management services	8741	1.6	10.7	16.1
Meas & controlling dev, NEC	3829	1.8	4.1	14.8
Meat packing plants	2011	0.6	25.7	4.5
Membership sport & rec clubs	7997	6.5	8.5	10.1
men, yth, boys frnsh, wrk clthg	2320	3.8	10.7	15.6
Metal forgings and stampings	3460	0.9	2.8	15.1
Metalworking machinery & eq	3540	3.1	6.8	8.8
Millwork, veneer, plywood	2400	1.7	7.5	14.8
Misc amusement & rec service	7990	2.6	8.6	8.6
Misc business services	7389	2.9	7.0	5.8
Misc chemical products	2890	7.2	16.6	8.6
Misc durable goods-whsl	5090	2.0	8.6	12.4
Misc elec machy, eq, supplies	3690	1.6	6.0	9.6
Misc fabricated metal prods	3490	0.7	2.5	13.8
Misc food preps, kindred pds	2090	2.9	6.5	8.1
Misc general mdse stores	5399	3.6	16.1	8.6
Misc manufacturing industries	3990	2.8	9.8	7.8
Misc nondurable goods-whsl	5190	3.2	11.3	10.4
Misc plastics products	3089	2.6	6.0	9.6
Misc shopping goods stores	5940	2.3	7.3	7.6
Misc transportation equip	3790	4.7	10.4	9.6
Miscellaneous retail	5900	1.8	6.7	8.6
Mortgage bankers & loan corr	6162	2.7	8.3	6.3
Motion pic, videotape produtn	7812	12.4	26.8	6.4
Motion pict, videotape distr	7822	8.3	20.6	6.4
Motion pictures theaters	7832	5.4	11.8	6.4
Motor vehicle part, accessory	3714	0.8	6.4	8.6
Motor vehicles & car bodies	3711	2.0	10.0	8.6
Motorcycles, bicycles & parts	3751	1.2	4.8	8.6
Newspaper: pubg, pubg & prtg	2711	3.4	8.3	8.6
Office machines, NEC	3579	1.3	5.0	8.6
Offices of medical doctors	8011	1.4	6.7	8.6
Operative Builders	1531	1.1	6.8	8.6
Operators-nonres bldgs	6512	1.8	8.0	8.6
Ophthalmic goods	3851	6.8	14.8	8.6

(continued)

Table 16–1. 1994 Advertising-to-Sales Ratios for the 200 Largest Ad Spending Industries (*Continued*)

Industry	SIC no.	Ad dollars % of sales	Ad dollars % of margin	Annual ad growth rate (%)
[illegible]	5942	2.1	4.1	8.4
[illegible]	2821	2.7	6.8	6.2
[illegible]	3110	1.6	8.1	24.8
[illegible]	3221	5.0	12.9	3.6
[illegible]	6794	4.3	9.5	15.3
[illegible]	3950	4.7	10.5	1.9
[illegible]	2844	8.8	15.3	6.8
[illegible]	2721	5.6	10.4	3.3
[illegible]	6141	0.7	1.5	-0.8
[illegible]	7200	7.0	17.9	8.1
[illegible]	2911	1.1	8.4	12.1
[illegible]	2834	5.6	7.8	4.8
[illegible]	4813	1.9	4.6	10.5
[illegible]	3652	11.7	24.2	15.5
[illegible]	753	3.4	12.0	11.8
[illegible]	3861	4.1	10.2	1.7
[illegible]	2033	1.2	5.9	1.5
[illegible]	3089	2.7	7.0	4.5
[illegible]	2621	0.8	2.5	-1.2
[illegible]	2015	2.5	13.5	10.5
[illegible]	7372	3.8	5.2	14.9
[illegible]	3672	1.2	6.5	32.1
[illegible]	3585	2.2	6.1	3.9
[illegible]	3949	2.0	5.8	8.0
[illegible]	3581	1.6	5.9	-0.7
[illegible]	4832	0.2	13.0	10.5
[illegible]	3965	1.3	3.5	13.2
[illegible]	3751	4.1	15.8	8.8
[illegible]	4812	3.7	6.9	14.4
[illegible]	3724	1.8	5.4	13.8
[illegible]	3825	2.1	6.5	1.3
[illegible]	3860	4.6	11.7	10.3
[illegible]	3221	2.6	15.0	3.6
[illegible]	3575	3.5	24.5	8.8
[illegible]	[illegible]	1.6	4.8	[illegible]

(continued)

Table 16–1. 1994 Advertising-to-Sales Ratios for the 200 Largest Ad Spending Industries (*Continued*)

Industry	SIC no.	Ad dollars % of sales	Ad dollars % of margin	Annual ad growth rate (%)
Semiconductor, related device	3674	2.0	4.1	18.7
Ship & boat bldg & repairing	3730	0.5	2.5	−8.5
Shoe stores	5661	5.4	18.1	12.7
Skilled nursing care facil	8051	1.7	12.7	7.0
Soap, detergent, toilet preps	2840	9.9	22.6	8.3
Spec outpatient facility, NEC	8093	1.0	4.8	15.3
Special clean, polish preps	2842	16.1	26.6	2.5
Special industry machinery	3559	4.1	14.4	−8.3
Sporting & athletic gds, NEC	3949	6.4	13.4	17.2
Srch, det, nav, guid, aero sys	3812	4.3	7.7	−0.2
Sugar & confectionery prods	2060	12.7	29.9	6.2
Surgical, med instr, apparatus	3841	1.2	2.5	6.5
SVC to motion picture prodtn	7819	2.0	5.9	9.2
Tele & telegraph apparatus	3661	0.7	2.1	1.3
TV broadcast station	4833	5.2	7.4	6.4
Textile mill products	2200	0.9	3.5	13.3
Tires and inner tubes	3011	1.9	6.3	3.6
Unsupp plastics film & sheet	3081	3.0	9.3	−2.1
Variety stores	5331	1.8	6.6	4.9
Video tape rental	7841	2.0	4.1	13.8
Water transportation	4400	7.3	20.0	−1.1
Womn, miss, chsd, infnt undgrmt	2340	4.2	10.3	9.6
Women's clothing stores	5621	2.6	7.0	1.9
Womn's, misses, jrs outerwear	2330	3.1	10.8	6.5
Wood household furn, ex upholstd	2511	2.5	8.0	17.1

Source: Schonfeld & Associates, 1 Sherwood Drive, Lincolnshire, Ill. 60069. (708) 948-8080

SIC = Standard Industrial Classification number. NEC = not elsewhere classified. Ad dollars as percent of sales = ad expenditure/net sales. Ad dollars as percent of margin = advertising expenditures/(net sales − cost of goods sold). Annual ad growth rate (%) = average compound growth in ad spending.

The importance of setting advertising budgets using careful analysis, rather than industry rules of thumb or "gut feel," cannot be overemphasized. Various studies have repeatedly shown that the *average advertising elasticity*—the expected percentage change in volume sales when the amount spent on advertising rises 1 percent—is small, about only 0.22 percent.[2] Clearly, this is only an average across brands, that ignores long-term effects on consumers and effects on the trade, and has various other shortcomings as a measure of the value of advertising spending.

However, it does suggest that at least some brands may be spending too much on advertising (whereas others may need to spend even more than they do now).[3] When you combine this observation with the fact that for many brands, the advertising budget is the single largest discretionary expense, running into tens of millions of dollars, you should realize quickly that "fine-tuning" the advertising budget is an activity that is worth a fair amount of a brand manager's time.

ECONOMIC ANALYSIS IN SETTING AND ALLOCATING BUDGETS

The theoretical underpinning of an advertising-budget decision is based on *economic marginal analysis* and is easily expressed. A firm should continue to add to the advertising budget for a specific brand or specific geographical market or specific advertising medium as long as the incremental expenditures there are exceeded by the marginal revenue they generate (see Figure 16–1). Similarly, if companies advertising mature industrial products find that the sales potential (and actual sales revenue) per account are increasing, then the budgets for advertising and personal sales calls should go up, too. On the other hand, if very high levels of competitive spending reduce the revenue impact of this company's promotional spending, its budgets should go down.[4] As pointed out in Chapter 2, such an analysis could theoretically be applied to the other components of the marketing mix as well, such as sales promotion, personal selling, distribution, and pricing. A resulting optimal expenditure level could then be obtained for each component, allowing for identification of the optimal budgets for each kind of marketing spending.

If the sum of these expenditures exceeded the available resources, the marketing budget for each would have to be scaled down. Each area would be constrained on the basis of the marginal revenue generated by the last dollar in its

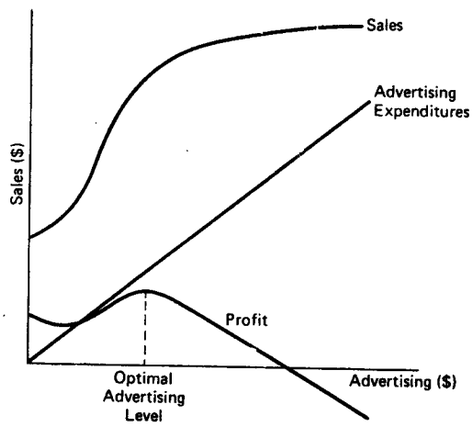


Figure 16–1. Graph of sales, profit, and advertising curves used in marginal analysis.

budget. If, for example, the last dollar put into personal selling generated $2 of brand contribution, whereas the last dollar of advertising generated $3 of brand contribution, it would probably be desirable to shift money from personal selling to advertising.

It has been found empirically, for instance, that the elasticity of sales response to price cuts is, on average, about twenty times the elasticity of sales to increases in advertising (this elasticity ratio is higher for mature products than for products early in their life cycles, and for nondurable goods than for durable goods). This suggests that price discounting may be a more appropriate investment of the marketing dollar than an advertising increase, until the point is reached where advertising begins to have the bigger effect.[5] As another example, for the mature industrial product discussed earlier, as the number of sales accounts becomes very large, mass (trade journal) advertising becomes more effective than personalized sales calls, suggesting (at some point) a redeployment of resources away from personal sales into mass advertising.[6] In making allocations across brands, if a dollar of advertising leads to an equal increase in sales revenue for two brands, but one brand had a higher gross margin or contribution ratio than the other, this more profitable brand should be favored with that extra advertising dollar. Of course, personal selling and advertising for individual brands or markets cannot absorb investments in small increments, and spending on one type of promotional vehicle or one brand has "cross-over or spill-over" effects that are very difficult to disentangle,[7] but the principle of "put the money where the bigger payoff is, at the margin" is still valid.

Some Difficulties in Applying Marginal Analysis

There are, unfortunately, some difficulties in applying marginal analysis in practice, as is the case with many other concepts from microeconomic theory. The assumption in the foregoing has been that it is appropriate to consider sales as a function of advertising expenditures, with advertising as the only input and immediate sales as the output. Such an assumption may be reasonable in some direct-response advertising. However, in other situations, it is more tenuous. Even when it does seem reasonable, the determination of the shape and parameters of the response function (of sales, or contribution, responding to advertising) is no easy task. This will be clear when regression estimation techniques are presented in the latter part of this chapter. Furthermore, even when a certain response curve does accurately represent a certain situation, there is no guarantee that it will continue to be valid in the future. The conditions of the market, including the competitive environment, change. As a result, the nature and shape of the response function also can change.

The assumption that sales are determined solely by advertising expenditures is obviously faulty in practically all situations. The nature of the advertising campaign, the copy used, and the media selected will usually influence the shape of the response curve. A strong creative effort will evoke a different response than a tasteless, misdirected campaign, even if the same expenditure levels are involved. Indeed, tests by the Campbell Soup Company and IRI have shown that the biggest

sales-response changes can come not from varying how much advertising money you spend, but rather from where you spend it—the selection of target markets and media—and what you say in the ads (the message strategy).[8] Furthermore, it is difficult to sort out the effect of advertising from the effect of other forces that influence sales. Sales are, after all, a result of a company's total marketing and promotional effort as well as a number of environmental conditions, such as competitive actions and a host of economic, climatic, social, and cultural factors. If all factors including competitive activity remained constant except for advertising, it would be reasonable to consider advertising to be the only determinant of sales. The fact is, however, that such conditions do not hold in any real-world situation.

The dependent variable in the response function is sales—by implication, immediate sales. Although there are cases such as direct-mail advertising wherein the use of immediate sales is quite appropriate, in most instances, there is a considerable lag between the time of the advertising and the time of the sales it might have helped stimulate. A consumer buying a car in June could have been affected by advertising for that car the previous fall. People may be affected by the reputation or image of a brand built up through advertising over a considerable period of time. Furthermore, advertising might attract buyers who become loyal customers for several years. Their immediate purchases may be only a small part of the value to the firm that enticed them to try the brand.

Practical Budget-Setting Analysis

There are, in general, two ways in which firms can react to the difficulty of determining the type of marginal analysis recommended by economic theory. They can, essentially, admit that the task is so formidable, at least given their expertise, that it is not worthwhile to pursue it and rely instead on other types of decision rules—or on no rules at all. There are doubtless many companies that base their ad budgets very simply on what they have always spent, historically (possibly adjusted upward with some kind of media cost inflation multiplier). Such inertia is inexcusable, especially in today's extremely competitive environment when it is essential to try very hard to squeeze waste out of smaller marketing budgets. When used, the rules employed may or may not reflect a marginal analysis. Some of these *decision rules* are discussed in the paragraphs that follow. While not necessarily optimal, they have the advantage of simplicity.

A second reaction is to attempt to determine a data-based *response function* (or graphical curve) relating advertising expenditure to sales, despite the difficulties. Once the shape of this curve is known, it can be used to determine the level of advertising that maximizes sales (or the profit contribution from sales). The argument is that, even if the result is imperfect, it might indeed provide some guidance, and the method at least has a theoretical basis. Furthermore, the exercise does not necessarily have to be expensive, so the risk is not excessive. The primary tools used in estimating such a response function are split-cable testing, field experimentation, regression analysis, and laboratory or field studies of the effects of increasing advertising frequency levels. These will be reviewed later in this chapter.

(Another way of developing such a response function is simply to use managerial judgment, perhaps extracted with the assistance of a computer. Such techniques are sometimes labeled *decision calculus techniques* and are not described in this chapter because of their infrequent use).[9]

In the following sections, these two approaches will be more fully explored. Several frequently used decision rules used to set advertising budgets will first be examined. Then various attempts to estimate the response function using experimentation, regression analysis, and optimal repetition frequency analyses will be presented. It should be emphasized here that no method of determining an ad budget is ever perfect, because they are simply too many uncertainties involved in the measurement of advertising effects. Thus several different methods from the ones described below should be tried, and judgment will then have to be applied to come up with a figure that seems warranted from a payout, affordability, brand needs, and competitive standing point of view—all at once. The important thing is to make an effort to do it right.

SIMPLE BUT QUESTIONABLE BUDGETING DECISION RULES

There are several decision rules on which many firms draw in making budget decisions.[10] Four such rules will be described. The rules are basically justified by arguing that budgets based on them are unlikely to be far from the actual optimal budget if a marginal analysis could be performed. In many cases, the rules are used in combination, the net budget being a compromise among several of the rules.

Percentage of Sales or of Gross Margin

One rule of thumb used in setting advertising budgets is the *percentage of sales*. Past sales or a forecast of future sales can be used as the base. A brand may have devoted 5 percent of its budget to advertising in the past. Thus, if the plan calls for doing $40 million worth of business next year, a $2 million advertising budget might be proposed. A similar decision could be based upon market share, or unit volume. For example, a brand could allocate $1 million for every share point it holds, or $2 for every case of the product it expects to sell.

The percentage-of-sales guide is the most common approach to setting advertising budgets. A 1981 survey of 55 of the 100 leading consumer advertisers found that over 70 percent reported using some version of the percentage-of-sales method,[11] as did a similar survey of ninety-two British companies.[12]

If a firm or brand has been successful over several years using the percentage-of-sales approach, it might be assumed that the decision rule yielded budgets reasonably close to the optimal, so there is little incentive to change to another approach in setting budgets. The rule does tend to make explicit the marketing mix decision, the allocation of the budget to the various elements of the marketing program. Furthermore, it provides comfort to a prudent financial executive who likes to know that her or his firm can afford the advertising. Finally, if

competitors also use such a rule, it leads to a certain stability of advertising within the industry, which may be useful. If there is a ceiling on the size of the market, it is wise to avoid precipitating a war over advertising expenditures.

