<u>Week 6 - Positioning/Brands</u>

1. Introduction

[pg. 2]

Each brand tries to stake a particular claim of superiority - *the cleanest, freshest, purest, healthiest, most natural, most environmentally sensitive, most socially conscious, most fashionable* - that will resonate with a particular type of consumer.

Consumers will choose depending on how strongly they perceive that the brand offers the best solution to his/her needs.

[pg. 3]

Brand positioning: the art of staking out piece of mental real estate for a brand in consumer's mind by crafting/communicating differentiated positioning statement.

Formulate brand positioning statement by analyzing/synthesizing consumer, competitive and company factors.

2. Essential Reading

2.1 Brand Positioning

[pg. 4]

Al Ries & Jack Trout: "Positioning is not what you do to a product. Positioning is what you do to the mind of a prospect."

It is not about the manager's intent - but the actual end result - how consumers classify, catalog, and remember the brand.

A brand *position* represents its location vis-a-vis its competitors in mental maps consumers build to locate possible solutions to their problem.

"A positioning statement expresses how you wish to be perceived."

[pg. 5]

Ted Levitt on Positioning

- **Theodore "Ted" Levitt", economist, HBS professor, founder of modern marketing.**
- **Companies should not define themselves by products they sell, but through value they produce in consumers' lives - the "value proposition".**

- **Consumers attach value to product/service in proportion to how it solves their problems/meets their needs.**
- **Commodity products are the failures of marketing; companies should fix positioning in consumers' minds (i.e brands like Dole, Chiquita, Purdue in categories that are commodities)**

2.2 Crafting a Positioning Statement

Positioning statement = unique value brand offers to particular target market segment. Distilled to the all-important question "Why should I buy?".

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Positioning statements are strategic (internal) and guide execution of the brand. They contain four essential components:

- *From whom, for when, for where?* Explicit description of target market segment to help consumers discern the brand that directly addresses their specific needs and those that don't
- *What value?* Simple, straightforward description of unique value claim brand offers.
- *Why and how?* Evidence that provides consumers with reasons to believe brand's claims.
- *Relative to whom?* Explicit description of competitive set in which brand classifies itself and alternatives that consumers can consider.

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The four components can be summarized thusly:

- For [*target market*], Brand X is the only brand among all [*competitive set*] that [*unique value claim*] because [*reasons to believe*].

- For [*millennial consumers who are socially conscious*], Ethos is the only brand among all [*bottled waters*] that [*cares about solving world's clean water crisis*] because [*it donates five cents for every bottle sold to programs that support water, sanitation, and hygiene education programs in water-stressed countries*].

2.3 Staking Out a Unique Selling Proposition

Craft positioning statements that focus on single, important claim that distinguishes product from competition, rather than laundry list of attributes, benefits, values offered by the brand.

In advertising-saturated culture, simple messages increase brand recall and receptivity.

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Unique selling proposition (USP): type of value claim that offers perspective customer specific, unique, superior reason to purchase a product.

Successful products *actually* must be better than competitors; clever ads could move bad products off the shelf at the beginning, but disappointing customer experience would doom the product to failure.

USPs anchor many famous advertising taglines in history:

- Dominoes: "delivered to your door in 30 minutes or less or it's free"
- M&M's: "melts in your mouth, not in your hands"
- Bounty: "quicker picker-upper"
- Charmin: "superior softness and absorbency"

USPs captured "rational" advertising of the 1940s/50s; customers were logical who listened to reasoned arguments.

In the 1960s, marketers realized consumers often rely on "irrational" emotions, memories, intuitions, etc. Ushered in the Creative Revolution.

"Nothing is so powerful as an insight into human nature, what compulsions drive a man, what instincts dominate his action."

[pg. 9]

Rational vs emotional positioning is determined by:

- How firm's target consumer choose/use product
- How firm's competitors use rational vs. emotional appeals
- How firm's own brand / assets support positioning statement

Positioning Absolut

- **Absolu (Sweden) as premium vodka in 1979 was a challenge**
  - **Vodka was lower-class drink**
  - **Bourbon, rum, whisky were in**
  - **Vodka was dominated by Stoli and Smirnoff, leveraging Russian origins and connection to czars**
- **Company decided to package product in unique, elegant, medicine bottle with no label to show consumers crystal-clear vodka - a source of pride.**
- **Simple design became heart of brand's positioning; TBWA created 1500 Absolut ads:**
  - **"Absolut Perfection"**
- **Brand has taken images from Central Park, and teamed up with artists like Andy Warhol for series of ads**
  - **These ads are still treasured by collectors**
- **Brand is now one of best-selling liquor brands of all time - based on value claim selling image/link to contemporary art and culture**

[pg. 10]

2.4 The Three C's Model

The three Cs model: analyze *consumers*, *competition*, and *company*

EXHIBIT 1 Three Cs Model of Brand Positioning

CONSUMER ANALYSIS	COMPETITIVE ANALYSIS	COMPANY ANALYSIS
Relevant	Distinctive	Feasible
Resonant	Defensible	Favorable
Realistic	Durable	Faithful

2.4.1 Consumer Analysis

Identify value claims that are *relevant*, *resonant*, and *realistic* to consumers.

Creating Relevance

Strong value claims should be relevant to consumers, addressing fundamental needs of jobs that they need the product/service to accomplish. Uncover the basic "job" consumers are looking to fill when they "hire" a product or service - this is key to creating relevant value claims that speak to consumers' needs.

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Hiring Milkshakes for Breakfast

- **Morning commuters faced monotonous, lonely drive to work - often not eating before leaving home**
- **Several jobs milkshake was being "hired" to do:**
- **Lasted longer that other beverages**
- **Sucking milkshake thru straw alleviated boredom of drive**
- **Satisfying liquid "meal" that could be managed in one hand while driving**
- **Once client realized milkshake was being hired to perform these jobs, improved product positioning**

Relevance is established by clearly specifying a target market in positioning statement and aligning value claim with specific needs of target market.

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Creating Resonance

Strong value claims should *resonate* with consumers - these can be made at three levels:

- *Feature / attribute-based claims*: focus on special ingredient, feature, capability (What's in it?)
- *Benefit-based claims*: focus on specific benefits customers receive from using product (What's in it for me?)
- *Value-based claims*: focus on helping consumers achieve values they hold important (Why is in important to me?)

Resonant value claims address deep-seated needs, offering meaning required for living in consumers' unique culture, space, time.

Crafting an iconic brand requires a positioning statement that is resonant enough to become symbol of value of subculture at particular moment of history, Most marketers align message with dominant ideologies of the time, which leads to herd mentality. Cracks do emerge, contradictions that make aspects of the ideology less desirable.

[pg. 13]

These cracks represent powerful brand positioning opportunity because brands that acknowledge major cultural contradictions help consumers bridge gap between state of being ("what is") and desired state ("what could be"). Achieve resonance by addressing identity desires and anxieties that dominant ideologies leave behind.

[a] More generally, this is an accepted framework in cultural anthropology. Douglas Holt has substantiated it in marketing applications in his academic articles in the *Journal of Consumer Research* and in his two books: *Cultural Branding: Using Innovative Ideologies to Build Breakthrough Brands* (New York: Oxford University Press, 2010; with coauthor Douglas Cameron); and *How Brands Become Icons: The Principles of Cultural Branding* (Boston: Harvard Business Press, 2004).

Apple used this by positioning its brand to creatives who felt stifled by conformity and uniformity of yuppie-fueled 1980s. Macintosh positioned itself against corporate sameness of IBM and PC close.

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Being Realistic

Strong value claims should be *realistic*. Using exaggeration or overstatement makes claims less believable. Proctor & Gamble uses demonstrations in advertising to support value claims. Examples:

- Tide: side by side comparisons
- Gillette: computer animation to demonstrate razor functionality
- Gatorade G series: "Born in the lab. Proven on the field by some of the greatest athletes."

Evidence helps narrate the story a brand tries to tell; emotional/social evidence is more effective than hard, scientific evidence.

[pg. 15]

Avis's Controversial Reason to Believe

- **Position Avis as brand that puts in extra effort to please customers**
- **Tagline: "Avis: We Try Harder"**
    - **To make it believable, paired it with "We're only #2"**
        - **Worried it would paint brand in negative light in relation to #1 company**
- **In testing, 50/50 split of users who liked ad**
    - **Avis ran the campaign anyways**
        - **Half-century later, value claim and reason to believe are still part of Avis's positioning**

2.4.2 Competitive Analysis

Competitive analysis allows managers to zero in on particular value claims of product or service that are *distinctive, defensible,* and *durable* as compared to the competition.

Being Distinctive

"You want to be considered the only ones who do what you do." - Jerry Garcia

Three types of attributes that can be transformed into value claims/leveraged:
- *Unique attributes* (only one competitor has)
- *Shared attributes* (things competitors have in common)
- *Irrelevant attributes*

Thorough analysis of relevant competitive set allows managers to discern which products are *distinctive*. *Points of parity* are product/brand attributes that are shared across competitors.

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"Must-haves" - features that consumers demand before they consider a product or service for purchase; talking about these features doesn't make the brand stand out but not reassuring consumers that these are included will cause them to not even consider the brand.

Points of difference are product/brand attributes that are unique to particular competitor; to command **price premium** over competitors, brand's position must contain point of difference that is large enough to justify higher cost to consumer.

Vertical positioning: highlights attributes shared among brands, but stresses particular brand superior performance on attributes, using words like *smaller, faster, cheaper*. FiOS = Internet connection speeds are the fastest.

Horizontal positioning: adding new attributes, benefits, or values to attract customers. Whole Foods = *organic, natural, locally sourced* important attributes for buying groceries.

Irrelevant attributes: distinguishing characteristics of product that provide no actual economic or functional value. Alberto Natural Silk Shampoo = add silk to increase hair health despite silk having zero effects on hair.

The novelty of irrelevant attributes simplifies consumers' difficult task of deciding between similar products; benefits of meaningless differentiation held up even after consumers were told explicitly, because difference was enough to make product valuable.

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Perceptual Mapping

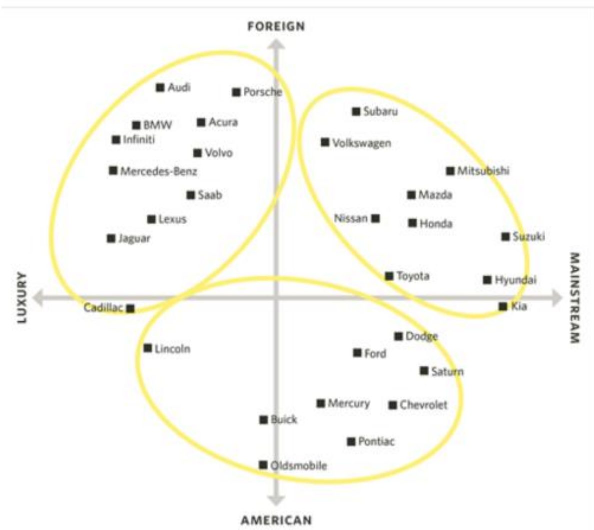
Perceptual mapping: visual image of consumers' mental landscapes; consumers compare and contrast brand across set of attributes, answers map spatial differences among brands.

Source: Jon Cox and Catherine Rolland, "Watches Sketchbook," *Kepler Capital Markets*, March 17, 2011.

[pg. 18]

Compiled consumer-generated content from online forums, blogs, and product reviews to construct perceptual maps of car industry. Used text-mining processes and semantic network analysis to collect brand-related content from web and positions brands spatially based on patterns of co-occurrence.

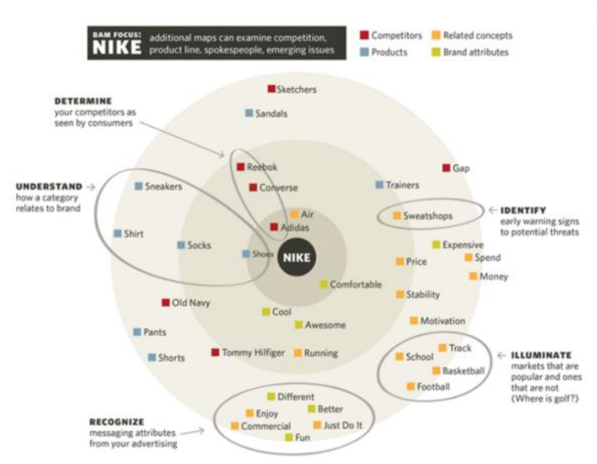
EXHIBIT 3 Text-Mining and Perceptual Mapping of the Car Industry



Source: Adapted from Oded Netzer, Ronen Feldman, Jacob Goldenberg, and Moshe Fresko, "Mine Your Own Business: Market Structure Surveillance Through Text Mining," *Marketing Science* 31 (May–June 2012): 521–543. *Marketing Science* by Institute of Management Sciences; Operations Research Society of America. Reproduced with permission of the Institute of Management Sciences and Operation via Copyright Clearance Center.

[pg. 19]

EXHIBIT 4 Nielsen's Brand Association Mapping (BAM)



[pg. 20]

Choosing Defensible Terrain

To prove that a product value claim is defensible, marketers must think about competitors and whether company has resources to occupy and hold position over time. Patents/trademarks increase defensibility of product value claims.

- Levi's: "we invented the blue jean"
- Florida Natural: "Florida is the only place to source oranges"

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Focusing value claims on features and attributes leaves them vulnerable to quick competitive imitation, leaving brand with undifferentiated positioning. Fusion's positioning = "The comfort of five blades, the precision of one."

Being Durable

Develop positioning statements that stand the test of time. Durable brand positions appeal over longer periods of time, providing continuity to the brand. I.e. Burberry trench coats, Coca-Cola

- "Brand consistency is critical to maintaining strength and favorability of brand associations"
- "A brand will only survive in the long term if it can demonstrate its relevance with regard to the latest changing needs of a market, which is in a state of constant evolution."

2.4.3 Company Analysis

Company analysis: allows managers to identify value claims that are *feasible, favorable, and faithful*

Being Feasible

Assess the feasibility of various positioning statements to assess which ones company can deliver with everyday practices; companies must infuse it within every aspect of their operations. *Product, pricing, place, promotion* strategy must support and reinforce position.

[pg. 22]

Being Favorable

Evaluate the relative *favorability* of various value claims to judge which ones allow company to capture more value in marketplace. Company must create direct/reinforcing link between what it says and what it does. May require operational, organizational culture changes, staff retraining.

Positions that are highly differentiated generally generate higher price premiums than those that allow product to be perceived as a commodity. Assessing profitability differences between various positions allows managers to choose value that is most favorable.

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Being Faithful

Authentic brand provides genuineness in brand's claimed position - messaging, assertion, and behaviors are all supportive/aligned.

