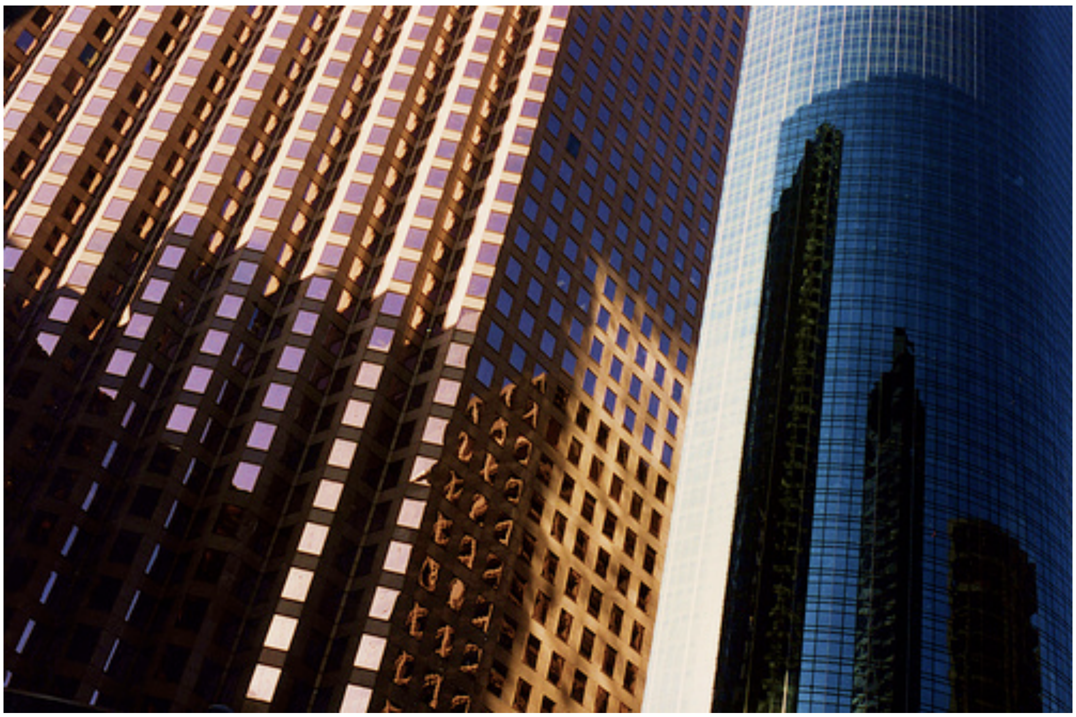
A NEW ROADMAP TO MARKETING EFFICIENCY



THE AVERAGE FORTUNE 1000 BUSINESS SPENDS MILLIONS IN ADVERTISING.
SIMPLE MEASUREMENT STEPS CAN SLASH COSTS BY 20% TO 30%.

White Paper, July 2009

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Executive Summary: It's Time to Reduce Marketing Costs

If you run an American business today, you are under pressure. The global recession, tightening credit, and constant increases in the cost of technology have squeezed profits. One of the thorniest elements of corporate budgets is *marketing*—advertising and media buying —which is vital in this age of increased competition, but also a huge cost that must be managed to rebuild the bottom line.

Yet are executives doing all they can to eliminate marketing waste? Organizations have cut back on everything from management consultants to color photocopies, yet their investment in advertising often misses the critical steps of *measurement* and *optimization*. As with any financial investment, while it is important to reduce the costs associated with the service — in this case, media rates — the real return comes by measuring which aspects of the ad schedule work best, and rebalancing the budget accordingly.

This white paper provides a simple roadmap for reducing marketing costs by measuring what works within the advertising arena. A company with a $3 million annual marketing budget could free up $600,000 if it identified 20% waste in its execution. Given the size of this potential savings, we invite you to review this approach. Please share this paper with your fellow executives as well.

What Pareto could teach the ad industry

Top executives are well-versed in the concept of the 80-20 rule, knowing that a small portion of customers drive most of the financial results to the bottom line. The 80-20 rule was born a century ago when economist Vilfredo Pareto observed that 20% of the residents of Italy owned 80% of Italy's wealth. Just as some products and services typically perform well financially and others do not, **the advertising media channels typically have the same skew in performance.** A fraction makes money, and a large portion doesn't.

The table below shows a clear way to evaluate advertising performance. Simply divide your spending into 10 equal tiers, or deciles, and measure the return on investment from each. Let's consider an advertising schedule that is performing moderately. This institution's marketing team has launched a $1 million campaign which is generating $1,795,000 (80%) in return.

MEDIA GROUP	BUDGET	$ GENERATED	RETURN %
Media Group 1	$100,000	$30,000	-70%
Media Group 2	$100,000	$60,000	-40%
Media Group 3	$100,000	$105,000	5%
Media Group 4	$100,000	$110,000	10%
Media Group 5	$100,000	$130,000	30%
Media Group 6	$100,000	$160,000	60%
Media Group 7	$100,000	$180,000	80%
Media Group 8	$100,000	$220,000	120%
Media Group 9	$100,000	$300,000	200%
Media Group 10	$100,000	$500,000	400%
TOTALS	**$1,000,000**	**$1,795,000**	**80%**

In the campaign above, the worst decile of performance ("Media Group 1") is hemorrhaging cash, while media in the best decile is generating a strong return of 400%. The challenge of advertising is not unique—it's the same as any investment risk. Given a $1 million ad budget, a marketer might deploy the funds across a series of communication vehicles—print, radio, web banner ads—and just as with different stocks on Wall Street, the media formats will have varying degrees of performance.