The major flaw in the method is that it does not rest on the premise that advertising can influence sales. In fact, sales or a sales estimate determine advertising expenditures. It can lead to excessive expenditures for large established brands and for over-the-hill brands that are basically servicing old loyal customers who will very likely continue to buy even if advertising support is withdrawn. It can, conversely, lead to inadequate budgets for promising healthy brands that could potentially become competitive with more advertising muscle.

The second flaw in this method is that it ignores brand profitability, by looking only at brand sales. A more logical rule would be to use a percentage not of sales, but of a brand's gross margin or contribution-to-overhead. This would imply that more profitable brands get more advertising support, compared to less profitable brands, even if their sales revenue figures are identical.

The percentage-of-sales or percentage-of-margin approaches obviously need to be modified in dynamic situations such as the following:

- **When a brand is making a major repositioning move or reacting to one.**
- **When a brand becomes established and dominant.**
- **When a brand is just being introduced.**

Making a Move

When a brand decides to make a move, a substantial increase in advertising might be necessary, an increase that may not be justified by the percentage-of-sales logic. For example, when Philip Morris purchased Miller beer in 1972 and initiated a campaign to reposition it and increase its share, the advertising budget was dramatically increased. Similarly, when the effects of the Miller effort became evident, the other beer companies had to consider breaking out of their percentage-of-sales routine and react to the Miller move.

Established Brand

When a brand becomes established and dominant, it can usually start reducing the percentage of sales allocated to advertising. As brand-name awareness becomes very high and the brand's image becomes very set, it is not usually necessary to advertise as heavily. Conversely, if a smaller brand is struggling to become known and is concerned about advertising at the minimal threshold level, it will often have to spend money at an artificially high percentage-of-sales level.

New Brand

A new product, concept, or brand will have the special task of generating awareness and distribution from a zero level. As a result, it is usually necessary to make heavy investments in advertising during the first year or two of the brand's life. At Colgate-Palmolive, the guide is to base the advertising expenditures on the total gross profit, which is the total sales less the product cost, as follows:[13]

- **Advertising in first year equals twice the gross profit.**
- **Advertising in second year equals half the gross profit.**
- **Advertising in third and succeeding years equals 30 percent of the gross profit.**

All You Can Afford

Firms with limited resources may decide to spend all that they can reasonably allocate to advertising after other unavoidable expenditures have been allocated. This rule usually ensures that they are not advertising too heavily, that advertising monies are not being wasted. It thus does have some logic. Of course, if the value of more advertising could be demonstrated, extra money could usually be raised, so the limitation may be somewhat artificial.

Some larger firms also use this rule. They start with the sales forecast and budget all expenditures, including profit, except advertising. The advertising budget is what is left over. About all that can be said about such a rule, which is actually used in too many situations, is that it generates a financial plan that usually looks neat and attractive in an accounting sense. However, it rests on the assumption that sales are independent of the advertising expenditures. There is no realization that advertising may influence sales. The only reason advertising is included is that its absence would be difficult to justify!

Competitive Parity and Share-of-Voice

Another common guide is to adjust the advertising budget so that it is comparable to those of competitors. The logic is that the collective minds of the firms in the industry will probably generate advertising budgets that are somewhat close to the optimal. Everyone could not be too far from the optimal. Furthermore, any departure from the industry norms could precipitate a spending war.

The problem here is that there is no guarantee that a group of firms is spending at an optimal level. Insofar as their spending habits are constant over time, and assuming that market conditions change over time, they are probably not spending at the optimal level. Even if they are, it is likely that the situations of individual firms are sufficiently unique so that the practices of their competitors should not be followed. In particular, a new small firm in the field might not receive the proportionate amount of impact for its advertising that a large established firm receives. The success of the larger firm may be due to many other factors in addition to advertising. Furthermore, the method does not consider such questions as differences in effectiveness of various campaigns or the efficiency of media placement. Following the competition might offer the satisfaction of knowing you are not taking a big competitive risk, and be politically safe within a company's managerial ranks, but might turn out to be a case of the the blind following the blind. Academic "game theorists" have developed models of how different competitors might end up responding to each other over time.[14]

A very commonly used variant of the competitive parity approach is to set a brand's share of total category advertising (measured over a period such as a year), called *share of voice* (*SOV*) close to its *share of market* (*SOM*). If every brand in the category did this, it would probably ensure that the industry's market share

situation stayed at equilibrium, with no changes, assuming all other marketing mix elements were at parity across brands. In practice, market leaders often have a SOV a little less than their SOM, reflecting their advertising *economies of scale*, while market challengers need a SOV higher than their SOM, in order to gain market share. It is often argued that a new brand, being "built up for the future," needs an SOV about twice its targeted SOM, at least for a while. In contrast, an old and established brand being "milked" to support such newer brands might see a SOV substantially below its SOM, and that is very frequently a sure way to lose market share in the long term (the old brand equity may support sales for a while, but equity that is not replenished does get used up!). Market leaders can maintain their leadership by keeping their SOV at much higher levels than those of competitors, while market followers ought to boost their SOV significantly (at least 30 to 40 percent) higher in those geographical markets where the market leader has allowed its SOV to fall dangerously low. Obviously, companies with lower cost structures can more easily afford disproportionately higher SOVs.[15]

Objective and Task

Objective and task, more an *optimal approach* to budgeting than a simple decision rule, is used by two-thirds of the largest advertisers.[16] An advertising objective is first established in specific terms. For example, a firm may decide to attempt to increase the awareness of its brand in a certain population segment to 50 percent. The tasks that are required to accomplish this objective are then detailed. They might involve the development of a particular advertising campaign exposing the relevant audience an average of five times. The cost of obtaining these exposures then becomes the advertising budget. This approach is logical in that it assumes that there is a causal flow from advertising to sales. In effect, it represents an effort to introduce intervening variables such as awareness or attitude, which will presumably be indicators of future sales as well as of immediate sales.

The major problem with this approach is that the link between the objective and immediate and future sales is often not spelled out. Later in this chapter, we will develop a framework for extending it in this direction so that it can indeed provide a logical, defensible basis for setting the advertising budget. Many advertising and new product researchers, however, have managed to develop proprietary estimates of how different levels of ad response objectives (particularly brand awareness) correspond to typical levels of trial for new products and line extensions, and from there to sales volume or share, using their knowledge of historical experience.[17] Another problem is that it is hard to estimate the precise relationship between advertising media exposure and the adjective objective (e.g., brand awareness) itself. Here again, many advertising agencies (such as Foote, Cone & Belding, and others) have built up databases of tracking data results showing how advertising spending (measured in GRPs, discussed in the next chapter, or in ad exposures or frequency) relate to different measures of ad effectiveness (such as ad recall, brand awareness, brand persuasion, etc.).[18] Not surprisingly, these response relationships depend on whether the brand is new or old, the nature of the

ad copy itself, the specific ad medium and TV daypart being used, the category growth rate, other marketing actions including promotions, and so on.

MARKET EXPERIMENTATION AND BUDGETING . .

A direct approach to estimating the sales response to advertising is to conduct field market experiments. Advertising expenditure levels are deliberately and systematically varied across areas. Sales changes are monitored through time, sometimes for several years, and related to advertising levels.

One of the best known sets of field experiments was conducted by Budweiser during the 1960s.[19] In one of its experiments seven advertising change treatments were used:

–100 percent (no advertising)
–50 percent
0 percent (advertising was unchanged)
+50 percent
+100 percent (the advertising expenditure was doubled)
+150 percent
+200 percent

Six marketing areas were assigned to each advertising treatment. The experiment ran for one year. Not only did "no advertising" result in the same sales level, but a –50 percent level actually resulted in a sales increase. One possible explanation was that there was a light-drinker segment for which reduced repetition was helpful. Other explanations for this "less advertising was better" result have also been offered, such as the idea that if an ad is novel and interesting, it might actually perform better with fewer rather than more exposures, since it then retains its novelty better.[20] Whatever the explanation, this experiment and others in the series resulted in substantial reductions in advertising expenditures, particularly on a per-barrel basis, as Figure 16–2 illustrates.

Other published reports of advertising weight test experiments include a series of studies by the Campbell Soup Company, by Seagrams for their liquor brands, by the Defense Department for its Navy recruitment advertising, by IRI, and by the Advertising Research Foundation for business-to-business advertising. During the period between 1974 and 1979, the Campbell Soup Company conducted a series of advertising weight tests (as well as tests of creative strategy, media mix, and pricing) for V-8 cocktail vegetable juice.[21] It was found that a new creative strategy ("I could'a had a V-8"), when combined with a new media mix and a higher expenditure level, beat the old creative/media mix/spending level in generating higher than the otherwise-forecasted sales levels (as measured by warehouse withdrawal data, a gauge of sales into stores). Other tests, mainly involving Condensed and Chunky soups, Franco-American Pasta, and Swanson Frozen Foods, were also conducted; each lasted less than a year and used a small number of test markets (plus a matched control, no-change market for comparison purposes).[22]

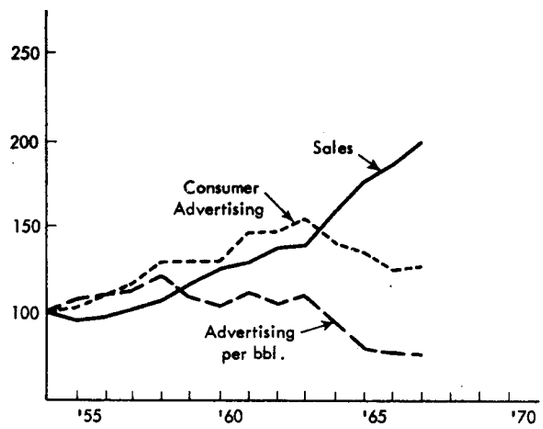


Figure 16–2. Advertising and sales, Budweiser beer; index 1954 = 100.

Very few of these showed increases in advertising weight to "payout" in extra contribution, even when the advertising budgets were increased by 50 percent. However, once again, changes in creative strategy (such as pushing summer consumption of soups) and in media mix (trying to reach previously unreached consumers) were much more successful.

In trying to generalize from these Campbell Soup results, it is important to remember that these were old, well-established brands, such that it is very likely that their previous levels of advertising and brand awareness were likely to be close to saturation levels. Smaller, newer brands typically show a greater responsiveness to advertising weight increases than older brands, especially if the money is spent in geographical areas where market potentials are high but existing brand penetration is low.[23] However, it is still sobering to note that consumers do not respond swiftly to simply being told the same thing more often—it may be more fruitful to tell them something new and more interesting, and to tell it to people you haven't been telling it to before.

The Defense Department studies (conducted in 1978, over 26 media markets) also showed that Navy enlistments did not vary over a one-year experimental period when national Navy advertising was varied by amounts from −100 percent to +100 percent. However, variations in localized advertising, where copy was tailored to the individual market area, did make a difference.[24] In the Seagrams study, conducted in *Time* and *Sports Illustrated* magazines over 48 weeks in 1981, 21,000 subscribers were sent specially tailored copies of the magazines varying the number of ads seen. Since subscribers were already getting the magazines, they were unaware of the experiment. Weekly questionnaires were sent to subsamples of respondents, tracking the measures of interest. The results showed that higher ad exposure raised per-capita usage and purchase levels of the Seagram brands.[25]

The biggest set of experimental results reported for consumer nondurable

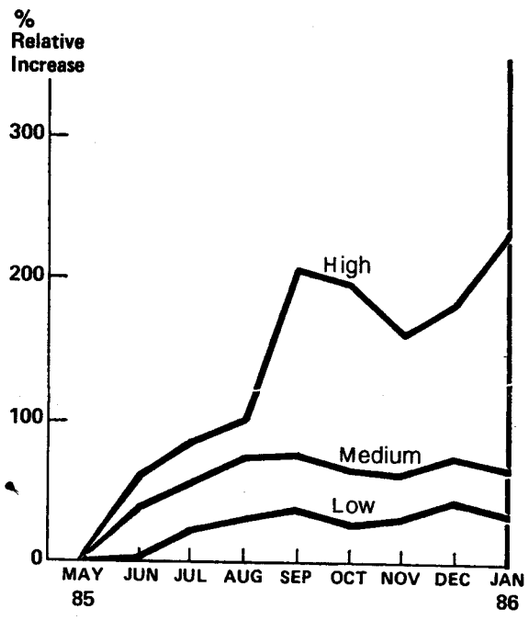
products come from a study by Information Resources Inc. (IRI), which generates scanner data from split-cable testing facilities (described further below). In its facilities, brands can test different levels of ad frequency to matched panels of households, and see the sales results at the grocery checkout scanner. In looking at the results of 400 tests conducted between 1982 and 1988, to see "How Advertising Works," IRI and the study's sponsors reported in 1991 that increases in ad weight (budget) only had an effect on sales when they were accompanied by changes in copy or brand strategy, or when a new target audience was being reached through a change in media plans as well. Sales increases occurred more easily for newer and smaller brands than for larger (and older) ones. These sets of results clearly corroborate the results of the Campbell Soup studies mentioned earlier. IRI also reported that sales increases were also greater if the product category was growing, or if the category was large and the number of purchases per buyer were many. Ad-induced sales increases were helped by higher consumer promotions (coupons), but not by higher trade promotions (store displays). A flighting or concentrated ad schedule (in terms of how ads were bunched over time) was more effective than an evenly distributed one. When sales increases did occur, they were large and significant, persisting two years after the ad budget increase (but at declining levels), so that the total increase in sales was double the increase seen in the first year of effect measurement.[26]

Finally, it is important to realize that such weight tests can be done for industrial (business-to-business) products as well. In a study conducted during the period between 1984 and 1986 by the Advertising Research Foundation and the Association of Business Publishers, variations in the number of pages of advertising run for four industrial products were tested over a year.[27] Readers of controlled circulation business magazines in targeted customer companies saw ads for these products at three levels—low weight (under eight pages), medium weight (e.g., fourteen pages), and high weight (e.g., twenty-eight pages). Obviously, these readers did not know of the variation in advertising weight; the sales and inquiries for these products from these companies were then related to the advertising levels. In general, the results confirmed that higher advertising did lead to more sales leads, more sales, and more profits, though the results took a while (four to six months) to emerge and did show a pattern of diminishing returns. (See Figure 16–3.) It also appeared to be useful to increase advertising not only to the end users but also to the intermediary dealers.