Embodying Brand Positioning at EILEEN FISHER

- **EILEEN FISHER** is brand that lives positioning through its operations
  - "To deliver beautifully simple clothing designed to move with real life to affluent Baby Boomer women"
    - Clothes = designed for real women and crafted to flatter all body types
    - Customers can vary their look
    - "The simpler the garment, the more flexibility you have in the ways you can wear it."

Consumers, together with social media, quick to call out hypocritical companies claiming one thing in advertising and doing another in practice. Chevy Tahoe touting itself as green sports utility vehicle while having low gas mileage and lumbering weight. Dove's "Real Beauty" campaign got lambasted because of damaging beauty stereotypes in Axe ads.

[pg. 24]

Brand's position is co-created with owner, customers, and other cultural influences working together to create meaning that differentiates brand from its competitors; consumers learn about brand not just from marketing communications but from each other.

2.5 Brand Repositioning

Companies must reposition brand as markets change or unanticipated events occur.

PepsiCo (brand equity valued at $14B):

- First 2/3rds of 20th century: themes of health, economy, patriotism, free-spirited "Pepsi Generation"
- 1970s: the "cola wars", blind taste tests
- 1985: Michael Jackson!

[pg. 25]

As 21st dawned, Pepsi faced significant challenges:

- Decrease in US soda consumption (Baby Boomers leaving soda category as they aged)
- Growing obesity epidemic blamed on soft drinks
- Millennial consumers not allowed to drink because of parents restricting access

Boldly repositioned brand as cola with social conscience (by using the Pepsi Refresh Project. Sales still declined, so Pepsi reverted to earlier entertainment and pop culture-focused theme.
[pg. 26]

2.5.1 Balancing Consistency and Change

Pepsi's situation illustrates common dilemma for established brands: continue to tell the same stories successful for decades, or adjust positions to keep pace with changing times?

Brand repositioning - changing position of brand in minds of consumers compared to its competitors; requires rewiring web of associations they have with the brand.

Four components of positioning statement illustrate the road:

- *For whom, for when, for where?* Changing target market, expanding usage situation, or finding new places where consumers can purchase can be way to increase sales
- *What value?* Most repositioning efforts involve adding new value claims to resonate with changing consumer needs
- *Why and how?* New product development yield improved products and services
- *Relative to whom?* Brand repositioning involves comparing product or service to new set of competitors

Gillette wanted to reposition from just razor company to men's grooming product company;
Strong razor base -> launched shaving creams -> gain toehold in skin care -> launched after shave gels -> move to deodorants and body washes was logical to consumers.

EXHIBIT 7 Gillette's Evolutionary Brand Repositioning

[pg. 27]

2.5.1 Repositioning an Identity Brand

Identity brands: allow consumers to create and recreate themselves by communicating important things about masculinity, femininity, social class/status, level of intelligence, personal wealth, cultural capital, other aspirational attributes.

Clothes tells us whether someone is rich/poor, conservative or liberal, old/young, urban/rural.

[pg. 28]

If a brand is repositioned, some consumer's personal identity is threatened, especially if they view the new value claims / target markets as undesirable.
Porsche sports cars, world's most gendered brands. Superior German engineering, award-winning design, racing victories, valued for masculine position.

When brand targets just one gender, half of potential audience is untapped; stagnant sales in many mature product categories send managers to find new way to increase business.

Gender-bending: strategy to reposition brand that targeted one gender to attract the other,

[pg. 29]

Burberry and Hennessey have been reinvigorated by popularity with hip-hop artists, attracting large swaths of population attracted to "coolness" factor.

Repositioning identity can be dangerous:

- *Existing consumers will leave brand because it is no longer communicating identity they wish to present*
- *Existing consumers will fight against brand's repositioning by co-creating their own meaning for it, changing its position in minds of other consumers*
- *Existing customers will stay with the brand, but devalue it due to loss of identity signaling power*
- *New customers will not be attracted to the repositioned brand because memory trace of old brand positioning is too strong and unappealing*

[pg. 30]

Key to successful brand positioning is to find ways to seamlessly fit in consumer's lives, rather than conquer their minds. Pay attention, perceive, persuade.

Develop strong brand positions by looking outward - understand consumers so deeply they can intuitively understand which features support the values that consumers hold dear.

Develop brand positions by understanding the product technologies and create competitive advantage; knowing the company's vision and what company is capable of being to customers.

4. Key terms

breakaway positioning: A strategy for positioning a product or service by deliberately disassociating it from its normal product category and associating it with a different one.

gender-bending: A strategy for repositioning a brand that involves taking a brand that has historically been positioned to appeal to one gender and repositioning it for the other gender.

horizontal positioning: Adding new attributes, benefits, or value for customers to consider.

identity brand: A brand that derives most of its value from what it symbolizes and how it helps consumers present their identities. Repositioning an identity brand is difficult because its consumers rely on it to present their identities to others.

irrelevant attributes: Those things that are distinguishing attributes of the product, but that ostensibly offer consumers no economic, functional, experiential, or social value.

reverse positioning: A strategy for positioning a product or service in which managers strip away attributes consumers expect in a mature product and add some surprising new ones.

stealth positioning: A strategy for positioning a product or service by associating a tainted product with a category consumers embrace in order to overcome consumer resistance.

unique selling proposition: A type of value claim that offers a prospective customer a specific, unique, and superior claim about a product or service that provides a reason to purchase it.

value proposition: The suite of benefits that a firm promises to deliver to its customers to produce value in their lives.

vertical positioning: Highlighting attributes that are shared among brands, but stressing a particular brand's superior performance on those attributes, using superlatives such as *smaller*, *faster*, and *cheaper* to delineate a natural pecking order among brands.

Notes from lectures:

Week 7 - Integrated Marketing Communications (IMC)

[Avery & Teixeira, pg. 3]

1. Introduction

Marketing communications translate the company's value proposition into compelling narratives that establish, maintain, or modify a brand's image in consumers' mind.

Delivered through variety of channels:

- Advertising
- Sales promotions
- Public relations
- Digital marketing
- Personal selling

Consumers are exposed to communications in daily life; if messaging is effective, they make a purchase and recommend the product to friends. **Managers must *equally* be concerned about messages consumers create on their own and spread through social media.**

Commented [1]: In the past, marketing managers were focused primarily on what message to deliver to consumers and media channels to use.

[Avery & Teixeira, pg. 4]

Explore the three broad phases for developing IMC: *strategic intent*, *execution*, and *impact*.

These directly relate to the 6Ms:

- *M*ission
- *M*arket
- *M*essage
- *M*edia
- *M*oney
- *M*easurement

Crafting a plan ensures coordinated messaging delivered through an ***integrated marketing communications (IMC)*** plan.

2. Essential Reading

2.1 Marketing Communications Strategy

[Avery & Teixeira, pg. 5]

Exhibit 1: 6M Model of Marketing Communications

Mission **What are the objectives of the communication?**	*Market* **To whom in the communication addressed?**
Message **What is the story to be communicated?**	*Media* **Where and how is the story delivered?**
Money **How much will be spent communicating?**	*Measurement* **How will impact be assessed?**

Mission and market (specific objectives of communication) = *strategic intent*
Message and media (the story that will be told) = *strategic execution*
Money and measurement (financial implications) = *strategic impact*

2.2 Strategic Intent: Mission and Market

Managers must (1) set objective for communication (mission), and (2) define the audience for the communication (market).

The goal of comms is always to influence someone to buy a product or service; they must be made aware of existence of product/service and be persuaded it is the best solution for their needs.

Marketing communications can be sales-building (short term sales) or brand-building (sustaining the brand as long-term asset); they are *proactive* - to further company's business goals, or *reactive* - responding to communications from consumers ask about the brand.

[Avery & Teixeira, pg. 6]

Different types of communications facilitate consumers moving through five-stage process in buying decisions

[Avery & Teixeira, pg. 7]

Exhibit 2: The Role of Marketing Communications in the Decision-Making Process

Decision-Making Stage	**Role of Marketing Communications**
Problem recognition	Identify new problems and needs and/or remind consumers of existing needs. *Ex: Taco Bell billboard reminding drivers to take a break.*
Information Search	Make consumers aware of a product and educate them about its features and benefits *Ex: Direct mail from airlines detailing specifications and usage test results to Boeing purchasing manager*
Evaluation of alternatives	Assist consumers in making comparisons among solution options. *Ex: Dell offering comparison chart to allow shoppers to see differences in features among models.*
Purchase decision	Prompt consumers into making a purchase. *Ex: Coupon in newspaper encouraging consumers to buy Yoplait yogurt this week.*
Post-purchase assessment	Encourage product usage and make consumers feel good about purchase decision. *Ex: Oral-B print ad reminding consumers to change brush head on electric toothbrush.*

[Avery & Teixeira, pg. 8]

EXHIBIT 3 The Hierarchy of Effects

1. Grab consumers' attention to make them aware of the product.
2. Deliver information about product features, benefits, and values.
3. Encourage a positive impression about product/service in consumers' hearts.
4. Help consumer generate a preference for product/brand by comparing it favorably to other competitive products.
5. Strengthen consumers' preference so it yields to conviction, so they are convinced product is right one for them.

Shape of funnel represents fact that only small portion of consumers with be moved to action; "leaky funnel", where high number of prospective consumers fails to progress to next stage is costly and inefficient.

[Avery & Teixeira, pg. 9]

Establishing specific mission of any marketing communication requires an understanding of consumers' position in purchase journey. Gain this understanding by identifying stages that have been completed and determining what work is left to be done to move consumers through remaining stages.

Search engine marketing: serving up ads as a consumer browses for information online, is often most effective place to capture consumers' attention with useful information just before moment of purchase.

Marketers need to understand what makes consumers consider specific brands and what persuades them to buy those brands; deeper understanding of consumer behavior is essential to recognizing product features that customers most value or benefits they hope to obtain.

[Avery & Teixeira, pg. 10]

Propecia's marketing comms challenge - management team needed to achieve many marketing comms jobs:

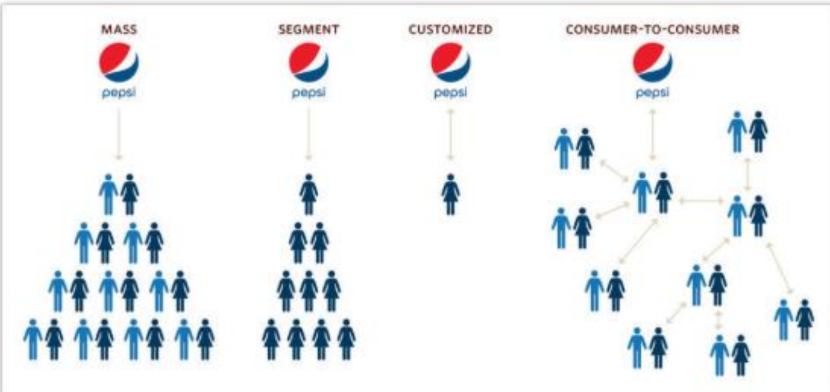
Function	**Communication**	**Part of the Funnel / Process**
Public Relations	Convince men that male-pattern baldness was not inevitable and solution existed to help them	**awareness**
Direct-to-consumer advertising	Introduce men to new product and brand and provide detailed information on how it address male-pattern baldness.	**information search**
Direct-to-consumer advertising	Compare Propecia to Rogaine, the market leader	**evaluate options**
Sales force *detailing*	Introduce Propecia to PCPs to get them to speak with patients about hair loss.	**drive towards purchase**
Direct marketing	Encourage men experiencing hair loss to visit doctors	**action**

Market: Defining the Audience

Comms should be designed with particular audience - target market - in mind. Critical step in designing comms that will speak in ways that are *resonant* and *relevant* to which potential customers will be receptive.

[Avery & Teixeira, pg. 12]

EXHIBIT 4 Addressing Audiences in Different Ways



Population	Communication Technique	Example
Entire target market	*Mass marketing*	Car advertisement on highway billboard
Subsegment within target market	*Segment marketing*	Luxury car sponsorship of golf event
One-to-one	*Customized marketing*	Facebook ads and Amazon product suggestions
Between consumers	*Consumer-to-consumer marketing (C2C)*	Volkswagen "Punch Dub" campaign

Today's consumers are interactive and participatory in marketing communications, co-creating and disseminating marketing messages authored by them and the company. Regularly provide online assessments of products/services in chat rooms or other social media.

[Avery & Teixeira, pg. 13]

Direction	Term	Attributes
One-way/monological	*Unidirectional*	Company sends pre-packaged message, completely controlled, to consumers, who receive message passively
Two-way/dialogical	*Bidirectional*	Forum that allows for consumer response involving

		give-and-take conversation
Firm -> consumer, consumer -> consumer	*Multidirectional*	Audience moves from being consumer to its co producer (most active role). Digital marketing are designed to facilitate this type of communication.

[Avery & Teixeira, pg. 14-15]

Central vs Peripheral Processors

Daniel Kahneman, two modes of thinking:

- *System 1*: Brains operate "automatically and quickly, with little or no effort and no sense of voluntary control"
- *System 2*: Consciously "allocate attention to effortful mental activities that demand it."

- Some consumers are more motivated and better able to actively engage with marketing comms
  - More highly involved in product category
  - Find it personally relevant
  - Have the intellectual horsepower to focus and engage
- Some consumers have low motivation or deficiencies in cognitive ability
  - Leaves them processing marketing communications with System 1 thinking

Elaboration likelihood model (ELM): explains how consumers differently process/respond to persuasive messages and effect on processing paths have on their attitudes

- *Central route to persuasion*: consumers invest high level of cognitive effort to process message (System 2 thinking)
- *Peripheral route to persuasion*: consumers who do not actively engage with message; they take a shortcut

Outputs of System 1 processing include impressions, intuitions, intentions, impulses, and feelings, which can affect choice, even in absence of System 2 thought.

Today's digital landscape is filled with marketing comms to elicit System 1 processing; banner ads, search advertising, Facebook, Twitter, Instagram, Snapchat feeds **lead to active processing where consumer clicks on ad to learn more, but more often only leaves an impression that consumers may not even be aware of.**

Commented [2]: Good point for this week's post as well as the Reliance baking soda case

[Avery & Teixeira, pg. 15]

Push versus Pull Marketing Communications

Push strategies: designed to motivate distribution channel partners or intermediaries to sell product to consumers and target sellers of product (retailers, wholesalers, distributors) as audience. E.g. companies pay retailers promotion fees to push products by placing them in prominent locations on store shelves, end-of-aisle displays. ***Pushes*** the product down through distribution channel from top.

Commented [3]: Reliance Case Pt 2 - RBS team should do a better job forcing their retailer partners to promote their product, give them better incentive to do so.

Pull strategies: designed to build demand with end consumers so desire for product brings them to point of sale, targeting users of product as audience. E.g. Company uses advertising to attract attention of customers to new product. ***Pulling*** product through distribution channel from bottom up.