However, without an advertising measurement system, the marketers have no idea which media are working and which are not. All they know is the overall return on marketing dollars is 80%.

Now, consider a second scenario. The Marketing Director has a measurement system that allows her to see which ad components are failing and which are performing. The advertising schedule (media plan) was carefully prepared with standard advertising forecasts on GRPs (gross rating points) and CPMs (costs per thousand impressions) … but something is different. Using advertising measurement, the Marketing Director gains insight into the groups of media that *are not* performing (Media Groups 1-3 in the table above) and also what *does* perform (the top groups of media with the highest ROI). So without spending a penny more, she "rebalances" the organization's advertising mix by migrating budget from bottom to top media tiers.

MEDIA GROUP	BUDGET	$ GENERATED	RETURN %
Media Group 1	$0	$0	0%
Media Group 2	$0	$0	0%
Media Group 3	$0	$0	0%
Media Group 4	$50,000	$55,000	10%
Media Group 5	$50,000	$65,000	30%
Media Group 6	$100,000	$160,000	60%
Media Group 7	$100,000	$180,000	80%
Media Group 8	$150,000	$330,000	120%
Media Group 9	$250,000	$750,000	200%
Media Group 10	$300,000	$1,500,000	400%
TOTALS	**$1,000,000**	**$3,040,000**	**204%**

This revised marketing campaign still costs $1 million annually. But the financial return has leapt from $1,795,000 (80% ROI) to more than $3 million (204% ROI). The business has achieved more than twice the results not by spending an extra dime, but by intelligently redeploying the advertising investment.

A fine theory. So how does an executive measure advertising?

Yes, most executives are awash in metrics. For advertising, though, numbers from ad agencies too often focus on the planning end—impressions, circulation, CPMs, GRPs, what was spent. What is usually missing is a measure of ad effectiveness. Here are eight basic methods to track advertising performance.

1. Phone tracking – using unique toll-free numbers to isolate responses from different media formats, such as a series of newspaper ads each carrying a unique 800 phone number. When someone calls a unique 800 number, the marketing department can track the number of calls that came in vs. what each individual ad cost. The result is a simple grid showing "costs per inquiry," or which ad formats cost the least to generate a customer response.

2. URL testing – using unique URLs, web landing pages or versions of analytics code to track costs per inquiry and conversion rates (e.g. the percentage of web site visitors who fill in an inquiry form).

3. Multivariate testing – using test-and-control cells to see which types of media, or campaign offers, or sales promotions, or price points, etc. drive greater results.

4. Response intercepts – asking prospective customers directly, perhaps as they call in to a call center, which media they used to learn about your services.

5. Follow-up surveys – once prospects or customers have communicated with you, using mail, phone, email or web follow-up contacts to determine which media generated the action.

6. Awareness studies – using qualitative research tools to track prospective customer awareness or intent to use your services before and after a campaign runs.

7. List back-matching – comparing the front-end list of customers targeted by advertising media with a back-end list of new accounts (this type of approach works best in email marketing or direct mail).

8. Social media monitoring – using emerging services such as Radian6 to listen in on millions of web sites, blogs, video sites, Twitter and other social media to monitor customer chatter about your brand, competing organizations, and related services.

To get started, we suggest a simple intervention

The easiest way to begin advertising measurement is to set up a simple caller intercept. Companies such as Mediassociates can set up toll-free phone lines that intercept inbound calls to your organization—with no need for IT committees or telephony changes, and no business process changes. These systems simply collect call data as prospects respond to ads to inform your marketing team *which advertising components work best*. Mediassociates provides such services typically as part of broader media planning; data can be viewed easily by executives via a web-based portal, so they can make decisions rapidly on media mix changes, marketing savings or reinvestment.

While the system is simple to use, it also provides a new form of marketing intelligence—mapping, for instance, hot spots of geographic demand to guide future outbound marketing. Calls associated with ads, in simplest terms, are a research tool just waiting to be utilized.

For a demo on measuring ad results, we invite you to call Mediassociates at **203 797 9500 ext. 204**. In this economy, it's time to start monitoring which aspects of marketing work—and to do something about it.

About Mediassociates

Mediassociates is a specialist firm in media planning, buying and advertising measurement with expertise in financial institution marketing. We place more than $24 million annually in media for regional and national clients and have numerous media planners and buyers specializing in TV, cable, radio, magazine, newsprint, outdoor, social media, mobile, Internet banners, Internet ad networks, and Google / Yahoo / Bing search. Mediassociates tracks trends and writes national columns in *BusinessWeek.com* and *The Wall Street Journal's All Things Digital* on advances in Internet marketing, online advertising, social media and mobile technology.

In finance, Mediassociates has planned and bought ad media for Alliance Credit Union, American Auto Finance, the Connecticut Student Loan Foundation, Navy Federal Credit Union, Pure High Net Worth Insurance, and numerous regional banks. Other clients include the U.S. Centers for Disease Control, the U.S. Department of Homeland Security, Cessna Aircraft, the Connecticut State University System, Danbury Hospital, Gaylord Hotels, Hartford Hospital, Huntington Learning Center, Manhattanville College, Marist College, Marriott Hotels, Mystic Aquarium, Orthovisc, Segway, Ski Haus, Star-Gas, the State of Connecticut Department of Public Health, and Tauck.

For more information call 203 797 9500 ext. 204 or visit www.mediassociates.com.