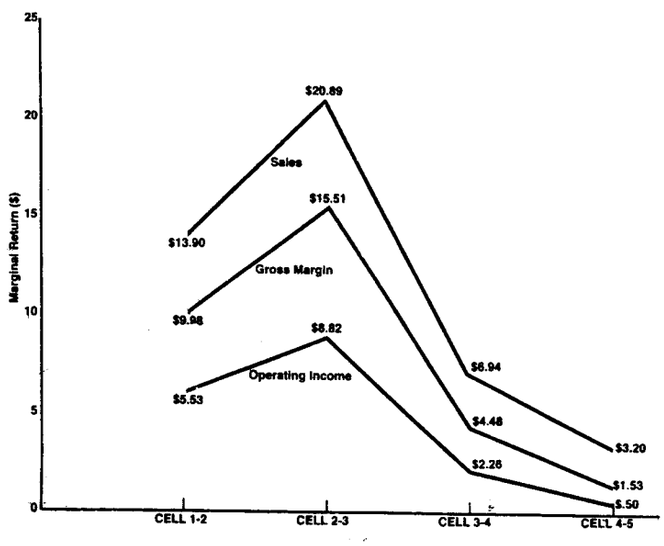
Testing Advertising and Other Marketing Mix Elements

Sometimes it is useful to include marketing variables other than advertising in the experiment, particularly when the advertising response will depend on the levels of those other marketing variables. Gerald Eskin reports an experiment involving a new nutritional convenience food in which both advertising and price levels were tested.[28] A sample of thirty stores in each of four test cities was used. Two of the cities received a high advertising weight that was approximately twice that received by the other two cities. In addition, in each city the thirty test stores were split into three panels of ten stores, each matched as to store size and other fac-

First-Year Sales Response among Dealers for Product II



Product I Marginal Returns



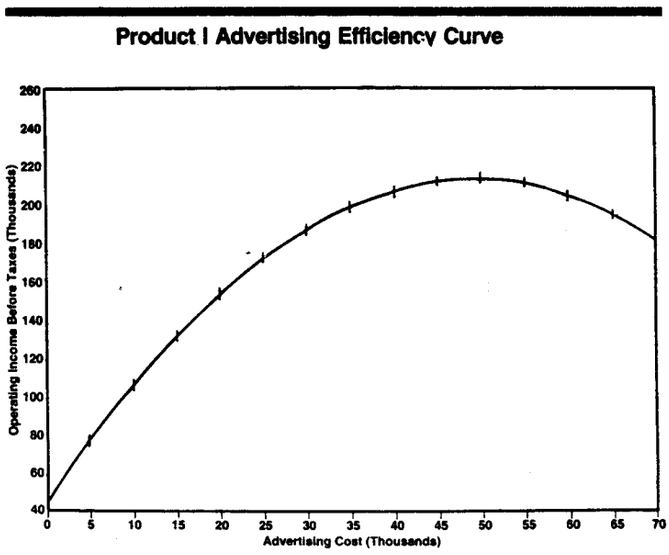


Figure 16–3. An industrial advertising budget experiment.

Source: Modified from Naples and Wollfsberg, "The Bottom Line: Does Industrial Advertising Sell?" Journal of Advertising Research *(August/September 1987), RC4-RC16. © 1978 by the Advertising Research Foundation.*

tors. Each of these matched panels received one of three price treatments: a base price below 50 cents, a price 10 cents above the base, and a price 20 cents above it. The test ran for six months. Each month the unit sales per store was measured. The experimental design is summarized at the top of Figure 16–4.

The results are summarized at the bottom of Figure 16–4. Clearly, the higher advertising was very effective when the base price was used. In contrast, increased advertising had almost no effect at the highest price. Prior to the test, the belief was that the best candidates for a national program were the combinations of high price and high advertising and low price and low advertising. The logic was that a high price was needed to provide margin to pay for the advertising. The test led to a very different conclusion, however—a low-price and high-advertising program.

In this case, the response to advertising depended on the price level selected. If price had not been included in the experiment, a distorted impression might have emerged as to the advertising response. Inclusion of price, of course, also provided useful information about that marketing decision variable. In general, it is always very useful in an advertising field experiment to also measure the levels of other marketing variables that might impact on the sales results. The sales effects of such variables, called *covariates*, can then be statistically adjusted for in evaluating the effect of advertising weight (*the manipulated variable*) on sales.

Test Design

Advertising:	Low Weight						High Weight					
	Market 1			Market 2			Market 3			Market 4		
Price:	Base	+10c	+20c	Base	+10c	+20c	Base	+10c	+20c	Base	+10c	+20c
N =	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Month												
1												
2												
3												
4												
5												
6												

Total no. of observations = 720
Measure = total sales/per store/by month

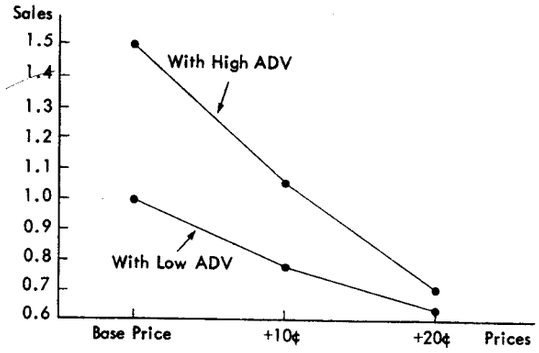


Figure 16–4. An advertising and price experiment.

Source: Adapted from Gerald Eskin, "A Case for Test Market Experiments," Journal of Advertising Research, *15, April 1975, pp. 29, 31.*

Problems with Market Experimentation

Experimental approaches are indeed useful as direct methods of obtaining information on sales-response curves. However, there are major problems associated with their use.

Experimentation is inherently expensive. There are several types of costs to consider. First, there are the obvious direct costs of setting up the experiment and collecting and analyzing the results. Second is the fact that management decisions are delayed by the research. The researcher is often in a dilemma. On the one

hand, validity considerations demand a longer experiment, often covering several repurchase cycles for the product. However, as the length increases, the timeliness of the results suffers. Furthermore, there is the very real likelihood that the situation will change (a major new product will emerge, for example) and the experimental results will not be applicable. Third, there is a security cost, particularly in new product contexts. Competitors will have access to the nature and results of your experiments. Finally, an advertising test will invariably involve excess advertising in some areas and less than optimal in others. The costs of either situation can be very significant.

Market experiments are never "controlled" as well as would be desirable; there are a litany of things that can "go wrong." The company's own sales force can work extra-hard during the test, making it difficult to draw conclusions about whether the source of the sales gain was the advertising weight change or the extra sales effort. The experimental cells can differ in more than just the amount of money being spent—the media mix and/or the creative might also vary, again making interpretation of test results difficult. Retailers can run out of stock because of logistical problems or because they did not anticipate the impact of more advertising. Distributors or retailers in "low-advertising treatment areas" can mount their own advertising or promotion campaign to replace the national advertising being withdrawn. They are more concerned with their marketing position than with any experiment. Competitors' marketing efforts, including new product introductions, can confound the experiment. Further, competitors sometimes deliberately attempt to disrupt the test by radically changing some element of their competitive marketing strategy, such as their price or promotion effort.

Guidelines for Conducting Experiments

A list of guidelines for conducting experiments should include the following:

1. Use randomly selected control cities, areas, or stores so that the effects of advertising can be separated from all the other influences on sales. If possible, these control groups should be matched with the experimental groups on such dimensions as size, market share, or other sales-influencing variables (such as climate, in the case of soft drinks). For example, it would be useful to compare advertising levels across cities in which the advertised brand had comparable market share positions.
2. Use "before" as well as "after" measures. If sales as a result of the experiment can be compared with "last year's sales" or "last month's sales," the results will be much more sensitive. Sometimes it helps to compare sales after the experiment with the level of sales that would have been forecasted to occur if the experiment had not been run, using sophisticated forecasting methods that adjust for random and seasonal influences on sales, and so on.
3. Use substantial differences in advertising expenditures. Do not try to compare a 10 or 20 percent change in advertising; rather, look at 50 or 100 percent changes.
4. Test reduced advertising as well as increased advertising. The payoff at Budweiser was from the reduced advertising tests.
5. Control or at least monitor other variables that might affect the interpretation. For example, price or other marketing variables might be included in the experiment. Or the experiment might be repeated for large stores and small stores. Outside, uncontrollable factors—most notably, competitive behavior—should be monitored.

6. Make sure that the test is run for an adequate time. A full year is often required when a mature brand is involved. Not only does this provide data on effects on repurchase (not just on initial trial), it also offers data on longer-term, delayed, carryover effects of advertising.

Figure 16–5 illustrates many of these points. This is the *detection table* used by Campbell Soup for its experiments described earlier in this chapter, and addresses the question: what are the chances (probabilities) that experiments will yield a result that is statistically detectible (significant) if (a) the "true" increase in sales caused by the advertising change was either 6 percent or 3 percent (a function of how large the ad increase being tested really is), (b) if the test was conducted in two test and two control markets or four test and four control markets, and (c) if the test was run for three months or six months. As can be seen from the given probabilities, the likelihood of getting a statistically detectible result goes up if the "true" sales effect is larger (6 percent), which implies a larger increase in the ad budget change being tested; if the test is run in more markets (four test and four control); and if the test is run for a longer period of time (six months).

Split-Cable Testing

A relatively new and powerful technique for measuring advertising response is termed split-cable testing. Information Resources, Inc.'s (IRI) BehaviorScan is one of the several split-cable testing operations (Nielsen being another). BehaviorScan maintains a 3,000-member consumer panel (surveyed for demographic information) in each of ten cities (such as Pittsfield, Massachusetts, and Marion, Indiana). All panelists carry ID cards that they present to supermarkets and drugstores when buying. Their purchases are all monitored by IRI, as is in-store activity such as special prices, features, and displays. The panelists have a device connected to their TV sets that allows BehaviorScan to monitor what channel is tuned and also

	Expected Increment			
	6%		3%	
	Probability of reading		Probability of reading	
Number of Markets	In 3 months	In 6 months	In 3 months	In 6 months
2 test, 2 control	0.60	0.75	less than 0.50	less than 0.50
4 test, 4 control	0.87	0.96	less than 0.50	0.6

Figure 16–5. The Campbell Soup experiment "Detection Table."

Reprinted with permission of Eastlack and Rao, "Advertising Experiments at the Campbell Soup Company," Marketing Science, 8 (Winter 1989). © 1989, the Operations Research Society of America and the Institute of Management Sciences, 290 Westminster Street, Providence, RI 02903.

to substitute one advertisement for another in what is called a *cut-in.* Panelists are divided into groups of panelists who are indistinguishable except that they are exposed to different advertising. They live in the same neighborhoods and shop at the same stores. The advertising budget test simply involves setting the advertising expenditure (or weight) levels, assigning each to a group of panelists, and monitoring the results.

The ability to control exposure levels and to monitor purchase activity provides the potential to conduct experiments that, unlike field experiments, are tightly controlled. Since the same data source provides information on both advertising exposure and on actual brand purchases, such data are often called *single-source* data, and this is a strong advantage. Further, access to shelf space is guaranteed, so there is little concern about distribution problems. In-store activities that can confound results are at least monitored. The tests are hidden from competitors, which reduces the chance of disruption. The exact number of advertising exposures is known. In a field test, even if the expenditure level were known, the number of exposures could vary enormously. Purchases can be monitored accurately on a daily basis. First (trial) purchases, repeat purchases, coupon redemptions, and the time between purchases are all known.

Split-cable testing is certainly the state of the art and is undoubtedly the most effective way to measure the response function. However, it is not without limitations. First, it is relatively expensive. The test itself will cost at least $100,000 and probably many times more in addition to the in-house cost of the advertiser and the agency.

Second, it is often necessary to run a test for at least six months and perhaps several years. The carryover impact can easily involve six or more purchase cycles, which can extend the test for a year. Further, the need to measure the impact on brand goodwill and loyalty may take longer to determine. In one test of a health care brand with a national budget of $15 million, it took two years before the sales of the low-advertising group, receiving the equivalent of a $10 million budget, declined.[29] After one year it was actually above the other group. With a lengthy test, there is always the danger that conditions may change making the results obsolete and outmoded.

Third, the experiments can actually be overcontrolled.[30] Since distribution is controlled, there is no measure of the ability of the advertising to influence distribution. Thus, effective advertising could easily affect the retailer's initial opinion and decision to stock the brand and the enthusiasm with which it is pushed. The retailers could be exposed to the advertising themselves, or they could be influenced by consumer reaction to it. Yet the split-cable tests really provide little information about such an impact.

Fourth, there is still doubt about the overall representativeness of the markets in which test market scanner data are available. While each service selects its test markets with care, and while tests are done on randomly selected consumers from within each test market panel, the fact remains that extrapolating to the entire United States from results based on a few test markets can be a hazardous undertaking.[31]

Finally, the tools are only now being developed to cope with, and analyze, the

huge masses of data that single-source scanner data provide. Remember that every household is monitored for ad exposure every few seconds: a computer tape of data from these panels often contains literally millions of data records. Working with these data requires judgments on how to aggregate the information, across time periods, households, stores, brand varieties and pack sizes, and so on—and the results of the analysis often depend on the often arbitrary decisions on such aggregation. (Many analyses focus on effects on weekly sales at the store level). We are only now learning how to work with such data, and they promise much potential.[32]

Despite these caveats, it is instructive to learn from the database built up from Information Resources, Inc.'s BehaviorScan tests that about half (49 percent) of the 400 tests of increased advertising weight conducted by them between 1979 and 1989 showed a resulting increase in sales—more for new brands (59 percent of tests) than for old brands (46 percent of tests). (See Figure 16–6.) The difference between new and old brands is even more striking when profit impact, rather than sales impact, is considered: 45 percent of the new brand tests "paid out" within a year, while only 20 percent of the established brand tests did so. However, when the cumulative profit effects into the second and third years after the test were also taken into account, the total profit impact almost doubles, and almost all the advertising tests that showed a significant sales effect also showed a significant profit effect.[33]

REGRESSION ANALYSIS FOR BUDGETING . . . . . .

Another approach to estimating the relationship between advertising and sales—the advertising-response curve—is to look at the historical patterns of sales and advertising. When advertising changed in the past, what happened to sales? Or if

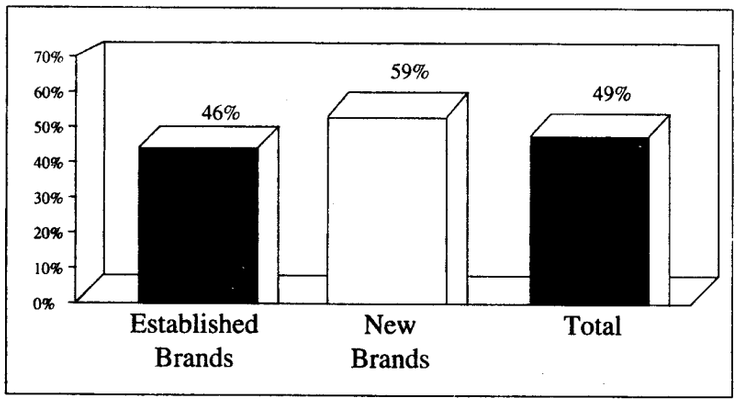


Figure 16–6. Percent of BehaviorScan® advertising weight tests showing a significant increase in sales.

From Information Resources, Inc.

the advertising level differed in different sales areas or by different advertising media, how did sales differ? Such an approach is relatively inexpensive, as it uses data in hand.

A systematic way to analyze such patterns is through the use of a statistical technique called *multiple regression analysis*. A typical regression model could attempt to predict sales in one time period with the following types of explanatory (or independent) variables:

- **Sales in the preceding period.**
- **Advertising in the current period.**
- **Advertising in the previous period.**
- **Advertising two periods back.**
- **Other marketing variables, such as distribution or price, for this brand, as well as for competitive brands.**
- **Some measure of the "quality" of the creative message (e.g., a copy-testing score).**
- **Measures of competitor advertising.**

Sales in the preceding period provide a measure of the existing market position that has probably been caused by the marketing program over a long period. Advertising nearly always has an impact in future periods, representing future purchase cycles. The inclusion of previous advertising expenditures thus provides an attempt to measure this carryover effect of advertising. The advertising response would be the sum of the current impact and the carryover effect. There are many statistical methods that attempt to capture this carryover effect, notably the use of the *Koyck model* (descriptions of which can be found in textbooks of econometric methods). Other methods make current sales depend on current advertising plus some declining percentage of previous spending levels, called a brand's *adstock*.[34] There is considerable controversy, however, on what the carryover or adstock really means: to what extent is it the delayed effect of advertising itself, instead of simply a current purchase reinforcement effect from a satisfactory trial purchase effected by earlier advertising?[35]

To isolate the impact of advertising spending it is necessary to include other marketing variables. First, it is useful (when possible) to try to separate the effect of advertising spending from the effect of copy quality. Second, it is important to include other marketing variables in the predictive model. Suppose, for example, that expenditures for sales promotion and advertising were potential causes of sales change. Unless such promotion was included in the model, the apparent advertising effect might really represent a promotion effect. Third, unless some measure of competitor advertising is also used, the apparent advertising impact may be distorted. Research has clearly shown that competitor advertising reduces the effectiveness of a brand's own advertising.[36] An increase in advertising may have no impact on sales because competitor advertising increased dramatically. Without knowledge of competitor advertising, the advertising response might erroneously be thought to be low. One way of including competitive effects is obtain the actual figure for competitive advertising and include it as another independent (predictive) variable in the regression model. Another is to model this brand's

market share as being dependent on its share of total category advertising (called share of voice, as discussed earlier).