Many companies pursue hybrid promotion strategy containing both push and pull tactics.

[Avery & Teixeira, pg. 16]

2.3 Strategic Execution: Message and Media

Advantage of crafting IMC is that it delivers coordinated and complementary messages across all consumer touchpoints.

Message: Translating Strategy into Story

Brand positioning statement: strategic document communicating unique value brand offers to particular target market segment. **"Why should I buy?"**

Translate this statement into compelling story line; marketers hire professional storytellers. Ad and marketing comms agencies are filled with creative directors, copywriters, graphic designers, etc. to help translate marketing strategy into good stories.

[Avery & Teixeira, pg. 17, 18, 19]

What Makes a Good Story?

Good storytelling delivers meaning to audience in memorable and evocative way. Marketing comms borrows narrative structures of traditional storytelling to tell story of product, service, brand. Stories contain four classic elements: message, conflict, characters, and plot. Meme is the fifth.

Element	Definition	Example
The Message	Strong takeaway or moral lesson	American Express's "Don't Leave Home Without It"
The Conflict	The driving force; provides energy, forward movement, desire for action to resolve it.	Taco Bell: [Routine Republic TV ad]
The Characters	Identifiable and unforgettable characters; the hero, villain, damsel in distress, rebel,	Geico gecko, Toucan Sam, etc.

	trickster, wise old man, change master	
The Plot	Dynamic and progress along an evolutionary path	a) Draw audience in with exciting opening, b) introduce tension to increase engagement and commitment, c) develops characters to engage audience emotionally, d) release of tension to soothe and delight Opening and closing moments of advert are the most memorable.
The Meme*	Rapidly diffuses through culture by sparking consumer-to-consumer co-creation activity and sharing	Kermit the Frog sipping Lipton Tea California Milk Processor: "Got Milk?"

Meme: Concept, tagline, hashtag, image, video, or activity that hits a cultural nerve, causing it to go viral, spreading quickly/widely across the internet.

[Avery & Teixeira, pg. 20]

Creative Appeals

Rational approaches: appealing to our heads with logical arguments and proof. Fairly straightforward, use scientific/technical evidence from authoritative voices, or testimonials from celebrities who use product regularly.

Emotional approaches: appealing to our hearts to prompt "feel response." Use humor, fear, sex to incite consumers.

Humor Appeals: Humorous comms are often the most attention-grabbing and likeable. Drawbacks: remember the joke and not the joke teller (the brand); if inappropriate, they can respond negatively.

Fear Appeals: Plays to our most instinctual behaviors as humans - fight-or-flight response. Fear can be a strong motivator, and use in advertising has been proven to increase persuasion.

[Avery & Teixeira, pg. 21]

Fear's Boomerang Effect

- **To reduce incidence of smoking in CA, UK, and BR, updated cigarette packaging to contain horrific images of ill effects of smoking like diseased lungs, corroded gums, dead bodies.**

- **Researchers discovered photographs had little effect on 11-to-16 year old smokers, proved to be no better deterrent than written warnings.**

- **Tactics had a "boomerang" effect: viewers disengaged from processing message, diminishing their emotional responses to them.**

- **Combination of graphic images and frightening messaging seemed to be too much for consumer, causing them to erect mental defense. "... That kind of communication will usually result in a defensive avoidance response where the smoker will try to avoid the disgusting images, not the cigarettes."**

Sexual Appeals: Marketing comms that use innuendo or sexually explicit imagery and narratives to appeal to audience's sexual desires. Overall, studies show that sexual appeals are most effective when product is directly related to sex.

[Avery & Teixeira, pg. 22]

Media: Navigating the Storytelling Arena

Outbound marketing: communication between firm and consumer that is initiated by **firm**
- Companies pay content/space providers for ad placement

Inbound marketing: communication initiated by **consumer**
- Firm sets out to make itself available to consumers when *they* are ready to talk

The media decisions in 6M model focus on *where* and *how* brand messages are told.

[Avery & Teixeira, pg. 23]

Getting Attention in a Crowded Field

Mass media like TV and radio is less effective due to fragmentation, proliferation of alternative ways to reach consumers, increasing skepticism of consumers, and growing desire of consumers to co-create the meaning of the brand shaping their lives.

In the U.S., TV advertising has reached historic proportions; up to **28%** of *every* hour in prime time is devoted to advertising (not including product placements).

The ability of the average consumers to remember ads 24 hours later is lowest level in history; per one study, consumers remember only 1% to 3% of advertising they get exposed to.

Estimated 73% of US households avoid commercials through various means; commercial-free outlets like satellite radio are attractive to consumers escape the advertising deluge.

[Avery & Teixeira, pg. 24]

Types of Media

Classified by extent to which message is varied to meet particular communication needs of person receiving it.

Mass media: For mass audience, where no customization is possible (TV ads)
Addressable media: Allows marketers to fully customize pitch to individual consumer (personal selling)

Synchronous communication: Both parties participate at the **same** time
Asynchronous communication: Both participate at **different** times

Firm-controlled media:
- ***Owned media***: company website, social media channels, company retail stores, catalogs.
- ***Paid media***: TV, print, radio, outdoor, online ads

Other-controlled media:
- Media provided by important cultural gatekeepers, like writers featuring products in magazines/newspapers

[Avery & Teixeira, pg. 25]

Consumer-controlled media:
- Consumer blogs, rating sites, social media feeds, online communities

Other & Consumer are ***earned media***: not purchased, but literally earned through PR outreach to press, social media outreach, viral campaigns.

Advertising: paid placement of non-personalized messages by sponsor intended to inform/persuade people about product/service; **total spending worldwide is > $600B per year!**

Direct Marketing: comprises unmediated appeals to customers encourage and elicit an immediate or quick response.
- The rise of *big data* - the analysis of data from sophisticated databases that contain detailed lists of prospective customers and their personal characteristics - has increased use of direct marketing.

[Avery & Teixeira, pg. 26]

Sales Promotion: In-store/on-shelf messaging, prominent displays in stores/websites, special inducements such as coupons or first-time buyers.
- 2017 study: **68%** of leading consumer product brand's *marketing budgets*

Commented [4]: For RBS case - they should be shifting to this, especially in retail stores.

Several trends have contributed to growth in sales promotions

- Consumers have grown up in discount-oriented retail environment
  - Placing downward pressure on retailer margins, leaving them razor thing
- Retailers exert pressure on manufacturers of goods to assume some of costs promoting products in-store
- Manufacturers offer host of *trade promotion* programs
  - Slotting fees (paid to retailers for privilege of hosting new product)
  - Display allowances (paid to retailers for prominent placement on end-of-aisle or checkout display)
  - Cooperative advertising (fund the weekly/monthly circulars advertising in-store specials)
  - Temporary price reduction allowances (allow retailers to lower price for weekly sales or shopper-card discount programs)
- "Such trade promotions are important, especially given that about half of purchase decisions are made in store, and that most purchases completed at brick-and-mortar stores start with in-store research."

Commented [5]: This will be critical for the case! They should be smashing this in consumers faces.

Consumer sales promotions: important because they can be deciding factor in purchase decision.

- Coupons, rebates, free samples, volume discounts, free gifts with purchases
- Warranties, guarantees, price protection programs
- In-store demos, contests, sweepstakes

[Avery & Teixeira, pg. 27]

Personal Selling: specialized salespeople actively promote products of one particular manufacturer and serve as experts to answer consumers' questions. *Cross-sell* or *upsell* consumers.

Public Relations: production/dissemination of marketing comms designed to influence influencers (people who have cultural capital to spread the word about company's offerings). Goal of PR is to achieve earned media.

Event Marketing and Sponsorships: Brand association with entertainment/sporting events/social causes to generate earned media and cement associations between brand and popular culture.

[Avery & Teixeira, pg. 28-29]

Social Media: Companies have opportunity to talk with consumers; Facebook, Twitter, Instagram, Snapchat, Pinterst, YouTube.

2.4 Strategic Impact: Money and Measurement

Money: Budgeting for Marketing Communications

Firms set marketing comms budgets based on money they believe is available, given revenue projections and other expenses; top-down budgeting approach, *advertising-to-sales* ratio benchmark.

Problems with this approach:

- 1. Ad-to-sales ratios vary dramatically across different product/service categories
- 2. Revenue projections made without consideration of marketing support are untenable

[Avery & Teixeira, pg. 30-32]

More rational approach to budgeting is bottom-up: defining strategic goals for marketing comms first, and figuring out how much it will cost to achieve them - objective-and-task method.

Marketer's decision on how much to spend depends on audience, message, and various media factors:

- **Audience Accessibility and Desirability**: Some target markets are less accessible because audience is not connected to media with much frequency or regularity.
- **Audience Size and Heterogeneity**: Homogeneity and heterogeneity matters significantly; if target audience is made up of same kinds of consumers, single creative campaign with focused media can speak directly to them.
- **Audience Receptivity**: Receptive audiences are cheaper to reach - this helps determine how often ad needs to be shown (frequency) to have impact.
- **Task Complexity**: Job to be accomplished influences cost, raising awareness is easy, but more difficult to move consumers through decision journey towards purchase.
- **Message Complexity**: Complicated messages may require more costly, specialized media (personal selling) or long media segments (60 second ads)
- **Message Virality**: How rapidly message can be spread
- **Media Clutter**: Competing against all advertisers trying to make an impact, including brands with deep pockets.
- **Financial vs HR Investment**: Digital marketing is not free! It requires someone to write content, continuously monitor consumers' response to it, or **someone to analyze reams of big data to determine right keywords to move comms up in search results.**

[Avery & Teixeira, pg. 32-33]

Measurement: Calculating ROI!

Marketing Metrics

Managers assess two elements:
1. ***Message delivery***: how widely/deeply message has spread.
2. ***Message impact***: whether and how it influenced consumers' purchase behavior.

Message delivery is easiest to assess, using metrics like:
- Reach
- Number of impressions
- Frequency
- Open rates, click-through rates (CTR)
- Time spent on website
- Number of direct mail response vehicles returned

[Avery & Teixeira, pg. 35]

Message impact is difficult to analyze - lag time between when a communication is delivered to consumers and when they respond to it by purchasing product.

Metrics for Each Promotional Vehicle

Advertising

The goal of advertising is to place media in ways that interrupt a large number of people and capture their attention. Advertising is judged by how well it meets several metrics at lowest possible price.

Reach: effective reach is expressed as percentage that indicates how much of target market is exposed to ad (e.g. 80% of women/girls aged 12-24)

CPMs for US TV ads have far outpaced inflation - in 2017, CPMs averaged between $20 and $45 per 1,000 viewers for 30 secs of prime-time advertising (2x from 2012, 7-9x from 1990s). **Jaded consumers pay less attention to advertising.**

[Avery & Teixeira, pg. 36]

Gross rating points (GRPs): reach multiplied by frequency, expressed as a percentage to track progress in achieving sufficient reach and frequency against particular target market in media plans.

Impact: measures qualitative value of advertisement appearing in certain media vehicle or certain location in media vehicle; e.g. back cover of magazine has higher impact than page in the middle.

All of which is to say that when marketers buy advertising, they are looking to maximize *reach*, *frequency*, *image*, and *impact* at the lowest CPM.

[Avery & Teixeira, pg. 37-38]

***Direct Marketing*:** email marketing, catalog drops, telemarketing, and direct mail to connect with particular consumers. Marketers track *response rates* (how many people responded to program) and *conversion rates* (how many responders convert to paying customers). Generate *cost per response rates* and *cost per conversion rates* to understand cost of acquiring customer.

***Sales Promotion*:** Marketers analyze the *incremental sales lift*, or the sales directly attributable to the promotional program beyond the baseline of sales that would have been expected without it.

Personal Selling: Comparing the cost of selling activity to contribution of company's financial results. *Acquisition cost* measures how much money company spends to gain customer, and *revenue (profit) per sale* measures financial gain of company as a result. *Close rates* and *conversion rates* measure percentage of potential customers (leads) who become paying customers. *Number of calls* tracks how much individual salesperson needed to make sale.

Public Relations/Event Marketing/Sponsorships: Aim to maximize impressions (number of people watching or in attendance) and direct customer interactions (number of people who talk with salesperson or receive a free product sample)

Digital Marketing: Marketers often use *A/B testing* to assess effectiveness of digital marketing.

Marketing ROI

Assess *return on investment (ROI)*, a performance metric that evaluates the efficiency of firm's marketing investment. Net financial value that firm receives from marketing investment is divided by cost of marketing program.

$$\text{ROI} = \frac{(\text{incremental profits gained} - \text{cost of the marketing investment})}{\text{cost of the marketing investment}}$$

[Avery & Teixeira, pg. 39]

Conclusions:

Marketing communications do *more* for company than generate profits in short term; effective marketing comms enable companies to build longer-term assets - **brand/customer equity** - that help generate future profits.

Marketing comms are critical for:

- Attracting consumers' attention
- Conveying factual information
- Creating meaning
- Persuading consumers to buy
- Reminding consumers to buy
- Suggest usage situations
- Reassure consumers of their choices after purchases

"These activities are performed at various points along a consumer's decision-making process and provide forward momentum toward purchase by increasing awareness, changing attitudes, and motivating action."

"These messages not only generate short-term sales, but also build long-term brand and customer equity, driving a company's growth today and tomorrow."

3. Key terms

Addressable media: Media that allows a marketer to customize his or her message to the particular needs of an individual customer.

Click-through-rate (CTR): *Click-through* is the process of clicking on an online advertisement to bring the consumer to the advertiser's destination. *Click-through rate (CTR)* is the average number of click-throughs per hundred ad impressions, expressed as a percentage. The CTR is a way of measuring the success of an online advertising campaign for a particular website, as well as the effectiveness of an email campaign.

cost per click (CPC): An internet advertising metric that can be defined simply as the amount spent to get an advertisement clicked. Cost per click is used as a billing mechanism in the pay-per-click advertising model.

cost per thousand impressions (CPM): A metric that allows marketers to compare the reach offered by various media vehicles to their costs. CPM measures the financial expenditure needed to reach 1,000 people by means of a particular media vehicle.

earned media: Marketing communications that are authored and placed through the efforts of others who are not controlled by the firm. A firm earns this media, rather than purchasing it, through public relations outreach to the press, social media outreach to consumers and viral campaigns, and event marketing.

frequency: A metric that measures the average number of times a person in the target market is exposed to an advertisement.

gross rating points (GRPs): Reach multiplied by frequency.

hierarchy of effects: A model with six stages (awareness, knowledge, liking, preference, conviction, and purchase) that depicts the process that consumers go through before purchasing a product. The hierarchy of effects is often presented as a funnel.

impact: A metric that measures the qualitative value of an advertisement appearing in a certain media vehicle or in a certain location in a media vehicle.

impression: The number of people reached by a media placement. Examples include how many people saw a television advertisement, how many people passed by a billboard on the street, and how many people read a news story about a company.

integrated marketing communications (IMC): A planning process that ensures that all brand contacts received by a customer or prospect for a product, service, or organization are consistent over time and across media vehicles. This involves the development of marketing strategies and creative campaigns that weave a common story across multiple media vehicles (e.g., advertising, public relations, sales promotion, and social media).

mass media: Media that is viewed by a mass audience where no customization of message is available.

message delivery: How widely and deeply a marketing communications message has spread through a population.

message impact: Whether and how a marketing communication influenced consumers' purchase behavior.

open rates: An indication, usually expressed as a percentage, of how many people viewed or opened a marketing communication.

owned media: Media vehicles that are completely under the control of a firm, such as a company's website, social media channels, company-owned retail stores, and catalogs.

paid media: Media such as television, print, radio, outdoor, or online advertising through which a company maintains complete control of the content and delivery of its message by contracting for specific media placement and by managing its creative execution of the message.

pull strategies: Promotion tactics that are designed to build demand with end consumers so they have a desire for a product that brings them to the point of sale. These tactics pull the product through the distribution channel from the bottom.

push strategies: Promotion tactics that are designed to motivate distribution channel partners or intermediaries to sell a product to consumers. These tactics push the product down through the distribution channel from the top.

reach: A media metric that measures the number of people exposed to an advertisement.

share of voice: A brand's marketing communications spending as a percentage of the total marketing communications spending in the product category.

Week 8 - Digital Marketing

1. Introduction

[Davin & Gupta pg. 4]

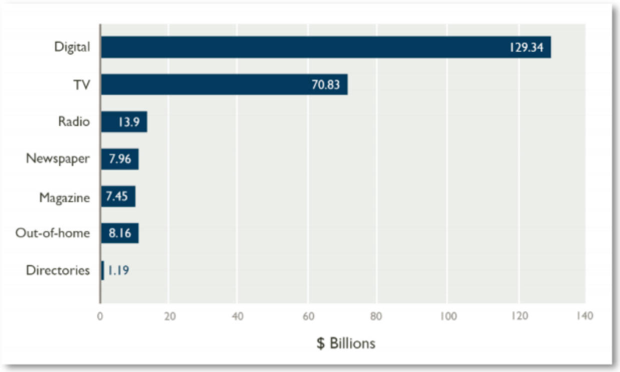
Digital tech has changed how consumers search for information, interact with each other, and buy products/services, dramatically altering the way firms engage with consumers and build brands.

- ***Cookies:*** track customers surfing the web
- Content-curation websites (Buzzfeed/Reddit):
- Content-sharing websites (LinkedIn, Medium, YouTube):
    - Enable new levels of self-expression
    - Offer new marketing tools

Having information enables better targeting and linking of touch points to sales and ***customer lifetime value (CLV)***.

In 2019, spend on digital advertising reached:
- U.S. = $129B (54% of total)
- Worldwide = $333B (50% of total)

EXHIBIT 2 US Media Ad Spending, 2019



[Davin & Gupta pg. 5]

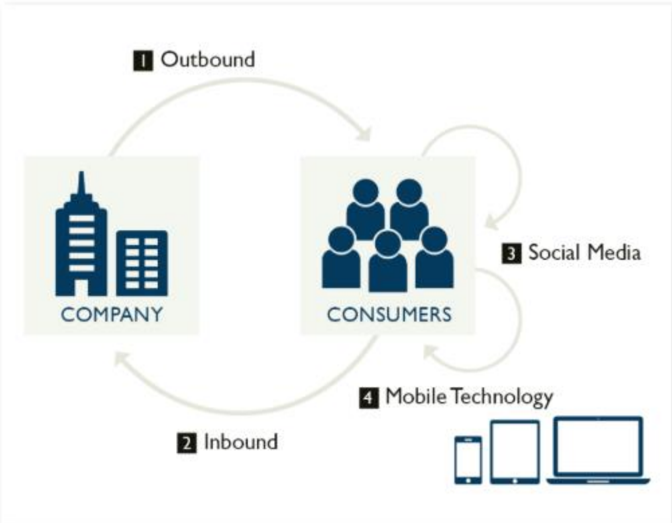
By 2018, there were more than 4M YouTube videos viewed, 2,000 new comments on Reddit, and ~500,000 tweets in average "Internet minute".

Commented [6]: Managers need to understand how to leverage digital marketing to influence consumers.

Framework for Digital Marketing

Term	**Definition**
Outbound marketing	Ways firm reaches out to target consumers Ex: search, display, video ads
Inbound marketing	Ways companies ensure they are found when consumers search for service/product ***Search engine optimization (SEO)***
Social media	Digital platforms where consumers actively create content Ex: Twitter, Facebook
Mobile technology	Way consumers search for and buy products/services by keeping consumer connected anytime, anywhere

EXHIBIT 3 A Framework for Digital Marketing



[Davin & Gupta pg. 8]

The Role of Native Advertising

- *Native advertising*: form of online advertising in which brands create sponsored content that blends into the main story or editorial content of article
- Use of native ads growing quickly as alternative to traditional digital ads
- Banner ads have dismal *click-through rates (CTR)* of 0.02%
- Native ads on BuzzFeed have CTRs as high as 1% to 3%
- Native ad use rich media (web pages with videos), mobile-friendly, and encourage social sharing to *go viral*.

2. Essential Reading

2.1 Outbound Marketing

[Davin & Gupta pg. 10]

2.1.1 Search Ads

Search engines (Google, Yahoo!, Baidu (China), Yandex (Russia): gateway of the internet, consumers searching for relevant terms and selecting links to explore; search ads are powerful points of interaction.

[Davin & Gupta pg. 12 - 14]

Buying Keywords

Branded Keywords: Companies buy their own branded keywords. A study showed that search ads increase click-through rates of organic links of the same company by 25%. Bidding on keywords make sense from a defensive and offensive point of view.

Generic Keywords: Consumer may not be looking for specific company, but ad could influence user to click through to explore company - even if she doesn't click now, she could be aware of Hilton and look for more info later.

Company should monitor its portfolio; sophisticated companies use *scripts*, although manual monitoring is required to assess popularity of search terms. Etc.

Paying for Keywords

EXHIBIT 8 The "Golden Triangle" for Search Engine Results, 2005

Commented [7]: Heat map plotting time people spend viewing different parts of search website.

- **Eyes still go to upper left of Google search page, but:**
  - **People scan the entire page very quickly (quick vertical scan vs horizontal scanning**
    - **Increasing use of smartphones**
    - **Shift in Google's approach of ads on desktops because of mobile usage**

Implication of new study is that people scan top three or four results on page, so not as critical to capture the very top search result. Higher position/ranking of ad still draws more attention and higher number of clicks.

[Davin & Gupta pg. 15 - 16]

Cost-per-Click Bid

Cost-per-click (CPC): amount that a firm bids on particular keyword; cost varies dramatically.

- In 2018
    - Travel companies paid average of $1.53 per click on desktop, $2.43 on mobile
    - Educational institutions: $18.91 per click on desktop, $13.95 on mobile

Conversion rate (rate of percentage of clicks by visitors that results in product sale or desired action)

Google uses "generalized second-price auction": highest bidder gets first ad position but pays bid amount of second highest bidder, who gets second position but pays bid amount of third-highest bidder. This leads to truth telling because advertisers bid max amount on basis of willingness to pay.

Continuous testing, measurement, analytics are key to finding the best position and optimal bid for each set of keywords.

Quality Score

Quality score: assigned by the search engine (e.g. Google). Quality score balances goals of consumer, advertiser, and Google. Based on three factors:

- Potential click-through rate (CTR) of ad
- Relevance to consumers
- Quality of landing page (page on advert's website where consumer lands)

Click-through rate (clicks divided by impressions): measure of consumer's revealed preference - users won't click an ad unless they find it helpful (and how *Google makes money*).

Relevance: determined by match between keywords used by consumer while searching and content of the ad.

Quality: measured by the *bounce* rate, how quickly consumers leave the advertiser's website after landing there. Included to prevent advertisers baiting consumers to click on ad and bring them to irrelevant pages.

[Davin & Gupta pg. 17]

EXHIBIT 9 Ad Rank Based on Bid Amount and Quality Score

Advertiser	Maximum Bid	Price Paid	Quality Score	Bid* Quality	Ad Rank	Actual CPC
W	$4.00	$3.00	1	4	4	-
X	$3.00	$2.00	3	9	2	8/3 = $2.67
Y	$2.00	$1.00	6	12	1	9/6 = $1.50
Z	$1.00		8	8	3	4/8 = $0.50

$P_1 * Q_1 = B_2 * Q_2$

or $P_1 = B_2 * Q_2 / Q_1$

Using this equation, we can see how the actual CPC in Exhibit 9 is calculated. For example, the CPC for the top-ranked advertiser, Y, depends on the bid and quality score of the second-ranked advertiser, X. Specifically, the actual price or CPC for Y will be:

$Price_Y = Bid_x * Quality_x / Quality_y$, or $3*3/6 = \$1.50$

Notes:

- CPC for Y is less than bid amount of $2; Google ensures advertisers never pay more than max bid amount, usually paying less.
- Higher-quality score for ad reduces the CPC for advertiser; Google encourages advertisers to create relevant ads for consumers instead of bidding more for attention.
- Actual CPC depends on the bid and quality of competitors; competition for keywords are different and constantly changing, advertisers won't know exact money they will spend on search ad. Instead, they know this amount won't be more than budgeted amount.

(a) Y increases its quality score from 6 to 10.

Advertiser	Maximum bid	Price Paid	Quality Score	Bid Quality	Ad Rank	Actual CPC
W	$4.00	$3.00	1	4	4	-
X	$3.00	$2.00	3	9	2	8/3 = $2.67
Y	$2.00	$1.00	10	12	1	3*3/10 = $0.90

Commented [8]: if quality score wasn't included

Commented [9]: Bid price of X times Quality score of X, divided by Quality score of Y

Z	$1.00		8	8	3	2/8

(b) X increases its quality score from 3 to 7 (and Y remains at 6).

Advertiser	Maximum bid	Price Paid	Quality Score	Bid Quality	Ad Rank	Actual CPC
W	$4.00	$3.00	1	4	4	-
X	$3.00	$2.00	7	9	2	8/7 = $1.14
Y	$2.00	$1.00	6	12	1	3*3/6 = $1.50
Z	$1.00		8	8	3	2/8

Commented [10]: if quality score wasn't included

Commented [11]: Bid price of X times Quality score of X, divided by Quality score of Y

[Davin & Gupta pg. 19]

Assessing the Effectiveness of Search Ads

Impressions: number of times a search ad is seen by consumers, show the reach of an ad.

Simple exposure does not indicate whether consumers were influenced by an ad; search engines don't charge for impressions.

Click-through rate (CTR): number of clicks per impression; CTR is typically in low single digits.

EXHIBIT 10 Metrics Used to Assess a Bank's Search Ads

Site[f]	Media Spend	Impressions	Clicks	Applications Completed	Click-Through Rate (CTR)	Conversion Rate
Google	$288,000	5,575,637	234,963	3,717	4.21%	1.58%
MSN	$37,000	897,406	50,242	663	5.60%	1.32%
SuperPages	$70	116,922	1,410	16	1.21%	1.13%
Yahoo!	$177,000	4,435,709	165,166	2,419	3.72%	1.46%
Unified Marketplace	$14,000	503,563	20,652	292	4.10%	1.41%
Total	$516,070	11,529,237	472,433	7,107	4.10%	1.50%

E.x. BBVA spent $288,000 on search ads with Google that led to:

- 5.6 million impressions (exposures)
- ~235,000 clicks, 3,700 lead to checking account
    - CTR of 234,963/5,575,637, or 4.21%.
    - CPC was $288,000/234,963, or $1.23.

- Conversion rate of 3,717 ⁄ 234,963, or 1.58%.

$$\text{Search ad profit} = (\text{impressions} \times \text{click-through rate} \times \text{conversion rate} \times \text{margin}) - \text{search ad cost}$$

$$\begin{aligned}\text{Search ad profit} &= (5{,}575{,}637 \times 4.21\% \times 1.58\% \times \$100) - \$288{,}000 \\ &= (3{,}717 \text{ completed applications} \times \$100) - \$288{,}000 \\ &= \$83{,}700\end{aligned}$$

[Davin & Gupta pg. 21]

2.1.2 Display Ads

Search ads are designed for immediate action or sale; display ads have two objectives:

- Like search ads = immediate action
- Like TV/print ads = increasing brand awareness

Most commonly used are:

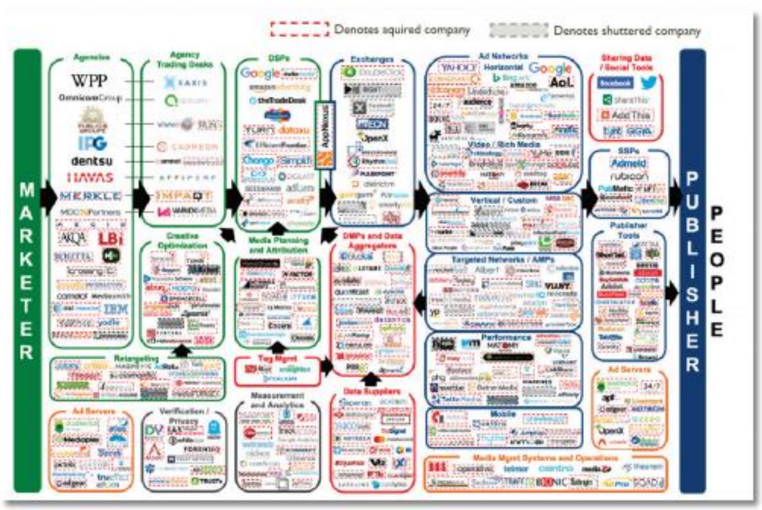
- *Banner ads*: Oldest/most traditional forms of display, top of web page
- *Interstitial ads*: Full web pages before users are directed to original page requests; more intrusive to users
- *Expandable banner ads*: Automatically expand to large portion of user screen; fall between banner and interstitial ads
- *Overlay*: Similar to interstitial, but transparent background
- *Rich media*: Ads include interactive components like video, audio, hyperlinks
- *360-degree ads*: designed for mobile phones, provide 360-degree view to user

[Davin & Gupta pg. 22-24]

Display Ads Industry

Fragmented industry comprising many different players

EXHIBIT 11 Display Advertising Industry Landscape



Commented [12]: What a gross looking map

Content publishers: sell space to advertisers on websites (large online publishers like *New York Times* -> small sites)

Ad networks, exchanges connect advertisers (buyers) with publishers (suppliers).