One of the key problems facing the regression modeler is how best to model the shape of the relationship between advertising and sales—while typical regression computer programs assume a straight-line relationship between advertising and sales, this relationship is most often a curved, or curvilinear, one. For instance, the responsiveness of sales to advertising may begin to decline after some level of advertising spending. This diminishing-returns phenomenon is then better represented by a downward-sloping curve, in a graph in which advertising levels are related to sales results. Alternatively, some modelers prefer to assume that the relationship is actually S-shaped: in the beginning, when advertising budgets are low, sales do not respond at all to advertising. It supposedly takes time (because it needs several exposures) for advertising to "wear-in." Then we see a point of increasing returns, as sales really begin to respond to increased advertising, as the ad budget exceeds some minimum critical-level threshold. Finally, the curve begins to slope downward again, as once again the diminishing-returns phase appears. Figure 16–7 depicts these three kinds of relationships. Statistical analysts attempt to capture these *nonlinear* (curved) possibilities in their regression models by predicting the log (or some other transformation) of the sales figures by the log (or some other transformation) of the advertising spending figure. Most studies of the shape of the actual advertising-sales relationship conclude that it is one of diminishing returns, although a few claim to find evidence of S-shaped relationships.[37]

Problems with Regression Analysis

Regression analysis is sometimes useful, but on the whole it has been disappointing. There are many problems associated with its use, so that this technique can either not be used at all, or requires the assistance of statistically skilled analysts. Perhaps the most difficult problem is to measure the carryover effect (which is also advertising's contribution to the brand's long-term equity or goodwill). The

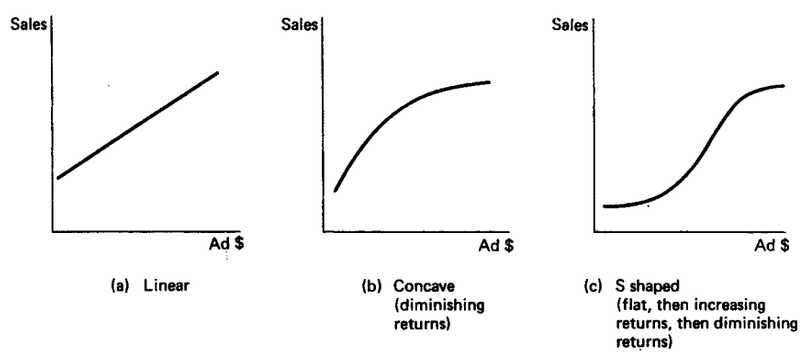


Figure 16–7. Three views about the advertising-sales relationship.

impact over one, two, or more periods simply gets swamped by all the other sources of sales variation.

There are several other difficulties associated with regression analysis modeling in general and with the problem of measuring the carryover effect in particular. Among them are the following:

1. There is often little variation in advertising except that due to seasonable factors. Without variation in advertising it is not possible to detect the impact of changes in advertising on sales. This problem is severe when a brand is overadvertising and it is so far out on the advertising response curve that there is no response to any change in advertising. In that case an extreme drop in advertising would be needed to detect any response, and such a variation is simply not in the data.
2. The data may be faulty. For example, accounting sales data will represent shipments to retailers and not consumer purchases in response to advertising. Syndicated store movement data overcome this problem but are expensive and available only to consumer products firms. Accounting advertising data similarly represent billings by an agency and not exposures to ads. In fact, it is difficult to get any accurate measure of advertising exposures. Note further that any analysis of sales and advertising data covering a time period spanning several years needs somehow to adjust for inflation in media costs over time, as well as the changing population sizes that led to the sales figures. This sometimes leads to regressions in which per capita sales figures are predicted by inflation-adjusted media dollars.
3. Data describing other marketing variables are often not available or are expensive to obtain. Data describing competitor activities are rarely available.
4. Annual data really are inadequate since the immediate and carryover effect of advertising usually occurs in months, not years. In fact, statisticians have found that if the product is one that is bought frequently, say, every few weeks, then regressions using annual sales and advertising data can yield very misleading results. It is usually better to perform the analyses on "disaggregated" data, covering small units of time (such as months or quarters) and to do them separately for geographical markets that might show different relationships between advertising and sales.[38] Indeed, if separate response functions can be estimated for separate geographical areas, then this can be very useful in allocating the national ad budget for a brand across those geographical areas.[39]
5. If a business uses the percentage-of-sales method of establishing a budget, a sales change could cause a change in advertising expenditures instead of the reverse (at least at the annual level). The nature of the causal relationship—advertising causing sales, or anticipated sales causing ad budgets—simply cannot be adequately disentangled by most regression analyses. This suggests that field or split-cable "weight test" experiments may be a better way of understanding how advertising affects sales, since a properly conducted experiment (one with a control group and with random assignment of test and control cells) permits causal conclusions.

Despite these many limitations, such regression analyses have frequently been performed and often found to be quite insightful. As mentioned near the beginning of this chapter, the "average" elasticity of short-term sales response to advertising (the percentage change in sales caused by a one percent change in ad spending) has been found to be low (about 0.1 to 0.3).[40] (See Table 16–2.) The elasticity is higher for consumable food products and in European countries (where overadvertising is presumable less of a problem) than in the United States. Another study found that 90 percent of the effect of advertising for frequently pur-

Table 16–2. Results of Meta-Analysis of Regression Studies.

	Mean[a]	Standard deviation	Available sample size
[illegible]			

From Gert Assmus, John U. Farley, and Donald R. Lehmann, "How Advertising Affects Sales: Meta-Analysis of Econometric Results," Journal of Marketing Research, 21, no.1 (1984), 66. Published by the American Marketing Association.

[a] *All significantly greater than zero at $p < 0.1$.*

chased branded products could be seen to dissipate somewhere between three and nine months after the advertising.[41]

STUDIES OF OPTIMAL REPETITION FREQUENCY

Yet another way to arriving at an advertising budget is to figure how many advertising exposures might be required per consumer to achieve the communications or advertising objective (the *frequency* needed per planning period—such as five exposures per four-week cycle). This can then be multiplied by the total number of consumers on whom that objective is sought to be achieved (the *reach* necessary—e.g., 10 million women age twenty-five to fifty-four). The product of these two numbers yields the total number of exposures necessary (in this case, five times 10 million, or 50 million exposures, per four-week cycle). This desired number of exposures can then be "costed out," given a tentative media mix. For example, if it costs $25 to reach 1,000 target women aged twenty-five to fifty-four on prime time network TV (or about 2.5 cents per exposure), and $6 to reach them using daytime television (thus at about 0.6 cents per exposure), then a campaign split evenly between daytime and prime time TV would cost 1.55 cents per target exposure. (The data sources for such costs-per-thousand figures are described in the next chapter). For 50 million exposures every four weeks, this would translate into $775,000 (50 million times 1.55 cents) every four weeks, or a little over $10 million in media costs for a year of thirteen such four-week cycles.

It should be immediately apparent that this is an extension of the "objectives and task" method of setting advertising budgets outlined earlier in this chapter. In the paragraphs that follow, we will describe further some research that is useful in answering the question of "What should be the appropriate frequency level?" As far as the target reach figures are concerned, these should be derived by working backward from marketing objectives involving incremental sales. For instance, if a packaged-goods company wished to sell another 10 million units of shampoo in

the coming year, it might use previous research (or simply management's own judgment) to make the following series of calculations:

Need to sell an additional 10 million units of shampoo.
Every regular customer buys, on average, 10 units a year.
Therefore need to gain 1 million new regular customers.
For every person who becomes a new regular customer, need to get two to try our shampoo (i.e., we have a 50 percent regular repurchase rate among triers).
Therefore need to get 2 million new triers.
For every person who tries our brand, need to get five people to rate it as the brand of shampoo that come first to mind (i.e., we have 20 percent trial among people for whom we are the shampoo brand that comes to mind first).
Therefore, need to make 10 million target consumers have top-of-mind awareness of our shampoo.

The question that we are then faced, of course, is: How many exposures do we need to create (and maintain) such top-of-mind awareness, per four-week cycle or some other time frame, such as the purchasing cycle for that product? (In some other situation, we might be dealing with creating favorable attitudes rather than top-of-mind awareness, but the principle is the same.) We thus need to know something about how many exposures are necessary to lead to creating or maintaining awareness or favorable attitudes.

How Many Exposures?

Michael J. Naples, now president of the Advertising Research Foundation, conducted an extensive review of industry studies of repetition and concluded that, in general, around three exposures within a purchase cycle are about adequate to lead to or maintain the desired level of brand awareness or brand attitudes. Naples found that simply delivering one exposure to a target consumer within a purchase cycle usually was not enough; more than three exposures, on the other hand, usually led to diminishing returns, at least as far as recall was concerned. While this was an average tendency, smaller brands appeared to require (and benefit from) higher frequency more than larger brands did.[42]

Herbert Krugman, a General Electric manager and prominent advertising theorist, also suggests that a level of about three exposures is needed. He suggests that insights into the needed levels of repetition can be gained by considering the difference between the first, second, and third exposures.[43] In his conceptualization, there is no such thing as a fourth exposure.

The first exposure elicits a "What is it?" type of response. The audience member tries to understand the nature of the communication and, if possible, categorizes it as being of no further interest.

The second exposure, if not blocked out, produces several effects. One, particularly in television or radio advertising, is a continuation of the "What is it?" response. The first exposure may not have been adequate to gain an understanding of what it was. (In fact, some television copy-testing systems require at least two

exposures for this very reason.) Another response is an evaluative "What of it?" response. The audience member will attempt to determine if it is relevant and convincing. The message will be evaluated. Associated with both responses could be an "Aha, I've seen this before" reaction.

The third exposure is basically a reminder in case the audience member has not yet acted on the message. Any additional exposure is just another third exposure, replicating the third-exposure experience. Thus, Krugman implies that only three exposures are required. However, it is not quite that simple, because some audience segments may, after the first exposure, screen the advertisement out until they are ready to process another exposure. This phenomenon is particularly prevalent in television advertising, where there is low involvement. A potential purchase or a use experience may stimulate an audience member to be receptive to a second-exposure experience. As a result, several actual exposures might be needed before a "second-exposure" experience occurs. The effect of multiple exposures is not to generate a cumulative impact on an individual audience member, but to capture more second- and third-exposure experiences.

As a practical suggestion to General Electric managers, Krugman advised that they start with an objective of exposing two-thirds of their target audience at least twice and not more than four times per month. This advice is compatible with the concept that at least two exposures are needed and that any exposure over four is wasted since the second-exposure experience will have occurred for most of the audience.

A third source for a recommendation of using three or four exposures per planning cycle is the fact that this is the most frequently used level of *effective frequency* used by advertising agencies.[44] The concept of *effective exposure* was put forth in 1977 by advertising researcher Alvin Achenbaum.[45] In essence, the idea is that there is a minimum threshold of necessary exposures, below which the connection between the message and the consumer is simply not established strongly enough. Below this effective-frequency level, therefore, exposures are wasted; people reached with less than this number of exposures—typically, but not always, three or four exposures per purchase cycle—have not been *effectively reached.* Advertising agencies make widespread use of the effective frequency concept.[46]

Wear-Out

While the concept of effective frequency is concerned most about the *minimum* level of exposures necessary, the concept of *wear-out* is concerned with the *maximum* number of exposures that should be used for any particular ad execution in a certain period of time. (*Wear-in,* in contrast, is concerned with how soon a message makes its initial impact.) Wear-out occurs when successive exposures no longer have a positive impact on the audience. Indeed, the marginal impact can turn negative. The determination of the optimal frequency thus involves an understanding and an ability to predict when wear-in and wear-out will occur.

One of the first psychologists to study wear-out empirically was Hermann Ebbinghaus.[47] In a series of experiments reported in 1902, he related retention to repetition. He had a single subject (himself) learn a series of nonsense syllables by

oral repetition. He found that diminishing returns set in as the number of repetitions increased. Since that time, wear-out has been documented in a variety of field and laboratory studies by psychologists and advertising researchers. As repetitions build, advertising researchers have found that attention to the commercial, recall of the copy points, awareness of the advertised brand, brand attitude, and purchase intention will build, then level off, and ultimately decline.

One explanation for the wear-out phenomenon is that the audience stops attending to the advertising.[48] They may feel that they have already absorbed the information, or they may become bored. One study found that exposure repetition ultimately generated a significant decline in brand-name recall, but that this decline could be reversed when attention to the advertisement was experimentally induced.[49]

Another explanation of wear-out is that excessive exposure generates irritation. The audience, which accepts advertisements as a necessary part of print or broadcast media, may resent being exposed to the same advertisement many times. Psychologists John Cacioppo and Richard Petty monitored people's verbalized response to a persuasive written communication.[50] They found that the production of support arguments increased and then decreased with exposure. The number of negative thoughts, however, declined after the first few exposures but then increased as repetitions mounted. To combat wear-out, then, it is necessary to attempt to reduce inattention, boredom, and irritation and/or to maximize the degree of "learning" from the ad that continues to occur despite repeated exposure.

One approach to fighting wear-out is to provide advertisements that reward the audience in some way. Information that is valued (features of a personal computer) could be provided. Humor can stimulate attention and liking (but it should be noted that humorous ads can wear-out even faster than straight ads, if consumers get tired of the jokes). Entertainment value can also come from creative approaches using music, dancing, action, or drama, and any of these can forestall wear-out. In fact, there is research to suggest that "emotional" ads wear-out less quickly than more "rational" ads, and that more "complex" ads wear-out more slowly than simpler ads that are "learned" very quickly. If the ad is difficult to process, it can be run for more exposures without wear-out than an easy-to-process ad (which the audience "learns" faster and thus gets bored with faster). An implication of this last statement is that an ad being run frequently ought to be created to be relatively difficult to learn and process (more complex).[51] The exact pattern of wear-out is complex, depending on the measure being tracked (recall? attitudes?), the type of the ad, the spacing (timing and distribution) of the exposures, and so on.[52]

Wear-out can also be combated by spacing commercial exposures over time and by running multiple executions of the same campaign theme. This idea is discussed in more detail in the Chapter on Attention (Chapter 7). Another one of the findings of Ebbinghaus was that spaced repetitions were more effective than the same number massed together.[53] Bobby Calder and Brian Sternthal conducted an experiment involving three commercial exposures embedded in a one-hour adventure show in up to six sessions.[54] The pronounced wear-out found was substan-

tially reduced when the advertising consisted of three commercials rather than a single one. When multiple media are used, variety is naturally introduced, which again will allow a higher level of repetition.

When Is More Frequency Needed?

Clearly, the research-based recommendation just made—that three or four exposures per four-week cycle is often appropriate—is an average; some situations call for more, others for less. The research on wear-in and wear-out provides some insights into the nature of the situations when higher levels of frequency may be justified. Higher levels of frequency may be warranted when the message is more interesting, such as with new brand launches, new messages, new ads; when the message is more complex; and when the message is more reliant on moods or imagery for its effectiveness. The level of frequency should be less when nothing new was being said, when a simple message was being put across, and so on. In particular, advertising that aims to develop associations between the brand and feelings, activities, or people will require more repetition than advertising that is designed to communicate information. Transformational advertising (advertising to transform the use experience, discussed in Chapter 9), for example, can require heavy repetition that continues over years or even decades. Such advertising fortunately is often entertaining and/or well liked, and thus heavy repetition involving multiple campaign executions and variations can be tolerated. Research also shows that messages that are better at generating recall, or more persuasive, are "received" by consumers faster, thus necessitating lower advertising spending.[55]

Batra and Ray, in a laboratory experiment, argued and showed that both wear-in and wear-out occur faster when the consumer has a higher level of involvement in the product category and/or knows more about it. In such situations, the consumer extracts information from the ad in earlier exposures, so that later exposures are essentially waste as far as the advertiser is concerned. More exposure does not lead to more favorable attitudes—in fact, it may even lead to a downturn in such attitudes, since the highly involved consumers, having already learned what the ad has to say, may now find it irritating and tiresome. When the consumer is less involved or less knowledgeable, however, higher levels of repetition are warranted, since they do lead to increasing attitudes and purchase intentions.[56] A graph from their study is presented in Figure 16–8.