Ad networks (e.g. AdSense by Google): aggregate supply of advertising space from variety of publishers and match it with advertiser's demand

Ad exchanges (e.g. Rubicon): automate matching between advertisers and publishers; called programmatic buying which uses real-time bidding (RTB).

- 72% of all US digital display ad spending was done by programmatic buying

Demand-side platforms (DSPs): work as buyer's brokers, helping buyers (ad agencies) manage ad inventory across multiple exchanges and networks through one interface

Supply-side platforms (SSPs): content suppliers'/publishers' brokers, help publishers get best prices for ad space inventory from various buyers.

Data management platforms (DMPs): Collect, interpret, sell customer browsing and other information that help advertisers effectively target their ads.

Privacy, ***tag*** management, analytics round out the roles in sprawling landscape.

[Davin & Gupta pgs. 24-]

Assessing the Effectiveness of Display Ads

CPM (Cost per thousand impressions).

Millward Brown used test-control methodology: measure the impact of display ads on brand metrics like brand awareness, favorability, purchase intent.

2018 study by Internet Advertising Bureau (IAB) of U.K.:

- 675 ad campaigns (2008 - 2017)
- Compared to a control group, digital display ads increased
    - Unaided brand awareness: up to 12%
    - Improved brand perceptions: 2%
    - Increased purchase intentions: 3%

EXHIBIT 14 Metrics Used to Assess a Bank's Display Ads

Ad Network	Media Spend	Impressions	Clicks	Applications Completed	Click-Through Rate (CTR)	Conversion Rate
AOL (now Verizon Media)	$176,000	97,466,342	34,777	2,934	0.04%	8.44%
Tribal Fusion (now Exponential Interactive)	$107,000	38,780,477	21,861	1,002	0.06%	4.58%
Casale	$90,000	64,222,377	38,450	881	0.06%	2.29%
Revenue Science	$74,000	30,949,214	11,572	862	0.04%	7.45%
24/7 Media	$62,000	13,979,255	4,635	577	0.03%	12.45%
InterClick (acquired by Yahoo)	$38,000	12,678,327	9,643	411	0.08%	4.26%
Other	$87,000	50,703,224	18,238	523	0.04%	2.87%
Total	$634,000	308,779,216	139,176	7,190	0.05%	5.17%

Source: Adapted from Harvard Business School, "BBVA Compass: Marketing Resource Allocation," HBS No. 511-096, by Sunil Gupta and Joseph Davies-Gavin. Copyright 2011 by the President and Fellows of Harvard College.

$$\text{CPM display ad profit} = \text{impressions} \times [(\text{click-through rate} \times \text{conversion rate} \times \text{margin}) - \text{cost per thousand impressions or CPM}/1{,}000]$$

$$\text{CPC display ad profit} = \text{impressions} \times \text{click-through rate} \times [(\text{conversion rate} \times \text{margin}) - \text{cost per click}]$$

[Davin & Gupta pgs. 28]

Improving Effectiveness of Display Ads

Contextual ads: ads that match website topic to improve display ad's effectiveness.

Highly visible ads: Pop-up or auto-play.

Retargeting ads: display ads shown to consumers who previously visited company's website. E.g.

- Consumer looks at Skechers shoes, visit creates a cookie.
- Consumers shops for books -> retargeting ad based on cookie appears to remind consumer about Skechers

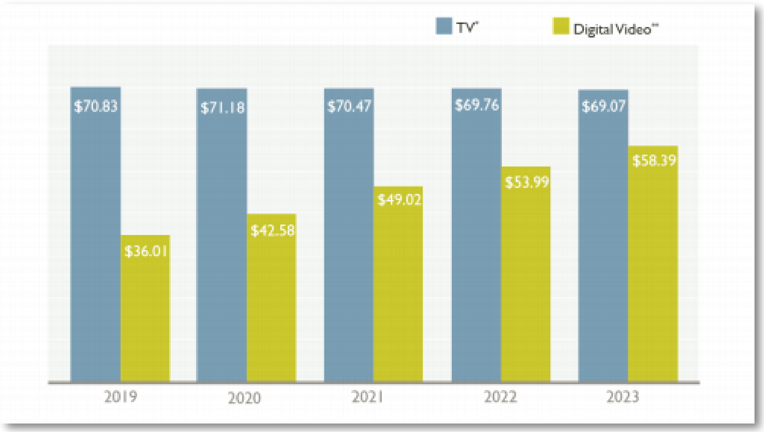
Morphing display ads: vary for different individuals visiting same web page; algorithmically selected from portfolio of potential ads on basis of known consumer attributes (websites visited, demographics).

- **Increase of effectiveness attributed to some people being persuaded by facts and numbers, others understand concepts through graphics.**

[Davin & Gupta pgs. 29]

2.1.3 Video Ads

EXHIBIT 15 TV and Digital Video Ad Spending, US



Digital video ads are not limited to YouTube/Facebook; smart TV like Roku, Hulu, Sling TV, and DirecTV allows brands to target TV audiences same way they reach them through digital platforms.

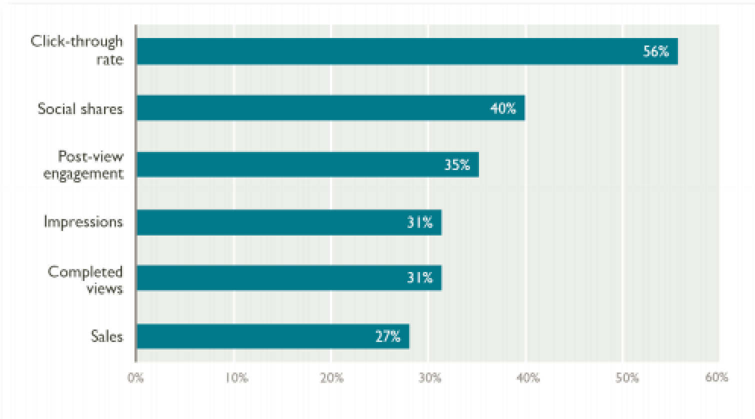
Same basic steps as display ads:

1. Start with goal (increase brand awareness, drive traffic, increase purchases)
2. Select target audience (age group, geography, interests)
3. Create an ad
4. Set a budget
5. Measure/monitor results

Common formats:

- Skippable in-stream ad: Video ad that plays before, during, after main video and can be skipped by user
- Non-skippable in-stream ad: 15- to 20-second ad that cannot be skipped
- Bumper ad: Non-skippable ad of less than 6 seconds

EXHIBIT 16 How Marketers Measure Video Ad Effectiveness



[Davin & Gupta pgs. 31-]

2.1.4 Measuring the Effectiveness of Outbound Marketing

Correlation vs. Causation

Large-scale field experiment conducted on eBay challenges measurement of search ad effectiveness using traditional methods. Findings:

- Measurements of online clicks and sales do not necessarily prove that online advertising caused increase in sales
- Branded keywords have no measurable short-term benefits
- Returns on paid search ads are far lower than conventional estimates

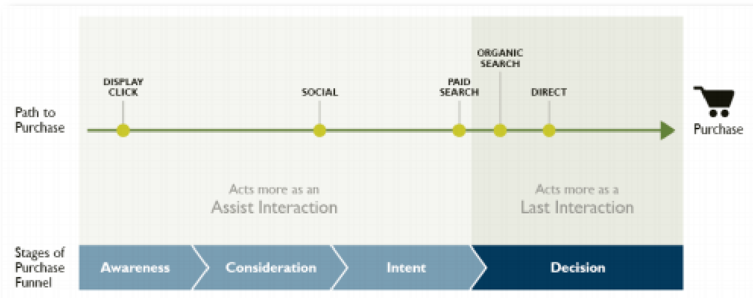
Traditional methods correlate clicks and sales, whereas only experimental study can uncover causality.

Google's response (obviously):
Google's own studies, based on results from hundreds of advertisers, have found that more than 89% of search ad clicks were incremental and that 50% of the search ad clicks were incremental even when there was an organic search result for the advertiser in the top position. Since outcomes differ so much among advertisers and are influenced by many different factors, we encourage advertisers to experiment with their own campaigns.

Attribution

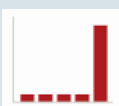
Commonly used measure of effectiveness, last-click attribution, gives all the credit for sale to search ad, even though other media channels helped move the consumer along in the buying-decision journey.

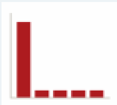
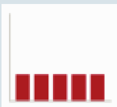
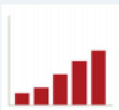
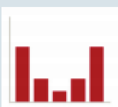
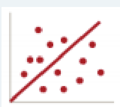
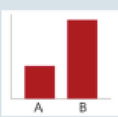
EXHIBIT 17 The Role of Digital Channels in a Sample Purchasing Decision



Source: Adapted with permission from "The Customer Journey to Online Purchase," *Google Inside AdWord*, April 25, 2013, https://adwords.googleblog.com/2013/04/the-customer-journey-to-online-purchase.html, accessed July 2019.

EXHIBIT 18 Attribution Models

Attribution Model		Description	Comments
	**Last Interaction**	Last ad or click gets 100% of the sale	Ignores long-term effects of ads earlier in the funnel Overweights ads that appear frequently

Attribution Model	Description	Comments
 **First Interaction**	First ad or click accounts for 100% of sale	Ignores ads later in the funnel that convert customer Overweights ads that appear frequently
 **Linear**	All ads or clicks get a uniform weight	Ad hoc allocation Overweights ads that appear frequently
 **Time Decay**	All ads or clicks get some attribution; more recent ads get higher weight	Ad hoc weights (How much decay?) Overweights ads that appear frequently Unclear why ads later in the funnel should have higher weight
 **Position-Based**	Ads get attribution based on position in the path	Ad hoc weights
 **Regression or Model-Based**	Attribute weight based on regression- or other model-based approaches	Scientific way to allocate weights to ads along consumer journey path Ignores that some ads are viewed simply because they are on the relevant site (e.g., contextual ads) even if the ads themselves have no impact
 **Experiment-Based**	Attribution based on ***A/B testing***	Most accurate way to determine ad effectiveness but difficult to manage across many different ad networks and consumers Difficult or expensive to conduct

Combining search and display provided 22% lift in conversion rate compared to search alone; 400% better conversion rate than display ads alone.

[Davin & Gupta pgs. 34-39]

Dynamics (Delayed Impact of Advertising)

"Zero Moment of Truth" (Google) - consumers may spend several weeks/months iteratively using online/offline information to look for and decide between alternatives.

Multivariate time series model for bank online advertising campaign found ignoring dynamic or long-term effects of ads underestimated ROI by up to 40%. Bank should shift greater share of online ad budget to search ads.

Offline Interaction

1. Understanding the interaction or potential synergy between online/offline marketing
2. Assessing the impact of online marketing on offline purchases and vice versa (*omnichannel shopping*)

Synergy between Online and Offline Marketing

- Offline experience at retail store is ranked as most influential where personal fit is important

Successful integration requires creativity; e.g. Coca-Cola's campaign in Hong Kong used smartphone app to interact with commercial, engaging consumers and generating high-visibility activities that spurred ***word-of-mouth marketing***.

Omnichannel Shopping: Consumers are comfortable buying from different distribution channels. Many consumers will use company's store to research, then go to store try product and make purchase offline.

Measuring ***offline conversions***, M Kors concluded that Facebook ads accounted for 31% increase in in-store transactions.

Customer Lifetime Value

Gaming companies used to measure effectiveness of digital campaigns on cost per install (CPI) of games by mobile users. Majority of games retain only 35% of players after day one, and *staggering* **94%** of players tend to abandon mobile game after a month.

[Davin & Gupta pgs. 40-42]

2.2 Inbound Marketing

Focus of inbound marketing to ensure, in keyword searches by search engines, organic links for firm rank higher than competing links.

In the U.S.:

- 86% of TV viewers skip commercials altogether
- 84% of consumers between 25 and 34 have left website due to "intrusive" ads

- 82% of US consumers conduct online research before buying a product

Answer three main questions:
- How do consumers find me?
- What content should I create to attract potential customers?
- How do I optimize my website for engagement?

2.2.1 Getting Found

Companies need to find ways to achieve higher rankings in search engines. How Google works:
1. Indexes web pages on the internet (like catalog in library)
2. Ranks web pages on bases of relevance and importance to consumers' search queries

Gaining ranks in search results is called *search engine optimization*.

Ranking based on two key factors:
- *Relevance*: How closely Google matches a consumer's search query and particular web page
    - Company must ensure website has content, keywords, and meta tags for improved relevance
- *Authority*: Google uses PageRank; assess importance/credibility of academic paper based on number of third-party papers that cite particular paper
    - Garner inbound links from other websites to build authority using savvy content creation

2.2.2 Creating Content

Two main goals:
- Answer customers' questions and needs beyond basic product information
    - Adopt customer-centric view of world, solving consumer's problem
        - Company improves relationship with consumer and awareness/need for product
- Create trustworthy, original, and interesting content that improves authority by encouraging linking to website
    - Content should contribute to company's brand reputation
        - Every firm has potential to become a publisher

2.2.3 Optimizing Landing Pages

User experience is paramount. Using consumer focus groups to test website design (use of colors, button shapes, position, wording, fonts, images, logos, usability, performance) shows what resonates with target customers.

US gov agency redesigned website for usability; task success doubled, time to completion reduced, user satisfaction soared.
[Davin & Gupta pgs. 43]

2.3 Social Media

Social media powerful tool allowing people to create and share info/ideas across the globe

- Facebook/Twitter instrumental in Arab Spring in December 2010
- Facebook in 2016 U.S. presidential elections

Ice Bucket Challenge for ALS, began in Boston and spread to U.S./WW

- June 1 - September 1, 2014: 17 million videos were shared, viewed over 10 billion times by more than 440 million people

Gangnam Style, 2012 pop video by Sy:

- Seen over two billion times on YouTube within two years
- Reached 3.29B views by February 2019
- Sixth most-watched on YouTube

Intuit cofounder Scott Cook: "A brand is no longer what we tell the consumer it is - it is what consumers tell each other it is."

Word of mouth and social interactions are key influencers in purchase process; McKinsey estimates that between 20% and 50% of all purchases are driven by word-of-mouth recommendations.

Social media has created social influencers/digital celebrities:

- Huda Kattan, 38 million Instagram followers
- Cameron Dallas: 21 million Instagram followers and 35 million YouTube views

[Davin & Gupta pgs. 44]

2.3.1 Listening to Social Conversations

Understanding Customers: Social media provides a forum for companies to hear and understand consumers' attitudes and behaviors at broader and deeper level.

PatientsLikeMe: world's largest personalized health network, where more than 650,000 people with 2,900 medical conditions have generated *43 million data points*.