The complexity and size of the communication and persuasion task will also affect the repetitions needed. For example, a task that involves establishing a new brand name and communicating a complex new service will undoubtedly require heavy repetition as well as multiple executions. Another of the classic Ebbinghaus findings was that as the number of items to be communicated increased, the number of repetitions necessary to attain a certain level of learning also increased.[57]

Joseph Ostrow, then a senior advertising executive with Young & Rubicam, suggested that heavier repetition would be required when[58]

- **A new brand is involved.**
- **A smaller, less well-known brand is involved. A dominant brand will need less frequency because it will already have a high level of recognition and acceptance.**

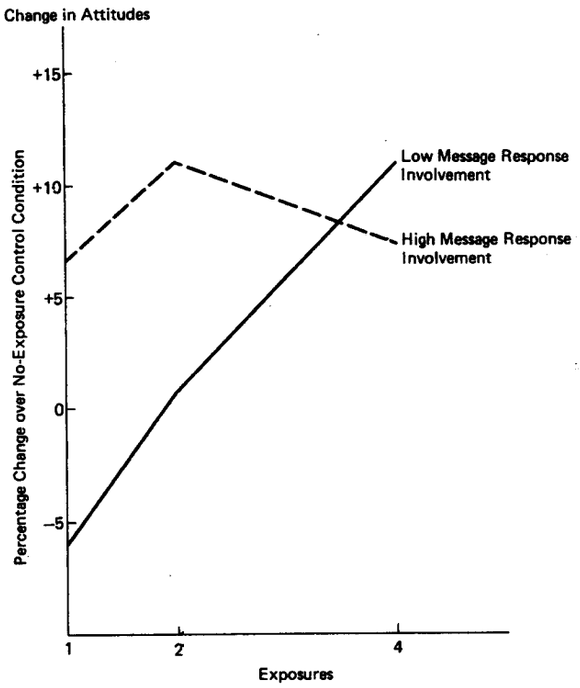


Figure 16–8. Effect of repetition frequency on attitudes as a function of involvement level.

Source: Batra and Ray, Identifying Opportunities for Repetition Minimization, *Marketing Science Institute, Cambridge, MA, Report No. 84–108, 1984.*

- **A low level of brand loyalty has been achieved. A brand with a high level of purchase loyalty and attitude commitment will require less repetition.**
- **The purchase and use cycle is relatively long. Products with short purchase and use cycles generally need more repetition.**
- **When the target audience is less involved and less motivated to process the information or when it has less ability to process it (because a lack of background information or because of a lack of mental skills).**
- **When there exists a great deal of clutter to break through. Of particular importance is the level of competitive advertising. It may be necessary to increase repetition to break through the presence of competitor advertising.**

In defining what the optimal frequency level should be for a particular brand, it makes most sense to perform analysis on the sales history for that brand, perhaps using single-source scanner data. One such recent analysis in Britain found, across fifteen frequently purchased packaged goods (such as coffee, tea, detergents, margarine, and cereals) that a frequency of four or more exposures per four

weeks seemed to make sense.[59] It should always be remembered in such analyses that if diminishing returns set in after the consumer has *viewed* four exposures, the advertiser may need to actually schedule and run two times that many—many studies have found a 50 percent fall-off between *opportunities-to-see* (what advertisers actually pay for) and *actual viewing* (what the research talks about). Using these guidelines, then, an advertiser can determine what an appropriate level of frequency is, for the brand being considered. When combined with a level of target reach that makes sense from a marketing point of view, this can lead to a "bottom-up" estimate of the advertising budget required. Either this method, or the use of split-cable or field experiments, or of regression, should yield an estimate of an ad budget that makes more logical sense than the other decision rules discussed earlier in the chapter—although the latter are clearly easier to use, and thus are used more frequently.

SUMMARY

The theoretical underpinning of the advertising budget is based on economic marginal analysis and is easily expressed. A firm should continue to add to its advertising budget as long as the incremental expenditures are exceeded by the marginal revenue they generate. The determination of the functional relationship between advertising expenditures and sales, which is at the heart of marginal analysis, is most difficult for several reasons. First, the assumption that advertising expenditures affect immediate sales is often faulty. Second, the determination of the shape and parameters of the relationship is no easy task. Finally, the relationship changes through time.

Practical decision makers, in response to the problems of marginal analysis, have used several decision rules. The most widely used approach, which bases the advertising budget on some percentage of sales, can lead to excessive expenditures for well-established brands and inadequate expenditures for new and promising brands.

Setting ad budgets requires determination of the sales response to advertising. One approach is to conduct field experiments by varying advertising levels in different test stores, cities, or areas. Field experiments encouraged Budweiser to reduce advertising in the 1960s. They tend to be costly both in money and time. Further, many factors can confound or mask the results, such as actions of retailers and competitors, the inability to deliver precise levels of advertising to test cities, and the impact of other marketing variables.

Another approach is split-cable testing, wherein advertising seen by matched panels of consumers is controlled and their purchases are monitored via store scanner systems. Split-cable testing scores high on validity and control but is fairly expensive, provides little information of the impact of the advertising on retailers, and can take from six months to two years, depending on the difficulty of measuring long-term effects.

A third approach, regression analysis, works with existing data and is thus inexpensive. However, it, too, has its problems, because of the lack of variability of the advertising data, the lack of data on confounding factors such as competitor actions

and other marketing variables, the arbitrariness of the aggregation decisions necessary, the difficulty of measuring the long-term impact of advertising, and others.

Advertising budgets can also be based upon an analysis of how many advertising exposures might be required per consumer to achieve the communications objective—a modified objective-and-task approach to budget setting. The key is to determine how many exposures are needed. A frequent rule of thumb is that three or four exposures per purchase cycle are needed in most contexts. However, this is only an average. In specific situations the maturity of the brand, the involvement level of consumers, the need to avoid wear-out, the complexity of the communication task, and the nature of associations being created, and other factors are needed to decide the optimal frequency. This can then be used, along with a reach target, to determine total budget needs.

DISCUSSION QUESTIONS

1. At the chapter outset, some large advertising expenditure differences were observed between firms in the same industry. Why?
2. In Figure 16–1, why is the sales curve S-shaped? Explain the gradually accelerating section on the lower half of the curve and the flattening out section on the upper half. Discuss the significance of this shape from the viewpoint of (a) a company, (b) an industry, and (c) the economy as a whole.
3. What is the *percentage-of-sales budgeting approach*? Why is it so widely used? Under what circumstances might it be inappropriate? Why?
4. What assumptions underlie the "all-you-can-afford" and "competitive-parity" approaches to setting advertising budgets?
5. Contact someone in a firm that does a significant amount of advertising. What advertising budget-setting decision rule do they use? To what extent is the budget decision arrived at by a bargaining process?
6. Design a field experiment that would provide input data for the sales response to advertising function for a company selling men's razor blades. How much would the experiment likely cost? Identify other variables that might affect sales in your chosen test markets. What is the role, if any, of *laboratory experimentation* in this context?
7. Repeat question 6 for a company selling technical instruments used in scientific laboratories and hospitals. How would the design differ? Should industrial marketing companies attempt to identify sales-response functions in connection with their advertising activities?
8. Which kinds of firms are likely to invest in advertising and sales experiments? Why are experiments used infrequently? What are the problems and limitations of experiments? Why are experiments involving tests of reduced advertising expenditures so rare?
9. Suppose that you were a brand manager and had developed an experiment involving four Midwest test cities in which four levels of advertising expenditure were used over a six-month period. The resulting sales were compared with the sales during the same six months of the previous year. During your presentation to top management, you run into two challenges. First, the executive

vice president claims that the budget levels suggested by the model will not apply to your campaign in the East because response to advertising is different in that part of the country. Second, the advertising manager claims that the new campaign will have a much higher response than previous advertising and consequently the model output is of no relevance. How would you respond to these questions?

10. What are the two most important attributes of a split-cable test? In what sense might a split-cable test be overcontrolling? Under what circumstances would you worry about such a problem? What are the other disadvantages of split-cable testing?
11. What is the difference between a marginal analysis and a regression analysis?
12. Why might a regression model fit the data better if the log of advertising expenditures is used as the independent variable instead of the advertising expenditures?
13. Why would a regression analysis of a three-year sequence of monthly advertising expenditures and market share of a detergent be a less sensitive and valid way to determine advertising response than an experiment?
14. Suppose that you are attempting to get housewives to try your new gourmet vegetable dish and have divided housewives into two groups—those interested in kitchens and those not so interested. Using your own subjective reasoning, estimate the probability of each group's trying the product after zero, one, three, five, and ten advertising exposures during a three-month period.
15. How might that repetition function in question 14 be affected by whether the ad was in color, whether it used short or long copy, and the vehicle in which the ad appeared?
16. What are the factors that should contribute to wear-out? Illustrate your answer with specific examples of commercials that you can recall. What are some ads that you have not tired of even though might have seen them fifty times? And, which ones have you come to hate when repeated? Why?

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12. Gilligan, "How British Advertisers Set Budgets."
13. Barbara Brady, June Connolly, Les Quok, Karen Wachtel, and Peter Weiss, "Bright 'N Soft." Unpublished paper, 1979.
14. See, for example, Pradeep K. Chintagunta and Naufel J. Vilcassim, "An Empirical Investigation of Advertising Strategies in a Dynamic Duopoly," *Management Science*, 38, no. 9 (September 1992), 1230–1244.
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APPENDIX

A Model of Adaptive Control

A model that uses experimental data as an explicit input to the budget decision was developed by John D. C. Little, a professor at MIT.* It recognizes that the relationship between advertising and sales changes over time with changing market conditions. As a result, the advertising budget decision should be updated accordingly.

The adaptive-control model starts by assuming a response curve and finding an optimal level of advertising expenditure, as in Exhibit 1. If the decision maker were confident about an estimate of the response function and if he or she believes it would not change over time, the problem would be solved. However, under more realistic conditions, it becomes desirable to obtain more information about the response curve. In particular, it is worthwhile to experiment by advertising at nonoptimal levels in a few test markets to gain such information. The new information from the experiments is added to the existing information on the sales response function to determine the current optimal advertising expenditure rate.

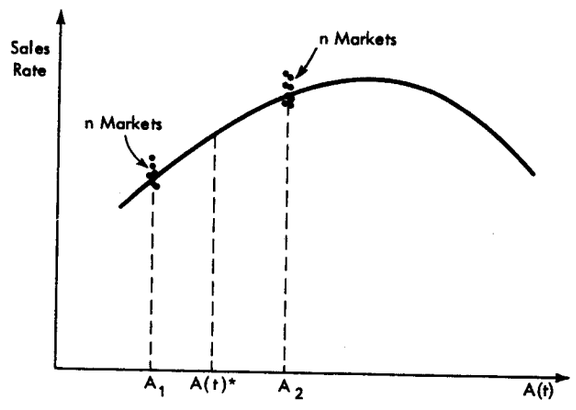
Assume that the advertising sales response function can be described by a specific mathematical function such as the following quadratic function:

$$S(A) = \alpha + \beta A - \gamma A^2 \qquad (1)$$

where $S(A)$ = sales
A = advertising expenditures
α, β, γ = parameters

* John D. C. Little, "A Model of Adaptive Control of Promotional Spending," *Operations Research*, 14, November–December 1966, pp. 175–97.

EXHIBIT 1 Sales experiment



The first two terms in equation (1) represent the familiar straight-line, linear relationship. The third term adds a curvature. An example of equation (1) is the upside-down "U" shown in Exhibit 1.

If M is the gross margin of the product, then profit, P, will be

$$P = MS(A) - A \tag{2}$$

The value of advertising expenditures, A^*, that will maximize equation (2) can be found graphically or algebraically.[1]

Little has argued that the optimal advertising rate is relatively insensitive to γ as long as the parameter is set within reasonable bounds. Thus, Little assumes that γ is known and constant. He argues, however, that β is not likely to stay constant through time. Changes in competitive activity, product changes, changes in the quality of advertising, or shifts in economic conditions can result in changes in response β.

Exhibit 1 shows the nature of a sales experiment to derive estimates of β. It

[1]Substituting equation (1) into equation (2) yields

$$P = M\alpha + M\beta A - M\gamma A^2 - A$$

Taking the derivative of P with respect to A and setting it equal to zero,

$$M\beta - 2M\gamma A - 1 = 0$$

Solving for A.

$$A^* = \frac{M\beta - 1}{2M\gamma}$$

assumes at a particular time, t, the advertising rate $A(t)^*$ is considered to be optimal. All markets with the exception of a set receiving a lower rate, A_1, and a set receiving a higher rate, A_2, are subjected to this level of advertising.[2] The sales rate in the groups of markets at A_1 and A_2 provides information from which a revised estimate of the parameter β can be derived.[3]

Little compared the results of a computer-simulation version of the adaptive-control model with four other modeling alternatives. The model compared particularly well when contrasted with the results of assuming a constant advertising rate. These comparisons can be made by calculating how much the loss in profits would be in each case relative to having perfect information on the respective functions. In one case of assuming a constant rate, for example, losses amounted to 28.7 percent compared with only 1.5 percent for the adaptive-model formulation.

This model illustrates, among other things, the advantages of attempting to make objective measurements of relevant parameter values through experimental procedures and stresses the importance of repeated measurements. It is above all based on a recognition that an advertising manager faces a constantly changing environment and that he or she must adapt both plans and budget to the changing conditions. Many companies in effect are continuously experimenting and engaging in these types of marketing research studies, even though they may not be guided by formal decision rules. Although such research is bound to be costly, the effort is often worthwhile. The adaptive-control model provides an approach to answering the question of how much should be invested in such research, as well as how much to invest in advertising at any particular time.

[2]The optimal gap between A_1 and A_2 and optimal number of test markets to use can be calculated. See Little, "Model of Adaptive Control," pp. 128–130.

[3]Letting S_1 and S_2 be the observed mean sales rates in the groups of markets at A_1 and A_2, respectively, the experimental mean for (t) can be calculated as follows:

$$\hat{\beta}(t) = \frac{1}{A_1 - A_2}\,(\bar{S}_2 + \gamma A_2^2 - \bar{S}_1 - \gamma A_1^2)$$

The β to be used in determining the budget for the next time period, $t + 1$, is termed $\beta(t + 1)$. It is a weighted average of the β used in the current time period $\beta(t)$ and the estimate of β obtained from the experiment, $\hat{\beta}(t)$.

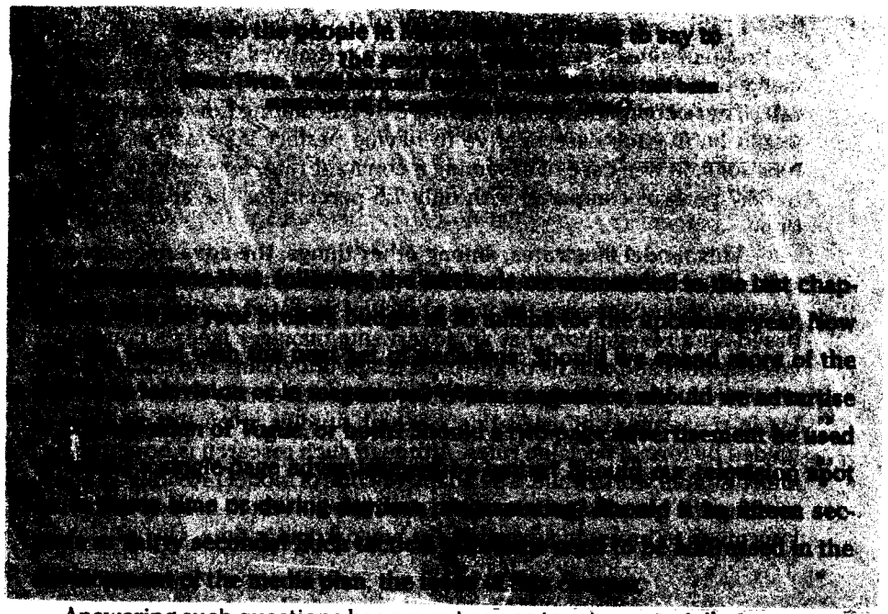
$$\beta(t + 1) = a\beta(t) + (1 - a)\hat{\beta}(t)$$

Thus, the decision rule defining the advertising rate in the next time period, $A(t + 1)^*$, is

$$A(t + 1)^* = \frac{M\beta\,(t + 1) - 1}{2M\gamma}$$

If the experiment were very accurate, a small value of a could be used and heave reliance placed on the current experiment. If the accuracy of the experiment were low, a large value of a would be appropriate. In this case, the current rate would depend mostly on the rate used in the preceding time period, which in turn represents a summary of all past experience up to that time.