Brand Perceptions: Using *sentiment analysis* and *text-mining techniques*, companies create brand association maps in real time.

Customer Satisfaction and Future Behavior: E.x. consumers routinely check hotel reviews on TripAdvisor or Yelp before booking.

- One-star increase in Yelp associated with 5% to 9% increase in sales for restaurants
- TV shows discussed across wide number of communities did better than focused community

[Davin & Gupta pgs. 46-48]

2.3.2 Participating in Social Discussions

Companies can actively participate and shape conversation.

- Starbucks: My Starbucks Idea
- Nabisco: 100 calorie pack
- Super Bowl blackout in 2013:
  - Oreo posted “You can still dunk in the dark.”
    - # of followers on Oreo’s insta rose from 5,000 to 34,000

2.3.3 Leveraging Social Media and Amplifying the Message

Leverage social media to amplify their message and create brand advocates. Tremor uses community of one million mothers, along with boomers, millennials, US Hispanic consumers, to generate word-of-mouth recognition and advocacy by influential consumers

To amplify messages through social media/create brand advocates, managers must understand:

Why: Consumers share information for:
- *Intrinsic* motivations: intangible customer rewards like social status (Yelp giving VIP status to motivate members to advocate for website)
- *Extrinsic* motivations: tangible incentives like monetary rewards or free products (social influencers can earn substantial income)

What: Content must connect emotionally with viewers. Ads with high entertainment values likely to be shared on social media more frequently, but brand message may be lost.

How: 2012 study examined spread of millions of messages on Twitter and Yahoo - more than 90% of messages did not spread at all beyond recipient.

There is a distinction between virality and amplification. Virality comes from epidemiology, where a single person infected with a disease, such as Ebola, can spread it to the entire population. The higher the diffusion rate, the faster the spread of disease. Founder of Buzzfeed argues messages can only be amplified, two to three times, and cannot go viral.

[Davin & Gupta pgs. 49]

2.3.4 Measuring Social Media

Most firms use metrics like # of followers, fans, shares, “likes”, as surrogates for success of social media campaigns.

Syncapse (social media analytics company) reported average value of Facebook fan across several brands as $174, by comparing spending of people who “liked” brand, Coke, on Fbook with another group of consumers who did not “like” Coke - difference in spending value of Fbook fan for that brand
- Obvious flaw due to *self-selection*: heavy consumers of Coke (like the brand, consume it more) may click on like more than light Coke drinkers

- Second challenge is *homophily*: people with similar preferences tend to belong to same community or group “birds of a feather flock together”.
  - You bought an album online, and two days later one of your Facebook friends also bought the same album; did your friend buy the album because of you (social effect) or because you have similar taste in music (homophily effect)?

Estimating the effectiveness of social media remains an area that needs further research.

[Davin & Gupta pgs. 50-51]

2.3.5 Managing Social Media

Social media is double-edged sword;

- Consumers can promote brand and share information/content with other consumers (generate awareness).
- Consumers can air negative experiences in public, quickly spreading like wildfire and becoming a PR nightmare.

Even if 99% of customers are happy, single customer can potentially create nightmare for a company. Best advice for managing social media disasters borrowed from managing forest fires:

- Make sure your forest is not dry because you don’t know where lightning may strike.
  - If customer complaint catches attention of thousand or millions of people on social media, indication of “dry forest” - inherent problem with product/service.
- If forest catches first, act quickly.
  - Customers expected an immediate response;
    - 42% of customers expect a response to complaints on social within an hour.
    - 80% of customers expect a response within 24 hours

[Davin & Gupta pgs. 52-54]

When Social Media Turns Bad

- **Musician Dave Carroll guitar was damaged due to mishandling during United Airlines flight, created song titled “United Breaks Guitars”; 2009 became a YouTube hit and generated bad press for United**
- **Can drag companies into full-blown scandals**
  - **Taco Bell employee in 2013 posting photos licking 30 taco shells**

2.4 Mobile Technology

Launch of iPhone in 2007, mobile use has increased dramatically all over the world. Emerging markets like India / Indonesia, majority of people had first exposure to internet on mobile devices.

Many new business like Waze, Uber, Postmates, Grubhub, and legacy companies build their sites with mobile-first mentality.

1. Screen size matters; with smaller screens people are less inclined to read for long periods. Mobile is suited for visually rich content, like photos, maps, videos, games

2. Provides valuable location information about consumers that companies can refine targeted marketing messages; major companies are using location data to target consumers.
3. Offers consumers easy access to information abou competitive prices and customer reviews about a product while shopping in offline store.
    a. "Showrooming": consumers experience product in store, check price online, buy on Amazon.
4. 90% of consumer time is spent devoted to using apps, not browsing the internet; requires a shift in mobile digital strategy.

Apps, Not Ads

- **Consumers are spending increasing amount of time mobile; global mobile advertising spend expected to increase from $231B in 2019 to $396B in 2023.**
- **Cannot use the same principles being used for laptop/desktops**
    - **In-app and banner ads are intrusive/irrelevant**
    - **Measuring effectiveness of mobile ads with CTR is misleading because of "fat finger" phenomenon**
- **New challenge for marketers - encourage consumers to download app for their brand**
    - **Need to create apps that provide unique value to consumers**
    - **Ex: when UK grocer Tesco moved to SK, large proportion of target consumers commute by train, dislike grocery shopping after returning from work**
        - **Plastered metro stations with "virtual shelf" of products**

[Davin & Gupta pgs. 55]

Consumers see mobile as personal and ads are intrusions; in December 2016, 600 million devices running ad blocking software globally, 62% on mobile - rate of ad blocking increased 30%. Consumers are becoming savvier at avoiding advertising, no matter how compelling the story.

Moment-based marketing: where advertiser can wait for right moment before sending the right message to consumer.

Micro moments:
- "I want to know"
- "I want to go"
- "I want to do"
- "I want to buy"

[Davin & Gupta pgs. 55-58]

3. Supplemental Reading

3.1 Big Data and Data Science

Big data: large *volumes* of *varied* data that come in at high *velocity* (3Vs of big data)
Data science: analytic process of exploring and modeling information to inform marketer's decisions.

Combined, can bring powerful changes to digital marketing:

- Analyzing web browsing behavior to adapt website to fit cognitive styles
- Using social media to build comprehensive view of multiscreen content consumption

First challenge: get the right data and analysis technique - no matter how big, the wrong data can skew outcomes, big data cannot account for all consumer behavior. Some marketing problems require data visualization and exploratory analysis, while others require statistical and machine-learning models. **Finding the right tool for the data set requires expertise, but this expertise is in short supply.**

Second challenge: tackling big data requires many different business units to work in tandem. IT needs to receive data, warehouse them properly, HR officers face challenge of acquiring the proper talent to extract insight from the data and foster the type of organizational structure that allows finding to circulate through the organization.

Data science has already changed how pricing occurs online, e.g.:

- Macy's uses real-time demand information to price 73 million online products hourly.
- FICO (credit scores) exploring using social media to price credit risk, in developing countries where traditional credit-scoring is not available.
- Uber: "surge pricing" dynamically adjusting prices according to geography-based supply/demand

Data science can transform operations, e.g.

- UPS: optimizes driver routes, saving company 100 million driving miles per year
- GE sensors on jet engines and wind turbines leads to hundreds of billions of dollars in savings across multiple industries

3.2 Personalization and Privacy

Adapting websites to match consumers' cognitive styles increased purchase intent on website by almost 20%.

[Davin & Gupta pgs. 61 - 63]

4. Key terms

A/B testing: Experiments in which the impact of a single variable is tested. A/B tests are commonly used to test ad copy and landing page copy or designs to determine which version better drives the desired result.

click-through rate (CTR): Click-through is the process of clicking through an online advertisement to the advertiser's destination. Click-through rate (CTR) is the average number of click-throughs per hundred ad impressions, expressed as a percentage. The CTR is a way of measuring the success of an online advertising campaign for a particular website as well as the effectiveness of an email campaign.

content-curation website: A type of website that supports the gathering, organizing, and online presentation of content related to a particular theme or topic. For most companies, content curation is being used to drive search engine optimization (SEO). A company that links multiple pieces of content about a specific subject increases its exposure when that topic is searched. A particularly collaborative subtype of content curation is called social curation.

content-sharing website: A type of website that supports the posting or publishing of a user's own material (content). Content sharing can be used as a way to target an audience with a specific niche interest or professional expertise.

cookie: Information stored on a computer by a website that remembers user's preferences. Cookies enable marketers to customize web pages for identified users, but privacy advocates raise concerns about tracking cookies that compile long-term records of individuals' browsing histories.

cost per click (CPC): An Internet advertising metric that can be defined simply as "the amount spent to get an advertisement clicked." Cost per click is used as a billing mechanism in the pay-per-click advertising model.

customer lifetime value (CLV): The dollar value of a customer relationship, based on the present value (PV) of the projected future cash flows from the customer relationship. It represents an upper limit on spending to acquire new customers.

display ad: Graphic advertising on the Internet that appears next to content on web pages, instant messaging (IM) applications, email, and so forth. These ads come in standardized ad sizes and can include text, logos, pictures, or, more recently, rich media (videos).

earned media: Media spread when customers, the press, and the public share a company's content or discuss a company's brand through word of mouth. It is stimulated by viral and social media marketing.

going viral: The rapid spread of a popular image, video, or link through a population by its being frequently shared with a number of individuals through electronic mail and social networking sites. *Virality* refers to the degree to which a piece of Internet content has been or might be shared in a short amount of time. *Viral marketing* refers to a marketing approach that facilitates and encourages people to pass along a marketing message.

impression: A single instance of an online advertisement being displayed. Many websites sell advertising space by the number of impressions displayed to users. Also known as view.

micro moments: Google coined this term to describe an intent-rich moment when a person turns to a device to act on a need—to know, go, do, or buy. This identifies moments of decision making, often in just a few seconds, throughout the consumer journey (e.g., a search such as “find a restaurant near me”).

mobile technologies: Technologies that are not desktop/laptop based, such as web-enabled phones, smartphones, tablets, wearable technology (e.g., Google Glass and smart watches), and hybrid devices (e.g., phablets).

moment-based marketing (or moment marketing): The strategy of sending appropriate ads or messages at the moment when the consumer is about to make a decision about a relevant product or service. For example, some airlines include ads for Uber in their mobile boarding passes.

offline conversions: A metric that tracks the transactions that occur in a physical business or retail location, and in other offline channels (e.g., phone orders), after a customer sees or engages with offline or online campaigns.

owned media: Media or channels created and controlled by the brand, such as its websites, blogs, and mobile apps, or its social presence on Facebook, LinkedIn, or Twitter.

paid media: The media for which a company pays an online search engine or publisher to attract potential customers.

perceptual map: A map that shows consumers' perception of various brands. Brands that are close to each other in this map are perceived by consumers as substitutes for one another, and therefore these brands compete more intensely with each other.

review website: A website on which reviews and ratings can be posted about people, businesses, products, or services by either website users or writers employed by the website.

search ad: A type of contextual advertising through which website owners pay an advertising fee, usually based on click-through rate or ad views, to have their ad shown on search result pages.

search engine optimization (SEO): The process of using features that make a company website rank higher in the organic link on a search engine without paying any money.

search engines: Programs that search the web for documents containing specified keywords and return a list of findings. A search engine is really a general class of programs; however, the term is often used to describe specific systems such as Google, Bing, and Yahoo!

tags: Labels or categories that describe the content of a website, bookmark, photo, or blog post. Tags provide a useful way of organizing, retrieving, and discovering information.

test-control methodology: A controlled experiment in which subjects are randomized into either test or control groups.

word-of-mouth marketing: A marketing method that relies on consumers spreading information about a product or service.

Lecture Notes:

- Review the slides

Week 9 - Price and Promotion

[pg. 1]

Introduction

[Dolan & Gourville pgs. 6]

2. Essential Reading

2.1 Value-Pricing Approach

Three critical inputs to any value-pricing decision:

1. True economic value (TEV) of product to consumer
2. Perceived value (PV) of product to consumer
3. Organization's cost of goods sold (COGS)

[Dolan & Gourville pgs. 8-9]

2.1.1 Assessing True Economic Value (TEV)

TEV = cost of the next-best alternative + value of the performance differential

Approach is more useful when performance differential is considered; firm's product may be superior to next-best alternative in some aspects but inferior on others.

Air filtration example:

EXHIBIT 3 Air-Filtration Alternatives for Toy Factory

	New Product	Next-Best Alternative
Probability of system crash	1% over one year	20% over one year
Cost of system crash	$100,000	$100,000
Hours of operation	2,500	2,500
Operating system cost per hour	$15	$10
Price	To be determined	$75,000

Source: Adapted and reprinted from "Principles of Pricing," HBS No. 506-021 by Robert J. Dolan and John T. Gourville. Copyright © 2005 by the President and Fellows of Harvard College; all rights reserved.

TEV = price of next-best alternative + expected system crash savings - added operating costs

= $75,000 + ((20% x $100,000) - (1% x $100,000)) - ((2,500 hrs * $15/hr) - (2,500 hrs * $10/hr))
= $75,000 + $19,000 - $12,500
= $81,500

TEV of product is $81,500 so a fully informed rational buyer should be indifferent between next-best alternative priced at $75,00 and product priced at $81,500.

[Dolan & Gourville pgs. 9-11]

2.1.2 Assessing Perceived Value (PV)

TEV only represents what fully informed, rational consumer should be willing to pay, but in reality, a buyer's willingness is governed by value he/she perceives in the new product. Generally, PV is less than TEV; buyer might be unaware of potential benefits of new product.

When TiVo first hit the market, few people understood their functionality; they were unable to fully appreciate DVR's ability to pause live TV until they actually experience the benefit.

Using the same example as above:

= $75,000 + ((20% x $100,000) - (5% x $100,000)) - ((2,500 hrs * $15/hr) - (2,500 hrs * $10/hr))
= $75,000 + $15,000 - $12,500
= $77,500

Tagamet vs. Zantac (allergy medicine, I think): many expected Glaxo to price below incumbent, pricing Zantac 10/15% below Tagamet. CEO of Glaxo recognized two things:

1. Relative to Tagamet, Zantc offered true economic benefits to most patients because of convenient dosing (once a day), greater efficacy, fewer side effects, fewer adverse interactions
2. **Clinical data on Zantac's performance would enable Glaxo to achieve PV approaching its TEV**

Introduced Zantac in U.S. at 56% price premium, performance benefits were proven in use with patients, and Zantac overtook Tagamet to become number one selling prescription drug in the world.

2.1.3 Cost of Goods Sold (COGS)

Final input, and easiest for most firms is cost of good sold (COGS). Number is derived directly from firm's income statement. Represents fully loaded variable cost of producing the product being sold. If firm sells at price equal to or below COGS, no chance of turning profit.

[Dolan & Gourville pgs. 11-13]

2.1.3 Putting the Pieces Together

At the upper end, firms is bound by buyer's PV for product, while PV influenced both by TEV of product for particular buyer and how well company marketing efforts **communicate that TEV**. Putting the pieces together example:

> Using the numbers from Exhibit 5, we can calculate the TEV for the oil rig owner as follows:

$$\begin{aligned} \text{TEV} &= \$75{,}000 + \big((23\% \cdot \$350{,}000) - (2\% \cdot \$350{,}000)\big) \\ &\quad - \big((2{,}500 \text{ hrs} \cdot \$18/\text{hr}) - (2{,}500 \text{ hrs} \cdot \$12/\text{hr})\big) \\ &= \$75{,}000 + \$73{,}500 - \$15{,}000 \\ &= \$133{,}500 \end{aligned}$$

> If we again assume that this potential buyer is not fully convinced that the new machine will actually reduce the probability of a system crash to 2% in a year but believes 10% to be more likely, we can assess the PV for this oil rig owner as follows:

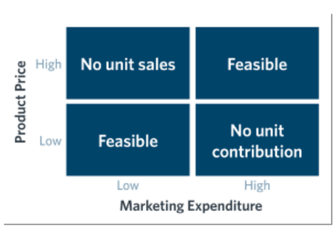
$$\begin{aligned} \text{PV} &= \$75{,}000 + \big((23\% \cdot \$350{,}000) - (10\% \cdot \$350{,}000)\big) \\ &\quad - \big((2{,}500 \text{ hrs} \cdot \$18/\text{hr}) - (2{,}500 \text{ hrs} \cdot \$12/\text{hr})\big) \\ &= \$75{,}000 + \$45{,}500 - \$15{,}000 \\ &= \$105{,}500 \end{aligned}$$

[Dolan & Gourville pgs. 14]

Some form of price customization - the ability to charge different prices to different segments - can be a vital part of pricing program profitability.

A firm's price and marketing strategies must work together:

EXHIBIT 7 Setting Price and Marketing Efforts



Source: Reprinted from "Principles of Pricing," HBS No. 506-021 by Robert J. Dolan a
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1. First feasible option (lower left): low-price (relative to TEV) and low-marketing expenditure strategy; product value must speak for itself.
2. Second option (upper right): Follow Zantac's high/high strategy, invest in marketing to boost PV, price high to capture perceived value, attain margins necessary to fund high marketing efforts

[Dolan & Gourville pgs. 15-17]

2.2 Price Customization

Price customization, price varies across customers, is primary way many organizations improve such price realization.

Service companies have increased profitability through **dynamic pricing** implemented via **yield-management** systems (e.g. Hertz report improved price realization of 5% after adoption of these practices).

TEV & PV can vary greatly across customers, whether company operates business-to-consumer (B2C) or B2B; here are factors driving variation:

- *Tastes*: Lindt vs Nestle chocolate bar
- *Nature of use*: Excel for tracking sales vs. league soccer scores
- *Intensity of use*: Samsung TV watching sports for hours vs. periodic viewing
- *Competition*: Value of nonstop Lufthansa flight is greater on route where few (or none) fly nonstop

The idea that everyone should pay the same price is suboptimal; look at these examples:

- Airlines changing prices based on time of day, day of week, overall availability of seats
- Diners giving early-bird pricing specials before 5 P.M.
- Senior citizens receiving discounts for movies / public transportation

Companies can control pricing by:

- *Control the availability of prices* by presenting offer to particular group of customers (cluster)
- *Set the price based on buyer characteristics*, like age, gender, location, when these chars correlate with TEV and PV for individuals
- *Set the price based on transaction characteristics*, like quantity purchased, time of purchase, or method of payment, when these chars correlated with TEV/PV
- *Manage the product-line offering* so offered assortment provides increasing functionality at increasing price, called a good/better/best strategy.

[Dolan & Gourville pgs. 17-18]

2.2.1 Controlling Availability

Only offering deals to specific groups of buyers, e.g. offering discounts based on customer's visitation and purchasing history, location, or data collected online.

- *Visitation and purchasing history*: assess relative **price sensitivity of potential buyers** and offer special deal to someone who seems interested in good (via multiple online visits to same product)
- *Location*: sports and entertainment will charge full price at the stadium because marketing assumption is that person committed to the event and driving the full distance there, his/her valuation of that good is greater than person who need financial incentive to do so
- *Couponing*: coupons only distributed to those that meet certain criteria; Catalina tracks 200 million individual purchase histories via customer loyalty and can distribute coupons to customers at checkout counters
- *E-commerce*: 7% of retail sales and easily customize price using controlled availability since vendors knows a great deal about previous search/purchase behavior and can change online prices instantly and little cost

[Dolan & Gourville pgs. 18-19]

2.2.2 Setting the Price Based on Buyer Characteristics

Observable consumer characteristics can provide info on likely valuation of a product. E.g. cruise line out of Fort Lauderdale, FL offering 30% discount to FL residents, on the basis that FL residents have less need to escape local weather than others with bad winters.

Common buyer characteristics:

- Age (children/senior citizen discounts)
- Residency (in-state/out-of-state)
- User status (new vs. existing)
- Nature of buyer (individual vs company, end user vs reseller)

Goal is to choose dimension that segments buyers into those who value product more and those who value it less.

[Dolan & Gourville pgs. 19-20]

2.2.3 Setting the Price Based on Transaction Characteristics

Particular characteristics of transaction signal customer's valuation of product - the *timing* or the *quantity* of the item being purchased.

Example: airline ticket purchased far in advance of actual travel, buyer is more likely leisure traveler with flexible schedule, paying out of his/her own pocket, and more likely to shop around for good deal - all *increasing* price sensitivity. Other hand, making purchase one week before travel would *decrease* price sensitivity. Airlines respond accordingly by offering substantially lower prices for travelers who purchase far in advance and higher prices for travelers who buy right before.

Quantity of item purchased signals economic value of product:

- First, greater the quantity purchased, greater the incentive for buyer to search for alternatives and negotiate aggressively

- Second, marginal value of fifth unit purchased is greater than marginal value of fiftieth unit purchased

[Dolan & Gourville pgs. 20-22]

2.2.4 Managing the Product-Line Offering

Another tool to customize price is offering product line which price varies with functionality. E.g. Titleist golf balls, if they only offered single golf ball for professional level players only, it provides functionality that recreational golfer does not need / unwilling to pay for, creating a *pricing dilemma*.

Offering line of golf balls that vary in functionality and price better meets the needs of diverse customer base and more profit for Acushnet.

Firms often refer to this basic approach as *good/better/best strategy*, potential customers get to self-select among alternatives based on their needs and willingness to pay.

2.2.5 Price Customization and Perceived Fairness

Recognize that some buyers view price customization as unfair. No pricing method should cross legal barriers, but price customization itself is both fair and legal. Part of proper pricing is addressing this perception of fairness.

[Dolan & Gourville pgs. 22]

2.3 Setting the Price: Consideration of Customer Price Sensitivity

Adopting a value-based philosophy is a necessary first step, but effective pricing requires two additional details:

- Understanding of how consumers respond to changes in price
- Appreciation for how various price/quantity combinations affect the economics of the firm

Feasible zone for setting price is bound at top by customer's PV and at bottom by firm's COGS. Determining where to set price within this zone is next task.

Regardless of org's flexibility when it comes to price customization, to set price optimally it must first assess customer's sensitivities to price - their **willingness to pay**.

[Dolan & Gourville pgs. 23-25]

2.3.1 Assessing Price Sensitivity Using Managerial Judgment

Managerial judgment has some validity when it comes to price sensitivity, especially when one has knowledge/experience in the product category.

EXHIBIT 10 General Indicators of Customer Price Sensitivity

Product indicators:

1. *Low differentiation of alternatives*: little performance differentiation between alternatives, price is likely to be important
2. *Easy comparability*: if customer can easily compare alternatives, there is heightened price sensitivity
3. *Will perform as expected*:
    a. ***Search goods***: performance fully assessed before purchase, price sensitivity is high
    b. ***Experience goods***: performance is harder to predict, sensitivity is lower
4. *Not mission-critical*: if performance is mission critical (baby seat), price sensitivity is low

Price indicators:

5. *Easy comparability*: ease with which prices can be compared heightens price sensitivity
6. *High in a relative sense*: in B2B settings, greater impact a product has on firm's total costs, more price-sensitive buyer is likely to be
7. *Reference prices exist*: buyers can compare price of product to price they previously paid for that very same product, and frame any increase in price as painful loss
8. *Not needed as quality cue*: some product categories (fine wine) have difficulty judging quality; therefore price is used as proxy for quality, higher price = higher quality

Buyer indicators:

9. *Sophisticated, deliberative*: in B2B, buyers in the org are highly trained, which heightens price sensitivity
10. *Bearing costs*: the more decision maker bears the cost of purchase, the greater his/her price sensitivity
11. *Able to switch easily*: in situations where economic/psychological stickiness is not operative, price sensitivity is higher
12. *Not motivated by prestige*: high price lends an air of exclusivity to product/brand

A qualitative assessment of these indicators by managers is useful in thinking about and setting price. Rigorous market research should complement these assessments.

[Dolan & Gourville pgs. 26-27]

2.3.2 Assessing Price Sensitivity Using Quantitative Market Research

Three commonly used market research procedures are:

1. Customer surveys
2. Price experimentation
3. Analysis of historic pricing and sales data

Customer surveys: firm selects a representative set of customers and asks about willingness to pay for planned, new or existing product. Major problem: customers are asked about their *willingness* to pay, but not required to pay - which may paint an overly optimistic picture.

Price experimentation: observe how customers actually do behave relative to price; A/B testing

Analysis of historic prices provides a third way to assess price sensitivity quantitatively - firms have years of historic pricing data available.

[Dolan & Gourville pgs. 27-29]

2.3.3 Mapping the Relationship Between Price and Demand

Knowledge gained from qualitative and quantitative methods is pulled together to map likely demand for product at various price points.

Demand curve: plots the cumulative aggregate demand for firm's product across all consumers at wide range of price points

$$\text{slope of the demand curve} = \frac{\text{change in price}}{\text{change in quantity demanded}}$$

EXHIBIT 12 Demand Curve for a Firm's Concert Grand Pianos

Source: Adapted and reprinted from "Marketing Analysis Toolkit: Pricing and Profitability Analysis," HBS No. 511-028 by Thomas Steenburgh and Jill Avery. Copyright © 2010 by the President and Fellows of Harvard College; all rights reserved.

Demand curves are only a prediction, and better to trust predictions for price ranges that are observed in the marketplace than those rarely seen in market.

[Dolan & Gourville pgs. 29-32]

2.3.4 Price Elasticity of Demand

How responsive, or elastic, consumers' demand for a product is to a change in price. Economists refer to this as *price elasticity of demand*, written as *E*.

$$\text{price elasticity of demand} = \frac{\%\ \text{change in quantity demanded}}{\%\ \text{change in price}}$$

where

$$\%\ \text{change in quantity demanded} = \frac{\text{new quantity} - \text{old quantity}}{\text{old quantity}}$$

$$\%\ \text{change in price} = \frac{\text{new price} - \text{old price}}{\text{old price}}$$

Measures the percentage change in quantity demanded by consumers as result of percentage change in price.

EXHIBIT 13 Price Elasticity of Demand

Elasticity Ratio	Type of Elasticity	Description
$E = \infty$	Perfectly elastic	Any very small change in price results in a very large change in quantity demanded.
$1 < E < \infty$	Relatively elastic	Small changes in price cause large changes in quantity demanded.
$E = 1$	Unit elastic	Any change in price is matched by an equal change in quantity.
$0 < E < 1$	Relatively inelastic	Large changes in price cause small changes in quantity demanded.
$E = 0$	Perfectly inelastic	Quantity demanded does not change when price is changed.

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Why Elasticity Matters

Under relatively elastic demand conditions, price sensitivity is high and quantity demanded is very responsive to small changes in price; e.g. price elasticity is 2.0, a 10% decrease in price leads to 20% increase in quantity demanded.

Town A: four gas stations close to each other = highly elastic demand (sales greater whichever has the cheapest gas)
Town B: single gas station = highly inelastic demand (no other alternatives)

- Ultimately, firm must understand relative price sensitivity of target customers to set prices effectively.
- Can come through managerial judgment or quantitative market research
- Understanding relative price sensitivity is critical

[Dolan & Gourville pgs. 32-34]

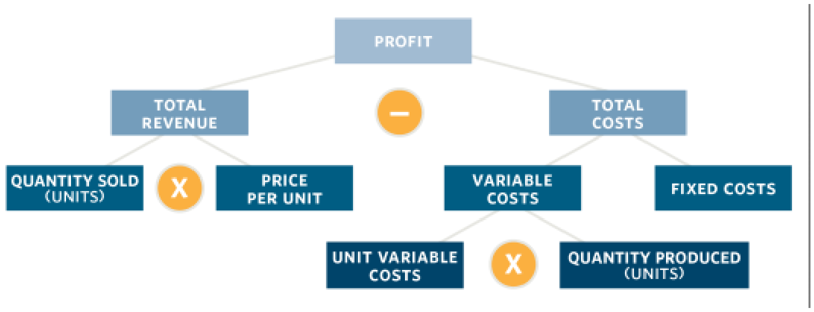
2.4 Setting the Price: Understanding the Economic Impact for the Firm

Managers must understand economic implications of pricing for firm, profit often being overarching objective. Profit is difference between *total revenue* generated and *total costs* incurred from making/selling the product.

2.4.1 The Drivers of Profitability

Basic drivers: profit, total revenue, total costs, quantity sold, price per unit, variable costs, fixed costs, unit variable costs, quantity produced

EXHIBIT 14 Basic Elements of Product Profitability



Source: Adapted and reprinted from "Note on Low-Tech Marketing Math," HBS No. 599-011 by Robert J. Dolan. Copyright © 1998 by the President and Fellows of Harvard College; all rights reserved.

Total Revenue

Total revenue = price per unit * quantity sold

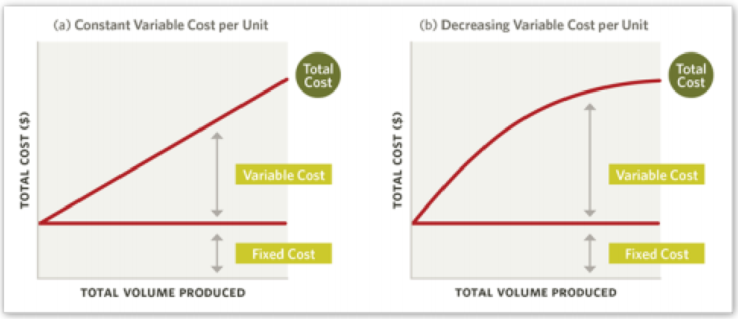
Total Costs

Two types of costs incurred by firm:

- fixed costs: remain constant, regardless of amount of product produced/sold (LODO)
- variable costs: change depending on amount of product produced/sold

Total costs = fixed costs + (unit variable costs * quantity produced)

EXHIBIT 15 Constant Versus Decreasing Variable Costs



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[Dolan & Gourville pgs. 34-36]

2.4.2 Unit Margins

Profitability framework is aggregate - firms can assess profit of selling *x* units of good for *y* dollars each, when it incurs fixed costs of *w* and unit variable costs of *z*.