17 MEDIA TACTICS: ALLOCATING MEDIA BUDGETS



Answering such questions has never been as tough—or as full of opportunity. Today's media environment is not the stable, easy media environment of the 1970s and even 1980s. It used to be, for instance, that if you wanted to advertise to a mass target audience in the United States in 1980, all you had to do was place a prime-time TV spot on the "big three" TV networks (ABC, CBS, and NBC), and you could reach 87 percent of all households in the U.S. By 1990, that had declined to only 62 percent, so the "big three" were no longer enough. One key reason was the increasing penetration of cable TV, which, by 1993, was about 62 percent of U.S. households. Cable TV offered many more channel options (an average of thirty-one by the early 1990s), so viewers began to watch stations other than the big three networks.[1] The age of fragmented media had arrived, allowing for much greater targeting of consumers.

The proliferation of cable TV channels—in a few years, many households in the U.S. will supposedly have access to 500 channels, by recent news reports—has been accompanied by growth in other media too, such as magazines (the number of magazine titles increased from 1,285 in 1977 to 2,230 in 1990). Newer media options have emerged that simply did not exist ten years ago: advertising in stores and on shopping carts, advertising in schools and doctors' waiting rooms, advertising through satellite-based TV channels in Asia, Europe, and the U.S. (see Chap-

ter 20), advertising on the Internet, and even (possibly) advertising on an orbiting illuminated billboard in space![2]

The proliferation of media options has been accompanied by increasing technological means for consumers to avoid advertising messages, should they choose to do so. The number of TV commercial minutes on TV was up from 1,768 in 1978 to 2,046 in 1988, according to research by DDB Needham. However, TV remote controls and videocassette recorders (both now in over 80 percent of U.S. homes) allowed consumers to zap and zip ads with the greatest of ease (Chapter 7 discussed these phenomena).

Alternatively, the new cable technologies hold the promise for advertising to create ads that are much more "interactive," where individually "addressable" consumers can use their cable remote controls to decide which ads to watch, and to request information immediately from ads that interest them, information which can be printed immediately on home color printers.[3] Many large clients (such as Procter & Gamble and Avis), ad agencies (such as Bozell, Jacobs, Kenyon & Eckhardt, and Leo Burnett), and media conglomerates (such as Time Warner, and US West) are experimenting with interactive media and the role of advertising within it, trying to see how ads can be tailored more closely to the interests of each individual viewer and made more enjoyable and entertaining so that the viewer will indeed want to enter into a dialogue with the advertiser. A related development is the growth of home shopping TV channels, such as QVC, which should make consumers more accepting of placing orders immediately after seeing TV ads for products.[4]

Given these changes and challenges, the role of efficiency and creativity in developing media plans has never been greater. The *media plan* identifies and details the media schedule that is to be used. A *media schedule* specifies how the media budget is to be spent. Although the level of detail of a media schedule can vary, it can include the specification of up to four types of media factors:

1. ***Media class:*** This is the type of medium, such as television, radio, newspapers, magazines, billboards, and direct mail.
2. ***Media vehicles:*** These provide the immediate environment for the advertisement. For example, within the media class of television, there are various vehicles, such as NBC News and ABC's *Monday Night Football*; and, within the media class of magazines, there are *Esquire*, *Time*, TV Guide, and *Vogue*.
3. ***Media option:*** This is a detailed description of an advertisement's characteristics other than the copy and the artwork used. It specifies, in addition to the media vehicle, such advertisement characteristics as size (full-page or half-page), length (fifteen second, thirty second, or sixty second), color (black-and-white or four-color), or location (inside front cover or interior location).
4. ***Scheduling and timing:*** These specify how media options are scheduled over time. Among the strategy alternatives are (a) *flighting*, periods of total inactivity; (b) *continuous*, advertising spread evenly through time; and (c) *pulsing*, a continuous base augmented by intermittent bursts of heavy advertising. Timing decisions include the selection of specific issues (the August 17 issue of *Time*) or time slots (the second World Series game).

The media schedule will at a minimum specify the number of planned insertions in each media vehicle. A more detailed media schedule also specifies the

other details of a media option, such as size or length and the timing of the advertisement insertions. For example, one media schedule might include ten network commercials on daytime television and two advertisements in *Time*, *Women's Day*, and *Newsweek*, all in the first quarter of the year. A more detailed media schedule might specify sixty-second commercials and two-page advertisements and that all the advertising was to be placed during the first week in February. (Note that the allocation of media budgets across geographical regions is also something that needs to be decided on. This can be done using the *Brand Development Indices* and *Category Development Indices* for each region or market, calculated in the manner described in Chapter 6 earlier.)

Even for small media budgets, there can be literally thousands, even millions, of possible media schedules from which to choose. The task is to select a media plan from this set that will be relatively effective. In making this selection, the media planner will usually first select a limited set of media possibilities. From this set, the planner will then attempt to develop and evaluate a limited number of media schedules, often using computerized media models as well as judgment. Finally, once the media plan is completely specified, the desired media time (or space) must be bought and prices negotiated with the media owner. This buying process is also briefly discussed at the end of the chapter.

The selection of the most effective media schedule is based in upon both quantitative and qualitative criteria. That is, the media planner attempts first to ensure that, for the available budget, the advertiser is obtaining the maximum number of advertising exposures—to the target segments—at the lowest possible cost. Such analysis requires working with huge masses of data on the audiences of the media vehicles and the costs involved in using these vehicles. Computer programs are often used to assist in such quantitative analyses.

After this number-crunching, however, qualitative judgments have to be applied as well, for a computer cannot completely take into account the qualitative aspects of a particular media buy (for example, the "excitement" value of running a TV ad on the Super Bowl telecast). In addition, judgments also have to be applied in running the computer programs, in determining what these programs should attempt to optimize, such as the desired level of exposures (frequency) and the number of people potentially exposed to the message (reach). These principles, and this process, will be discussed in this chapter, and then illustrated in the context of a media plan of The Broiler.

MEDIA CLASS DECISIONS

The first media allocation decision, that of allocating the budget over various media, is one that is made on both quantitative and qualitative criteria.

Quantitatively, data are collected on just how many people in the target market can be reached through that media class (such as radio, or newspapers, or daytime television). The source of such data is often a source such as Simmons or MRI (which are both described shortly). Radio, for example, is a terrific medium to reach business commuters through "drive-time" or to reach teenagers. Television's great strength is as a *mass medium*, since it delivers very broad reach at low

cost (per thousand people reached, not necessarily per television spot. While a single network prime-time thirty-second spot can cost as much as $350,000, this is actually cheap on a per-person-reached basis, since that one single spot will be potentially exposed to almost 20 million homes.)

While TV reaches mass audiences, magazines and direct mail are excellent in reaching narrowly defined target segments. Radio, too, reaches narrow segments—no single radio station usually has more than 2 to 3 percent of the audience in a market—and, since the listeners of a particular radio station tend to be loyal, a radio campaign is useful in building high levels of frequency against them. Newspapers (and spot television) make geographical targeting possible. One can also target certain types of readers by paying for specific sections of a newspaper, such as business or sports pages for men, or entertainment and food-and-cooking sections for women.[5]

Qualitatively, the most important considerations have to do with the *fit* between the medium and the creative execution. Television, because it can show action using both audio and visual, can make an impact that simply is not possible in other media. For some types of advertising, such as emotional or image advertising, or product demonstrations, this type of impact can be critical to the copy approach. On the other hand, television is a passive medium and is not really suited to copy with high factual content—unless *infomercials* of much longer length are employed. Infomercials were discussed earlier in Chapter 7. Nor is outdoor suited for high information ads: it can only be used for name recognition and "reminder' purposes, since billboards cannot really communicate much information in the few seconds that they are viewed. Billboards are also used heavily by product categories (such as cigarettes and liquor) that are legislatively barred from other media.

Print, especially the magazine medium, is more suitable for long and complex messages. Like magazines, newspapers typically carry ads (especially local ads) containing much more information than do ads on TV or radio.[6] Car advertisers in the U.S. recently have begun to emphasize magazines at the expense of TV, as their ads for new models have begun to offer more product information to technologically more sophisticated consumers.[7] Magazines also generally offer better color reproduction than newspapers. Because of their association with news stories, however, newspapers could have a sense of objectivity and a spirit of being current that could rub off on the advertisements in the right context. Radio can involve the listener by getting him or her to use imagination to visualize stimuli (but radio ads still have much poorer recall than ads in other media, because of the higher clutter).

A second set of qualitative criteria has to do with production logistics. Ads in network TV and magazines often require long *lead times*—they usually have to be submitted to the network or publisher weeks in advance of when they actually appear, making it difficult to use them in situations when the copy might have to be changed on short notice. Radio and newspapers are much more flexible on this score and also have the advantage of lower production costs, so that they are frequently utilized by retailers, banks, airlines, and other businesses where rapid price changes need to be communicated at short notice.

When news has to be communicated rapidly to a target market, broadcast media (TV, radio) and newspapers also have another relevant advantage over magazines or direct mail: while the former will reach their targets almost immediately (called a *fast cume*), the latter will take a while—often a couple of weeks—for their messages to get read and acted upon (a *slow cume*).

A third set of qualitative criteria has to do with the competitive setting. Often, when faced with a high-spending competitor, it makes sense to use another medium than that used by the competitor, to avoid being "swamped" by the competitor's advertising. Alternatively, it may make sense to use the same medium, but to schedule one's own ads at a different time of year. Ultimately, the final choice of media classes involves reconciling these different quantitative and qualitative criteria, using managerial judgment.

Obviously, a good media plan integrates the many different media used. For instance, TV could be the initial medium to generate awareness and interest in a new product, while a follow-up radio campaign using the TV soundtrack could serve as a lower-cost, high-frequency reminder campaign. The radio ads could thus serve as devices to get listeners to replay the imagery of the TV ads mentally, boosting recall of the TV ad and the brand name and brand claims to levels almost as high as would have occurred if the more expensive TV ads had been repeated.[8] Alternatively, a magazine campaign could be used after the TV ads, offering more detailed information, if that was necessary.

MEDIA VEHICLE DECISIONS

The first consideration in making a media vehicle decision is simply the number of exposures that can be obtained, and for what cost. These quantitative considerations are later supplemented by various qualitative ones, such as the suitability of a particular editorial environment to a particular ad, which we shall discuss later in this section.

Media Terminology

Table 17–1 shows the type of information used by the media planners at the J. Walter Thompson agency in selecting magazines. The first column is the *unit cost* of a full-page color advertisement. The second column shows the total *audience* (also called *readership*), in millions, obtained by the magazine. Note that the total audience is much higher than the *circulation* because of the substantial numbers who read a magazine that someone else bought. The third column is the basic counting statistic, *cost per thousand*, or *CPM*. It is the cost per thousand audience members. Thus, the CPM for *Good Housekeeping* is $1.20, which means that it costs $1.20 to reach 1,000 members of the *Good Housekeeping* audience.

CPM figures are obviously most relevant if they take into account only members of the target audience that are reached, instead of just any reader. The circulation trend figure allows media planners to project the CPM number into the future. As a practical matter, there is a lag of several months and perhaps even a year between the media decision and the placement of the advertisements, so such trends can be significant. However, magazines will often guarantee a certain

Table 17–1. Selecting Magazines

	Unit cost ($1,000s)	Total audience (millions)	Cost per thousand CPM[a]	Percent mag exposed	Circulation Present	Circulation trend	Target segment millions	Target segment CPM[a]	In-home Aud	In-home CPM	Target concern index	Compatible pages	Reader opinions	Other considerations

Adapted from "Numbers Aren't Everything," Media Decisions, 10, June 1975, p. 69.

[a] *Cost per thousand*
[b] *The percent of the target segment covered by the magazine.*
[c] *The number of the target segment covered by the magazine.*
[d] *The percent of the magazine's audience exposed in the home.*
[e] *Cost per thousand considering only the in-home audience.*
[f] *The extent to which the editorial content reaches out to the target segment.*
[g] *Compatible pages—the number of editorial pages devoted during the past year to the relevant subject.*

circulation level (called a *rate base*) and will refund part of the payment if the circulation does not achieve the guaranteed level.

It is, of course, of no value to obtain audience members if they are not exposed to the advertisements themselves. It is advertisement exposures that are of ultimate interest to the advertiser, not vehicle exposures, but it is the latter that are reported by the media data sources. Thus some adjustments, admittedly imperfect, are necessary. Studies have shown, for example, that in the case of TV programs, somewhere between 40 and 50 percent of the program's audience actually misses seeing the ads that air during the program, either because they are not in the room when the ads come on, or because they are busy doing something else. A similar percentage applies to radio ads listened to while driving a car.[9] If there is reason to believe that advertisement readership among some vehicles is higher than others, the basic CPM figures should be adjusted accordingly.

The fourth column in Table 17–1 is an effort to measure page exposure. It is based upon the survey question, "How many pages out of ten did you open in this particular copy of the magazine?" The result is a crude indicator of *page exposure* as opposed to *vehicle exposure*. Sometimes a subjective opinion as to how seriously audience members look at the advertisements is helpful. Some magazines, for example, are actually bought by some because their advertisements provide information about home decorating, fashion, instrumentation technology, or some other specialized area of interest.

In buying television, the basic unit of counting is the *gross rating point* or *GRP*. A commercial's *rating* is the percentage of the potential audience (such as "all women aged twenty-five to fifty-four") that are tuned in to the commercial. For a national buy, the potential audience could be all U.S. homes with television, whether or not their TV set is on at any particular time. (The number of *homes using television*, or *HUT*, at any given time period is always smaller than the total number of homes with television, and is usually expressed as a percentage of the latter.) However, the concept of ratings will apply for audiences defined by region (the Los Angeles area) or by any other means (for example, adults from eighteen to thirty-five). If the commercial is associated with a program, its rating would be the rating of the program. If it is not associated with a program, it would be the average rating during that time period. The highest rated period is *prime time*, followed by the period just prior to prime time, termed the *early fringe*.

Just as any particular TV program has a rating, it also has a *share* of the total number of households watching any TV program during that time period. Thus, suppose that during the 7:00 to 7:15 time period last Thursday, 60 million TV sets were watching any TV program, of the 100 million TV households that could potentially be actually watching TV. Then the HUT for that time period is 60, or 60 percent. Suppose the TV program *Home Improvement* had, at that time, 20 million households tuned into it. Then the share for *Home Improvement* is 33 (20 million divided by 60 million), but its rating (expressed with respect to households) is 20 (20 million divided by 100 million). Mathematically, a program's rating always equals its share multiplied by the HUT.

To obtain total gross rating points for a media schedule, the ratings of the

commercials are summed. For example, the following schedule in which a commercial is run seventeen times in a one-week period yields 142 GRPs:

3 showings in a time slot with a 12 rating = 36 GRP
4 showings in a time slot with a 4 rating = 16 GRP
10 showings in a time slot with a 9 rating = 90 GRP
Total for the week = 142 GRP

GRP figures are often calculated with specific target audiences in mind, and are then sometimes called *T* (for *Target*) *GRPs*.

The number of different people reached through this three-program media schedule depends on the *duplication* between the three programs. If there was absoluteiy no duplication, then the total ratings achieved would be 12 plus 4 plus 9, or 25, meaning that 25 percent of the target population would have seen the ad at least once. In reality, since we do have duplication, this total number of people exposed to the ad at least once will be somewhat less. If it was 25 percent, however, the average member of the audience will be exposed 5.68 times (142 divided by 25), although many, of course, will not be exposed at all and others will be exposed up to 17 times, since there are 17 potential opportunities to be exposed. (The concept of an *exposure distribution* will be explained shortly.)

One measure of the efficiency of a given program or time slot will be the *cost per rating point* (*CPRP*): cost per rating point = CPRP = cost of a commercial/divided by the rating points delivered by that commercial.

Reach and Frequency

At this stage it is appropriate to introduce the two most basic terms in media planning: *reach* and *frequency*. Reach refers to the number of people or households that will be exposed to an advertising schedule *at least once* over a specified period of time (usually, but not necessarily, a four-week time period). Very important, a person who sees the same ad twice (such as the people in our television example, who could have seen it up to 17 times) is not counted twice (or more), but just once.

Cumulative audience is a more restrictive term, used to designate the reach of two or more issues of the same media vehicle—here the duplication being subtracted out is the *internal overlap* of people who see or read two issues or shows of the same media (such as reading two weekly issues of the same weekly magazine, or watching two weekly episodes of the same TV situation comedy). In such situations, the number of *new* (nonduplicated) readers or viewers picked up by the media vehicle in its second issue or show is called its *accumulation*. When the duplication being subtracted out is one between two or more different media vehicles—what one might call *external overlap*, such as that between one week's issues of *Time* and *Newsweek*—the term *net coverage* is sometimes used as the relevant reach descriptor.

The term *reach* thus almost always refers to *unduplicated reach*, net both of internal and external duplication. However, since in almost every media schedule there are many people who see an ad more than once, frequency refers to the num-

ber of times someone sees the ad. *Average frequency* thus refers to the average number of times a person or household is exposed to a schedule. Thus, since GRPs refer to the total number of exposures delivered, and reach is the unduplicated number of people who got those exposures, GRPs equals the average frequency multiplied by the reach (where the reach is measured in terms of rating points).

In our television example earlier, our reach was 25 rating points (for the case of no duplication between the three TV programs), and our average frequency was 5.68, for the total figure of 142 GRPs delivered in that week. For a magazine buy, a schedule that bought one ad each in magazine A (readership of 28 million people) and magazine B (readership of 22 million people) would generate 50 million exposures (sometimes called *opportunities-to-see*, or *OTS*). If 10 million of these people read both magazines A *and* B, we might have 10 million duplicated readers, or a reach of 40 million. Thus our average frequency here is 50 million OTS divided by 40 million reach, or 1.25, over the relevant time period.

Since the number of GRPs or OTS you can buy is directly related to how much money you spend, this brings us to the most basic media planning question: for a given budget, that can buy a given number of GRPs or OTS, do we want to increase reach or increase frequency? For a given budget, there is always a trade-off between increasing reach or increasing frequency. Some criteria for setting the desired frequency levels were discussed in the last chapter. For some campaigns, reach will be critical. For example, a campaign to gain awareness of a new product may need to reach a substantial portion of the market to be successful. Furthermore, a punchy awareness advertisement may not require many repetitions. Another campaign involving a series of advertisements designed to communicate product details may require many exposures, as may an image campaign. In that case the frequency could be a very important characteristic of a proposed media schedule.

Qualifiers on Basic Reach and Frequency

Qualifying Reach

The first refinement of the counting-exposures approach to media vehicle selection is to consider the types of people being exposed. A primary issue in developing advertising objectives is to specify the target segment or segments. It will be of little value to deliver an audience containing people not in a target segment.

In Table 17–1, the seventh column shows the percentage of the target audience that is covered by the magazine. The eighth column is the total target audience reached by the magazine, and the ninth is the CPM, only including the target audience. Such a figure, which includes only the target audience, is sometimes called the *effective audience*. *Good Housekeeping* is still the most efficient magazine, but now *Glamour*'s cost looks better, relative to the other alternatives than it did when the total audience was considered.

Later in this chapter, the available media data will be discussed in more detail. It turns out that data such as product usage and life style profiles of media users are available, but that demographic data on vehicle audiences is much more complete, convenient, and inexpensive. Thus, if a product user target segment can

be defined in terms of demographics, the task of matching the target segment to a vehicle audience is much easier. For example, an automobile firm may be targeting on the young adult market or on the senior citizen market. When other segmentation variables are employed, it is usually possible to describe the target segment—for example, heavy users of credit cards—in terms of demographics so that the media demographic information can be employed. The relationship between demographic data sets, media data sets, and product usage data sets, however, is usually not perfect, because they are typically collected by different suppliers, and special techniques to "combine"[10] them have been suggested.

Some studies, however, have shown that such an indirect approach (going through demographics) sacrifices considerable efficiency. It is more direct, and probably more accurate, to evaluate alternative media vehicles in terms of how many target segment consumers they reach, using syndicated media sources that permit such evaluations. For example, Heinz ketchup might select TV programs using data on how many users of its competitor, Hunt's ketchup, were in the audience for each TV program. If this "direct" approach is employed, for instance, TV programs could be evaluated for media cost efficiency on the basis of "cost per exposure per target consumer purchase index," rather than merely "cost per thousand target viewers in the right demographic category."[11]

When several target segments are involved it might be useful to weight each formally as to its relative value. Thus a computer component manufacturer might have as a primary segment design engineers and maintenance engineers, and buyers might represent secondary segments. Weights could then be attached to each group, and a media vehicle's total reach might be evaluated in terms of the weighted sum of the individual groups reached.

Qualifying Frequency

The exposure-counting approach to media decisions implicitly assumes that all exposures to an individual will have equal impact. Thus ten exposures to one individual is as desirable as two exposures to each of five people or one exposure to each of ten people. Clearly, there may be a need to achieve some minimum (*threshold* or *critical mass*) level of frequency against every reached individual, below which that person would not have been effectively reached. Such a frequency level is often called *effective frequency*. Many ad agencies in the U.S. and Canada, for example, use three or four exposures per four-week planning cycle as their effective frequency level for TV; it is often higher (twelve exposures per month) for outdoor and lower (three or four per quarter) for magazines.[12]

At the higher end of the frequency scale, the value of successive exposure will eventually diminish, at least within some time period. If the number of exposures is excessive, the audience can become annoyed, and the impact of future exposures may actually be negative (called wear-out). Because of the need to consider both the minimum threshold exposure levels needed, and the maximum exposure levels that should not be exceeded, the media planner needs not just an average frequency number but an entire *frequency distribution* or *exposure distribution*. Such a frequency distribution specifies the exact number (or percentage) of people exposed once, twice, three times, four times, and so on.

Very often these frequency distributions are statistically estimated using assumptions about the shape of the distribution and carry names such as the *beta binomial distribution*, or *BBD*.[13] The estimation of the frequency distribution is more complex than the estimation of the reach and frequency, but there are still a variety of approaches available. One of the fastest and most inexpensive was first suggested by Richard Metheringham and is usually termed the *Metheringham method*. The inputs required are the reach of each of the vehicles, the duplication between each pair of vehicles, and the duplication between two insertions in the same vehicle. The output is a frequency distribution. The key assumption is essentially that all vehicles are identical with respect to reach and duplication with other vehicles. Thus, the method essentially averages all the input reach data and the duplication data.

The method works quite well when only one vehicle is involved or when, for example, only daytime television spots are involved. However, it works much less well when a more realistic schedule involving several different vehicles is to be evaluated. Other researchers have offered alternative methods, such as *log-linear* and *canonical expansion models*, which work better when exposure distributions within specific target markets are of interest, rather than among the total audiences of the media being considered.[14] Some researchers have even suggested that exposure distributions are not really necessary and that media models using only single-insertion ratings and the number of insertions can perform just as well as models using exposure distributions, in selecting the best schedules.[15]

The following is an example of a frequency distribution for a media insertion schedule involving two insertions in each of three magazines:

Number of Exposures	Frequency Distribution	Audience
[illegible]	[illegible]	[illegible]

The frequency distribution thus provides a much more detailed portrayal than reach and average frequency. The noticeable bulge at 0 and 6 is actually characteristic of many frequency distributions. They essentially reflect those who tend not to read many magazines and those who tend to read many.

A variety of frequency distributions can generate the same reach and average frequency values, which have very different implications. The implicit assumption

behind the consideration of frequency distributions is that the number of exposures that an individual receives matters. It is often helpful to make that assumption explicit by specifying the value of successive exposures.

Some illustrative alternatives are shown in Table 17–2. Set A implies that the reach is the only value of a media schedule of interest. It indicates the need is to expose audience members once, and anything more is of no value. Set B implies that all exposures have equal value. Set C suggests that exposures will have equal impact until three exposures are obtained, and then they will have no value. The remaining sets have different assumptions. Clearly, the value given to different exposures matters in the calculations of what the level of reach really is—for instance, if exposure levels below 3 are considered of no value, then our reach should be defined not as the number of people receiving at least one exposure, but as the number of people receiving at least three exposures. Some media people call the level of reach that uses the *effective frequency* as the cutoff level the *effective reach* level.

Measuring Print Vehicle Audiences

Audited circulation data for print media are most easily obtained from the Audit Bureau of Circulations. Such print vehicle circulation data, however, neglect *pass-along* readers both inside and outside the home. Thus, to measure a vehicle's audience (or readership), it is necessary to apply approaches such as *recent reading* and *through-the-book* to a randomly selected probability sample of adults who are personally interviewed. In both approaches, a two-step approach is employed. In the first step, which varies somewhat between the two methods, a large number of magazine title logos are shown to the respondent, and they are are asked to indi-

Table 17–2. Value of Successive Exposures.

Exposure	Relative Value					
	A	B	C	D	E	F
1	1	1	1	1	1	1
2	0	1	1	1	1	0.9
3	0	0	1	1	1	0.8
4	0	0	0	1	1	0.7
5	0	0	0	0	1	0.6
6	0	0	0	0	0	0.5
7	0	0	0	0	0	0.4
8	0	0	0	0	0	0.3

cate whether or not each magazine might have been read or looked into in the past six months.

In *recent reading*, respondents are next asked whether they looked at *any* copy of each title within *that specific past week* (for a weekly publication) or during the *last specific month* (for a monthly publication). One problem is that the survey is unlikely to represent an "average" week, so there is a seasonality factor to consider. And, a reader could read several issues in one week but not in another and so be incorrectly reported as not being a reader in the specific week of the survey. Another concern is the tendency to exaggerate readership of prestige magazines and to minimize readership of vehicles that do not match people's self-image. Still another is the forgetting factor. One study found that 50 of 166 people who were observed reading magazines in a doctor's office said they had never read the magazine they had been observed reading. Companies using this method thus show respondents flash cards with the magazine's logo on them, to aid recall, but it is alleged that respondents often confuse magazine titles (*Home and Garden* with *Better Homes and Gardens*, for instance), which distorts the figures collected.

In the *through-the-book approach*, following the screener question mentioned earlier, respondents are shown a stripped-down copy of a *specific* issue of a magazine that he or she reads and asked whether several articles were read and if they were interesting. The respondent is then asked if he or she read that specific issue. This approach is obviously sensitive to the issue's age. A too-recent issue will miss later readers. A too-old issue risks forgetting.

The two major audience-measuring services are Mediamark (MRI) and Simmons (SMRB). Simmons interviews 19,000 people each year on 140 magazines (called *books* by agency media people) and produces annual reports; MRI interviews 20,000 people on 230 magazines and produces twice-yearly reports. Until 1994, the two services used different methods in estimating readership: Simmons used the through-the-book method, while MRI used the recent-reading method. Because they used different methods, they often yielded different estimates of readership for different magazines, and these differences between the two have sparked sharp controversy through the years.

Table 17–3 shows a comparison of the audience estimates based on the two techniques. MRI's estimates were generally higher—about 10 percent higher for weeklies and as much as 35 percent higher for monthlies. These differences were especially large for small-circulation magazines, which have their readership figures based on very small samples. These differences in readership estimates had major implications for how many ad pages a magazine could sell to advertisers, and ad agencies and clients had to find their own ways to reconcile the two sets of numbers.[16] It has been argued that the major reason why the two sets of numbers varied so much was not the second step of the interview (described earlier), but rather the specific way in which they screen-in readers in the first place.[17] In any event, in September 1994 Simmons announced that it, too, was going to use a modified form of the recent-reading method—one that it claimed would be superior to MRI's.[18]

In addition to media data—including duplication and accumulation data—that cover TV, radio, magazines, newspapers, outdoor, and Yellow Pages, both ser-

Table 17–3. Total Adult Readers Comparison.

Magazine	Mediamark	Simmons
Time	25,701,000	
Newsweek	23,540,000	
U.S. News	11,586,000	
Family Circle	32,145,000	
McCall's	24,641,000	
Ladies Home Journal	21,920,000	
Harper's Bazaar	3,574,000	
Playboy	21,401,000	

Source: Adapted from Leah Rozen, "Reader Data Still Don't Jibe," Advertising Age, October 6, 1980, p. 118.

vices also obtain demographic and psychographic data on brand and category users for between 3 and 4,000 brands in over 500 product categories that are analyzed on a national-plus geographic basis. These data are thus used frequently to identify the target markets for ad campaigns (see Chapter 4 on segmentation), and the media reaching those targets. The data are available both in printed volumes and on computer tape (for customized analyses). An example of a page from Simmons is shown in Table 17–4.

For newspapers, readership data—based on telephone interviews—are available from both Simmons and from another service called Birch-Scarborough Research. Both contact over 60,000 adults every year, in over fifty markets nationwide, and provide estimates of the number of adult readers by weekday and for Sunday editions. Demographic breakdowns are provided, as are estimates of cumulative reach.

Measuring Broadcast Vehicle Audience

The principal methods of obtaining audience data for broadcast media are the people-meter and the diary.

The principal source of national television ratings is the Nielsen Television Index, National Audience Demographics (NTI-NAD). The NTI panel consists of approximately 3,000 to 4,000 households, matched according to U.S. national statistics, that agree to have an electronic device called a *people-meter* attached to their TV sets. The people-meter is a small unit placed on top of or beside the television set, recording what channel is viewed at what time, for every half-minute during every twenty-four-hour period. Eight sets of lights on the set are used to indicate which member of the household—including visitors—is watching; these lights can be turned on or off using a remote device, and those watching are meant to turn them on when they start watching and off when they stop. Data from the people-meter are sent periodically by telephone to the Nielsen central offices, where they are related to each person's age, sex, and other parameters that Nielsen collects

Table 17–4. Magazine Readership as Reported by Simmons.

Magazine	Cost per page[a] (1000s) B&W	Cost per page[a] (1000s) 4-color	Audience in 1,000s[b] Adults	Female	Age 18–34	Household income over 25,000	Buying style: Brand loyal	Ecologist	Economy minded	Planner	Style conscious
Total Adults (millions)			155.8	81.1	63.1	41.3	40.2	43.5	60.2	67.7	36.0
1. American Baby	$15.7	$21.7	2,308	1,963	1,902	575	636	659	918	880	701
2. Better Homes	51.9	62.8	21,579	16,684	7,815	7,123	6,340	6,439	9,318	10,243	6,399
3. Bon Appetit	11.0	15.7	3,000	2,306	1,206	1,610	941	801	1,074	1,413	1,145
4. Business Week	17.4	26.1	4,147	913	1,770	2,557	1,291	815	1,465	1,878	1,012
5. Car and Driver	13.9	21.3	2,720	539	1,961	1,159	748	767	1,158	1,461	778
6. Ebony	12.9	19.9	6,925	3,639	4,029	1,461	1,716	2,020	2,678	3,036	2,034
7. Family Health	6.2	8.7	3,325	2,281	1,205	1,035	1,016	1,028	1,465	1,690	938
8. Fortune	17.9	27.3	2,190	583	889	1,541	688	425	609	904	486
9. Golf	10.3	15.5	2,283	628	902	1,266	686	568	839	996	794
10. Gourmet	7.0	12.5	2,263	1,573	670	1,126	639	725	773	1,006	773
11. Guns & Ammo	5.3	8.6	2,898	299	1,815	975	797	1,092	1,313	1,478	684
12. House & Garden	14.8	21.8	7,917	6,061	3,071	2,998	2,624	2,374	3,383	3,643	2,792
13. Mademoiselle	8.8	12.8	3,620	3,415	2,180	1,332	1,065	1,111	1,657	1,832	1,656
14. McCall's	42.5	52.2	18,372	16,266	7,143	5,753	5,131	5,577	7,930	8,672	6,023
15. Money Mag.	11.4	17.9	3,691	1,663	1,768	1,927	1,040	958	1,395	1,900	1,001
16. Motor Trend	12.4	19.8	3,358	422	1,926	1,159	823	834	1,303	1,554	721
17. MS.	6.5	8.7	1,375	1,211	991	360	317	486	475	712	425
18. Nat'l. Lampoon	6.7	9.9	3,348	759	2,845	1,377	995	912	785	1,225	737
19. Newsweek	33.2	51.7	17,197	6,893	8,827	7,370	5,046	4,422	5,713	7,855	4,582
20. New Yorker	8.3	13.2	3,008	1,412	1,433	1,509	1,078	863	1,099	1,490	855
21. Outdoor Life	14.8	21.4	5,438	1,133	2,784	1,748	1,448	1,937	2,410	2,640	1,236
22. People	23.0	29.5	18,138	10,641	10,992	6,162	4,488	5,296	6,228	8,112	5,230
23. Playboy	36.2	50.6	13,932	2,749	9,596	4,910	3,523	3,729	4,713	5,965	3,334

(Continued)

Table 17–4. Magazine Readership as Reported by Simmons. (*Continued*)

	Cost per page[b] (1000s)		Audience in 1,000s[a]								
						Household income			Buying style		
Magazine	B&W	4-Color	Adults	Female	Age 18–34	over 25,000	Brand loyal	Ecologist	Economy minded	Planner	Style conscious
24. Playgirl	6.6	8.8	2,110	1,253	1,384	546	526	613	786	1,007	513
25. Reader's Digest	74.6	89.6	39,283	22,305	12,942	12,769	11,360	10,802	15,618	17,937	9,631
26. Road & Track	10.7	16.8	2,454	495	1,761	1,098	589	657	752	1,264	474
27. Rolling Stone	8.1	13.7	2,780	943	2,552	911	663	834	910	1,249	621
28. Seventeen	10.5	15.2	5,259	4,494	3,230	1,575	1,132	1,607	2,266	2,492	1,889
29. Smithsonian	17.5	21.9	4,952	2,404	1,665	2,730	1,630	1,475	1,420	2,321	1,083
30. Sport	15.3	19.4	6,116	1,231	3,816	1,890	1,552	1,488	2,115	2,908	1,722
31. Sports Afield	7.0	10.0	5,318	1,133	2,330	1,982	1,818	1,491	2,193	2,451	1,079
32. Sunset	14.2	19.7	5,227	3,406	1,778	2,317	1,585	1,441	1,827	2,509	1,165
33. Time	45.1	70.5	20,180	8,269	9,854	8,782	5,786	5,192	6,606	9,049	5,032
34. Travel/Holiday	5.9	8.4	1,139	570	299	471	365	397	479	599	332
35. True Story	9.8	12.8	5,925	5,294	3,297	801	1,565	1,946	2,865	2,538	1,665
36. TV Guide	58.8	69.5	42,236	23,389	20,984	11,223	11,130	12,532	16,249	18,818	10,695
37. U.S. News	21.9	34.6	8,635	2,724	3,288	4,112	2,563	2,119	3,310	4,343	2,267
38. Vogue	10.4	15.2	5,755	5,192	2,825	2,194	1,775	1,970	2,495	2,824	2,567
39. Woman's Day	49.9	59.8	18,225	16,606	7,008	5,523	5,121	5,427	7,786	8,878	5,835
40. Working Woman	5.2	7.4	974	941	518	437	756	288	330	597	315

[a]*Source: "The 1979 Study of Media and Markets—Multi-Media Audiences: Adult," Simmons Market Research Bureau, 1979.*

[b]*Source: Consumer Magazine and Farm Publication Rates and Data,* Standard Rate & Data Service, November 27, 1980. Shown are the costs of a one-page single-insertion advertisement.

separately and keeps on file. In addition, Nielsen meters New York, Los Angeles, and Chicago to provide local ratings in these areas on a next-day basis. Nielsen also reports HUT, the percentage of all television homes whose set is in use.

People-meters have the advantage, over the previously used television meters called audimeters, of providing information not only about how many people are watching a TV program, but also about who they are, in terms of age, sex, and so on. Before 1987, Nielsen used two samples of people in its national panel: one of people with the *audimeters*, which simply recorded what channel the program was tuned to at different points of time when the set was on, and a second *diary* panel, in which panelists with known age and sex characteristics self-reported their viewing. The data from both sources were then combined. Today, the people-meters provide both kinds of data simultaneously.

However, these people-meters, too, have their problems: people consciously and actively have to turn the meters on and off when they enter or exit the room in which the TV is on, and this can be bothersome. The search is now on for "passive" people-meters, devices that will automatically record who is watching, using sophisticated optics and/or other techniques such as sonar and infrared heat-sensing.[19] Nielsen has also come under criticism for the way in which it selected its people-meter panel, and the way it handles attrition among panel members, and so on. The three major TV networks recently announced a test of an entirely new system, which uses a meter that will not require wires to attach to the TV set but reads a universal program code embedded in each TV show's signal, and actually "talks" and "listens" to the viewer recognizing who they are, using voice recognition and synthesized speech, instead of requiring the viewer to punch in buttons everytime they turn the TV set on.[20]

Scanner data companies such as IRI and Nielsen also provide single-source data on the TV shows actually watched by consumers of different product categories and brands. Nielsen has a 40,000 household panel for such data in a limited number of local markets across the country; these households use paper-and-pencil TV viewing diaries.[21]

Weekly diaries provide the basic data gathering instrument for local television ratings. Nielsen is now the only provider of these data, after Arbitron's exit in 1993. Nielsen monitors over 200 local markets (called *DMAs*, or *designated market areas*). The sample size of the Nielsen effort (called the *Nielsen Station Index*, or *NSI*) ranges from 2,200 households in New York to several hundred in the smallest markets. Monthly reports are provided from four to seven times per year depending on the size of the market. During the three "sweep" months of November, February, and May, over 200 markets are covered by Nielsen. Over the course of a year's time, over 800,000 households will be involved in a television diary panel for one of the two services.

Similarly, diaries are also used by Arbitron to collect quarter-hour estimates of local radio listenership. Arbitron, a national ratings service, asks listeners aged twelve and over to fill out weekly diaries, detailing what stations they listened to, when and where, and their demographic data. Another service called RADAR (for Radio's All-Dimension Audience Research, from a company called Statistical Research) collects listenership data for the national radio networks, interviewing

2,000 prealerted but randomly selected listeners for seven consecutive days to get recall of radio programs listened to the day before. These data for both radio and local TV provide total size and demographic breakdowns for each station and program for every quarter hour, as well as estimates of the relevant cumulative audience, for one-week and beyond. Many services make their data available in printed form, on computer disk, and on-line, for quick reach and frequency estimation of alternative schedules.[22]

The quality of diary data can vary. Some respondents do not fill it out during the day but try to recall viewing activity. Such recall is especially difficult today when there are so many channels or stations, and consumers are often unfamiliar with a station's call letters. As a result, fringe and small-share stations generally do not fare as well from the diary as they do from the electronic meters. Another problem is that the homemaker is often the one who fills it out and is often not conversant with children's shows and lesser-known programs.

Other Media Data

In addition to estimates of the viewership, readership, and listenership of individual media vehicles, various other sources of media information also become useful in developing a media plan. These include estimates of how much your competitive brands are spending, by major medium and by geographical area, obtained through services such as the *Competitive Media Reporting/Leading National Advertisers (CMR/LNA) Reports* (for all media), *Media Records* (for newspapers), the *Rome Report* (for business and trade publications), *Broadcast Advertisers Report* (for television and radio), and so on. Media planners also rely on the *Standard Rate and Data Service (SRDS)* volumes for information on pricing and costs of different media vehicles. Background information on advertisers and advertising agencies is available in the *Standard Directory of Advertisers* and the *Standard Directory of Advertising Agencies*, the so-called "red books," in addition to the annual issues put out by *Advertising Age* magazine. Information about the potential buying power of different geographical areas is provided, among others, by the rankings and "Surveys of Buying Power" put out by *Sales Management* magazine. Many advertising agencies also issue annual guidebooks providing averages of costs and audiences, for use in "quick and dirty" estimation by their clients and internal staff.

Examples of some media data sources are provided in the Appendix to this Chapter.

Using Computerized Media Planning Models

Clearly, making media decisions can be difficult. There are usually a huge number of alternative feasible schedules, and huge masses of cost, audience size, and duplication data. (Chapter 1 provided details of the vast number of media options available and the advertising trends across those media.) Duplication data are usually only available for each pair of media vehicles (such as *Time* with *Newsweek*), and ways have to be found to estimate the total unduplicated reach in schedules with tens or hundreds of media vehicles, not just two. It is no wonder that simple CPM measures are often all that are relied on.

A better way to cope with this complexity, however, is to use a formal *media planning computer model* that will develop estimates of total duplication and then search for the "best" media schedule, given a budget constraint and facts (data) about the vehicles under consideration. Such media selection models have undergone an extensive evolution over the past thirty years, and may be classified into three main types.

The first major category of models use *mathematical optimization techniques*, such as linear, nonlinear, integer, dynamic, or goal programming, and attempt to maximize reach (or some other objective function, such as effective reach) within budget (and other) constraints. The first such widely heralded model was developed in 1961 by the BBDO advertising agency, and there have been various refinements since then. However, these models have all suffered from various severe limitations and are thus not widely used today. Many of these models have room for the user to assign subjective "weights" for each candidate media vehicle that is used in addition to their cost and readership (etc.) numbers, and some use a technique called the *analytic hierarchy process*.[23]

Their demise led to the second major category of models, called *simulation models*. In essence, these operate on real exposure data (obtained from a sample of consumers) and simulate what the reach and frequency exposures would be among these consumers for given media schedules. The frequency exposures obtained are sometimes also combined with a judgment-based response function, and the schedule with the highest response is then judged the most promising. Models in this category include the CAM model developed in Britain in the late 1960s, and various others since then. Their weakness is their inability to evaluate a large number of schedules, which becomes extremely computer-intensive; they are therefore typically used with only a few "candidate" schedules. Companies such as Interactive Marketing Services (IMS) and Telmar use such approaches, through which agencies can evaluate different schedules.

The third type of model is called *heuristic*, which means it develops a reasonably superior, but not necessarily optimal, solution for a media planning problem. An example would be Young & Rubicam's "High Assay" model of 1962, which added vehicles to a schedule based on marginal contribution (in cost per thousand, adjusting for various other factors). Other published models have included Little and Lodish's MEDIAC, Aaker's ADMOD, and so on. Fuller descriptions of these and other computer media models are found in a review by Roland Rust.[24] Very recent models use actual scanner-based, household-level viewing data, which allow estimation of the actual reach and frequency achieved by actual ads for given ad spending levels or GRPs, since individual level ad viewing data are involved. Some of these models try to maximize effective reach, whereas others even try to maximize predicted market share, through their recommended schedules.[25]

It is easily seen why such computer models can be valuable to a media planner, who can quickly see the trade-offs between cost, reach, and frequency for different alternative media schedules under consideration. It is important always to remember, however, that a media planner (or client) should not be seduced by

the seeming objectivity of numbers on a computer printout. These numbers have to be modified for various qualitative, judgmental criteria, to which we now turn.

Qualitative Media Vehicle Source Effects

Media vehicle source effects are a measure of the qualitative value of the media vehicle. The concept is that an exposure in one vehicle might have more impact than an exposure of the same advertisement in another vehicle. For example, an advertisement for a women's dress line in *Vogue* might make more of an impact on those exposed than the same advertisement in *National Enquirer,* even if the audiences were the same. Similarly, it is claimed that *Esquire* or *GQ* provide an above-average vehicle for men's fashions because they are an appropriate environment for this type of advertising. The differential impact could be caused by editorial environment, physical reproduction qualities, or audience involvement. Similar source effects can apply to entire media classes, such as television versus newspapers, but these are not discussed here.

Several approaches to the measurement of the vehicle source effect are illustrated in Table 17–1. The target concentration index reflects the degree to which the editorial product reaches out to the target segment—for example, people who have traveled overseas. Each magazine is scored subjectively on this basis. The concept is that if the editorial content is involving, the advertisement will be read with more intensity.

A more objective measure is the number of *compatible pages*, or the number of editorial pages that the magazine has devoted during the last year to the subject in question, such as foreign travel. The reader opinion column is based upon the number of readers who indicate that the magazine is "very important in my life" or is "one of my favorites" or who "find considerable interest in its advertising pages." The in-home columns in Table 17–1 indicate the percentage of the magazine's audience who read the magazine in their home. It is probably believed that the in-home reader is less distracted and more likely to read an advertisement more thoroughly than an out-of-home reader, and so is of "higher quality."

There is general agreement that vehicle source effects do exist. As early as 1962, the Alfred Politz research organization demonstrated that an advertisement in *McCall's* would generate higher "quality" image and brand-preference ratings than identical ads placed in general readership magazines.[26] The kind of vehicle source effect being looked for will obviously depend on the campaign objectives. Thus, an awareness objective will involve different source-effect considerations than will communication or image-oriented objectives. However, there are at least six vehicle attributes that are often relevant considerations: unbiasedness, expertness, editorial "fit," prestige, mood created, and involvement.

Unbiasedness

If advertising concerned with political or social issues is considered, the position of the vehicle may indeed affect the communications. Many advertisers want their ads to be seen in publications that are respected for their objectivity, hoping that

it will rub off as some kind of endorsement of their ads. It is also important that advertisers not be seen as attempting to curtail the editorial objectivity of media. In September 1993, Mercedes Benz told thirty U.S. magazines not to run its ads in any issue with articles that may reflect poorly on Germany or the company, but this led to such a public relations flap that the company rescinded the order within a few days.[27]

Expertness

Advertisements can usually be expected to reflect the degree of *expertise* associated with the area of interest of the vehicle in which they appear. Thus, the magazine *Tennis* is seen by its readers as a reliable source of information regarding new product developments in tennis, new playing techniques, new types of tennis court surfaces, and so on. The editors and writers are recognized authorities in competitive and instructive tennis. A reader, therefore, comes to the magazine willing to accept information from this source. The concept is that the reader's mental set does not change when he or she moves from an article in *Tennis* to an advertisement describing a new racket used by Boris Becker.

Obviously, a vehicle's perceived expertise will only rub off on relevant ads. A study found that ads for cooking products using a "reason why" approach benefited from placement in magazines rated as expert regarding cooking issues, but not ads for such products relying on "mood" appeals. Such mood ads benefited instead from placement in "prestige" magazines, while the "reason why" ads did not.[28]

Editorial Fit

A similar argument is made that ads are more effective when they appear near editorial matter that deals with relevant and supportive material. Researchers have argued for a strong *contextual priming effect.* When the editorial matter discusses some attribute, it makes it more likely that an ambiguous ad close by will be interpreted with that same attribute in mind, because the editorial matter makes that attribute more accessible in memory and more likely to be used in subsequent information evaluation. Thus, for an ad that says that a certain car is bigger-sized, if the nearby editorial matter talks about safety in automobiles the reader is more likely to think that the advertised bigger car is safer, instead of thinking that a bigger car must be less economical on fuel.[29] Magazines try to create special sections, or *advertorials*, that maximize the chances of such positive editorial rub-offs, as a sales device to sell more ad pages.

Prestige

A vehicle's *prestige* is another attribute commonly considered to be important for some product. *The New Yorker* has an exclusiveness and aloofness that might be expected to generate a similar feeling toward products advertised in it. Thus, if a product is endeavoring to build a status image, it may well be useful to advertise it in a high-status vehicle. Ads are frequently run in the Super Bowl telecast, at a cost of over $1.2 million for one thirty-second TV ad, more because of the prestige factor and "marquee value" and the attention these spots receive, rather than the