Unit margin (unit contribution): difference between per-unit revenue received by firm and per-unit variable cost of production

EXHIBIT 16 Prices, Costs, and Margins in the Channel of Distribution

[Dolan & Gourville pgs. 36-40]

2.4.3 Breakeven Analysis

Breakeven analysis: how many product units must be sold at given price to cover company's fixed costs

Breakeven volume (BEV): fixed cost / revenue per unit - variable cost per unit = fixed cost / unit margin

$$\text{BEV} = \frac{\$1,200,000}{\$15\text{ unit}} = 80,000 \text{ units}$$

Commented [13]: piano maker example

The Impact of a Price Change: using BEV to construct informative what-if scenarios

$$\text{BEV} = \frac{\$1,200,000}{\$25/\text{unit}} = 48,000 \text{ units}$$

Commented [14]: Many less units to sell at a higher price to break even - probably determine demand first and then see the likelihood of achieving this many sold.

The Impact of a Change to Fixed Costs: using BEV to assess how sales volume would need to change to justify other investments

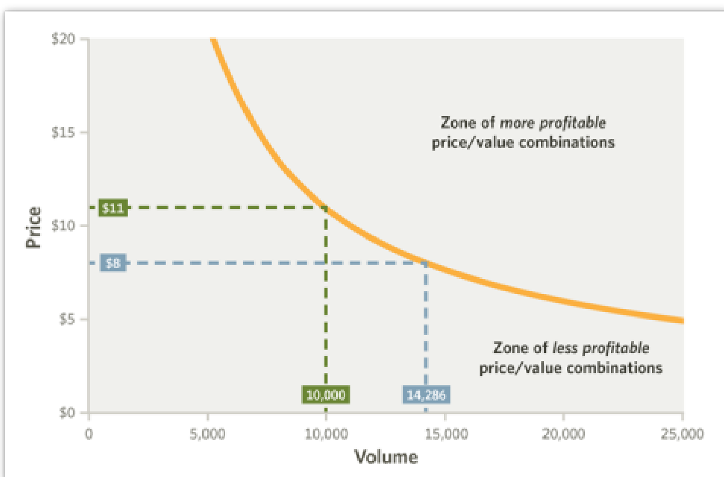
$$\text{BEV} = \frac{(\$1,200,000 + \$90,000)}{\$15/\text{unit}} = \frac{\$1,290,000}{\$15/\text{unit}} = 86,000 \text{ units}$$

The Impact of a Change to Variable Costs: using BEV to assess impact of potential change to variable cost of producing a good

$$\text{BEV} = \frac{\$1,200,000}{\$12/\text{unit}} = 100,000 \text{ units}$$

Iso-Profit Curves: plot combinations of price and volume that lead to same level of profitability

EXHIBIT 17 Iso-Profit Curve of Prices/Volumes Generating $100,000 in Contributions



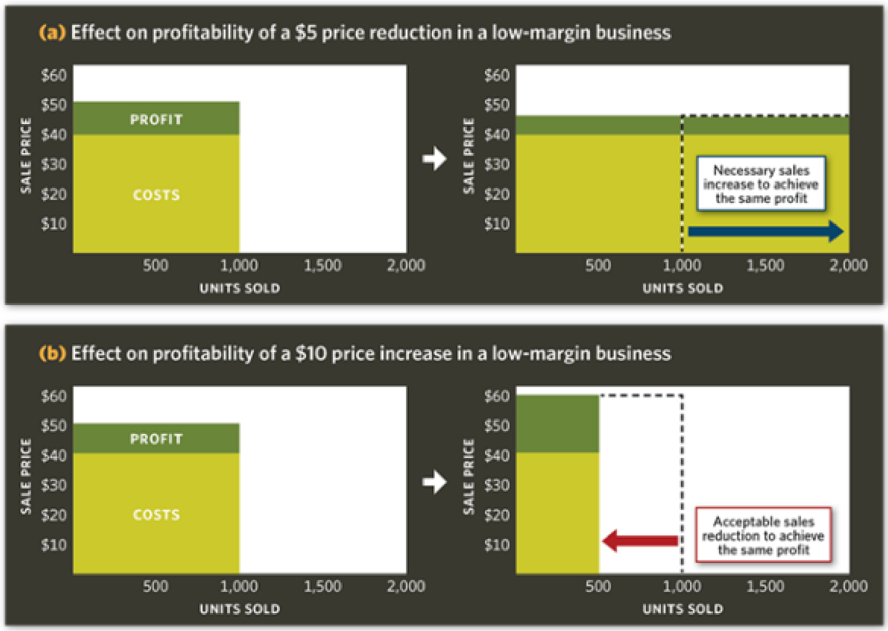
Commented [15]: Manager A recommends retail price of $11 for item that has per-unit cost of $1. Manager B believe customers will be more receptive at retail price of $8, generating greater unit sales. First manager is right based on the Iso-Profit curve.

[Dolan & Gourville pgs. 40-43]

2.4.4 Marginal Math

Marginal math: analysis of the profitability of price change based on the relative size of the unit margin.

EXHIBIT 18 The Effect of a Change in Price on Profitability for Low-Margin Businesses



Commented [16]: Right side of A: cutting price by 10% ($45) would halve per-unit margin to $5 and sales would need to double to 2,000 units to maintain profitability.

Commented [17]: Firm is selling product @ $50, with relatively low margin of 20%/$10. Generates $50K in rev, $10K in profit.

Commented [18]: Modestly increasing price by 20% to $60 would increase per-unit margin by 100% (to $20) and sales could be halved before the firm experiences negative impact on profits.

EXHIBIT 19 The Effect of a Change in Price on Profitability for High-Margin Businesses

- Setting an accurate price can mean a great deal to the bottom line of any firm.
- Pricing is the area that most frustrates many marketing managers, leaving them with uneasy feeling that they are not executing as well as they should be
- Framework for addressing concerns and providing three key inputs to effective pricing:
    - First: value-based approach to pricing (look at the value a product provides a customer, as opposed to costs that firm incurs to offer product)
    - Second: clear understanding of price sensitivity in the marketplace
    - Third: clear appreciation for the economic impact of pricing decision for the firm

[Dolan & Gourville pgs. 43]

Promotions Slides Notes

Promotion: gives consumer reason to buy NOW, over brand's basic reason for being (a *tangible incentive* to *influence consumer behavior*)

Great promotions do three things:

- **Motivate** consumer/customer behavior
- **Elevate** brand or retailer relevance
- **Generate** volume growth

Equity Promotion Tactics:

- Sampling
- Special packs
- Sweepstakes/games
- Cause marketing

Price Promotion Tactics:

- Coupons
- Price
- Packs
- Refunds/rebates

CTRL tool:

- Consideration
- Trial
- Repeat
- Loyalty

Equity promotion principles:

- Simple - one headline sentence
- Motivating for consumers to engage
- Breakthrough/seasonally relevant
- Repeatable
- Measureable

Equity promotions position the brand for the future by:

- Defining the brand for the consumer in unique way
- Actively connecting with and involving the consumer

And connect the brand to the way consumers shop, and where/how/the way they live.

4. Key terms

breakeven analysis: An analysis to determine the sales volume required to cover fixed and variable costs fully. Profit at the breakeven sales volume is zero.

business-to-business (B2B): A financial transaction, such as a sale, that takes place between businesses, such as between a manufacturer and wholesaler or between a wholesaler and a retailer.

business-to-consumer (B2C): A financial transaction, such as a sale, that takes place between a company and consumers who are the end users of a product.

cost-oriented pricing: An approach to pricing in which the posted price is based on the cost of producing a product, plus some additional margin for the firm to realize a return. In the simplest version, called cost-plus pricing, a firm typically adds a percentage to the costs of production to arrive at the posted price.

demand curve: In economics, a graphic representation of the relationship between product price and the quantity of the product demanded. It is drawn with price on the vertical axis of the graph and quantity demanded on the horizontal axis.

dynamic pricing: An approach to pricing in which the posted price varies according to the current level of market demand.

experience good: A product or service in which product characteristics, such as quality or price, are difficult to observe in advance, but can be ascertained upon consumption. Philip Nelson originated this concept.

marginal math: A conceptual tool used to assess the change in unit sales required to maintain profitability in light of a change in product price (which in turn changes the unit margin).

price experimentation: The purposeful setting of price at varying levels across time, across geographic regions, and/or across channels to assess consumer response to the various prices.

price sensitivity: The degree to which an individual's willingness to purchase changes with a change in price.

search good: A product or service with features and characteristics easily evaluated before purchase. Search goods are more subject to substitution and price competition than experience goods. Philip Nelson originated this concept.

value-based pricing: An approach to pricing in which the posted price is based on the value of a product as perceived by the customer.

yield-management system: An approach to pricing in which the posted price is based on the expected demand for a given product by various customers. Typically applied to a perishable product, such as an airline seat or a hotel room, prices are adjusted by customer type, by the timing of the purchase, and/or by the date and time the product will be used.

Week 10: Metrics and Measurement

Measurement Overview

[Slide 3]
100% of CMOs agree that successful brands use customer data to drive marketing decisions BUT 39% of marketer say they cannot turn their data into actionable insight

[Slide 5]
Some challenges:

- 50% of impressions are not viewable
- 20% of campaigns are noticed
- 40% of demo targeting does not reach intended audience

[Slide 8]
80% of CEOs believe their brand provides a superior customer experience - only 8% of customer agree; *misused metrics drive part of this disconnect!*

[Slides 8-12]
Reasons for this disconnect:

- Data rich but insight poor
- Campaign flows are complex
- Media channels overlap
- 950 companies that provide different services for different needs, YUCK!

[Slides 13]
Analytic (data)-drive decisions require:

- Close link to business strategy
- Information must be easier to understand and act upon
- Embedded in organizational processes to action at the right time

[Slides 16]

Key issues preventing ROMI

- Lack of baseline and thus incremental
- Conflicting figures, conversion duplication
- Attributing profit back to media investment
- Media channels influence each other
- Establishing true value of online media

[Slides 18]

Marketing Activities -> **Marketing Objectives** -> **Corporate Goals** -> **Financial Goals**

Ex. Campaigns/Promotions -> Increase Market Share -> Generate Revenue Growth -> Increase Share-holder value

[Slides 19]

Assess measurement capabilities across 6 areas

Strategy	**Organizational & Resource**	**Technology & Data**	**Metrics & KPIs**	**Optimization & Activation**
Business Strategy	C-level Support	Data collection/processing	Cross-channel measurement	Insights sharing
Marketing Strategy	Talent Recruitment	Performance Measurement tools	Marketing effectiveness	Marketing & media planning

[Slides 22]
Determine your objective(s) first

- Brand building?
- Sales/direct marketing?

- Social responsibility?
- Lead generation?

[Slides 25]

Four KPIs summarize marketing impact

Marketing Generated Revenue	**Marketing Influence Revenue**	**Investment to Pipeline**	**Investment to Revenue**
% of sales revenue uniquely created by marketing	% of sales revenue touched by marketing	Average cost of demand creation of sales revenue	Average revenue generated from $1 invested in demand creation
10% - 47%	30% - 82%	1% - 4%	$5 to $20+

[Slides 26]

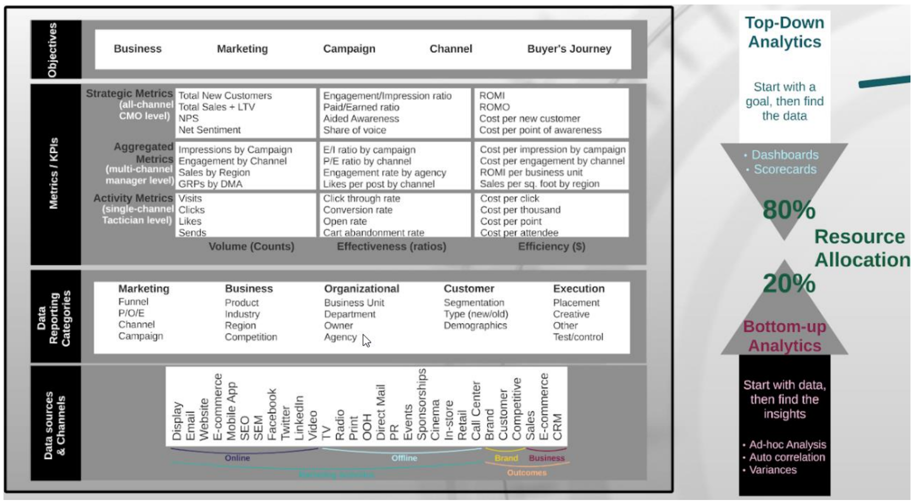
Points of influence on the path to purpose

- Newspapers: 55%
- **Word of mouth : 74%**
- Search: 51%
- YouTube: 64%
- **Retailers/Store visits: 69%**
- Facebook: 56%
- Pinterest: 56%

[Slides 28]
Ideal marketing dashboard - simple, clean, easy to interpret

Channel	**Investment**	**ROMI**	**Return**
Brand equity (baseline)	($100)	n/a	$40
Offline (TV, print, outdoor)	$7	77%	$30
Direct (direct mail, email)	$1	90%	$10
Online (search, display, social media)	$2	90%	$20

[Slides 29-30]
Top-down analytics (80% resource allocation): Start with goal, then find the data (*dashboard*)
Bottom-up analytics (20% allocation): Start with data, then find the insights (*ad hoc reporting*)



ORGANIZING A SCORECARD

[Slides 32]

Strategy 1: Organize around business and brand objectives

Objective	Increase LTV 10% among males 11-17	Grow sales in China by 5%	Be an industry thought leader	Increase share of wallet by 5%

- Take cues from the business and its objectives

[Slides 33]

Strategy 2: Organize around key initiatives or campaigns

Objective	FIFA World Cup campaign	New product launch	Back to school	Holiday 2020

- Allows the easy comparison of similar types of objectives

[Slides 34]

Strategy 3: Organize around the buyer's journey

Objective	Awareness	Engagement	Decision	Adoption	Advocacy

[Slide 38]

	Media Influence: Outputs	**Audience Influence: Outtakes**	**Business Influence: Outcomes**
Goals	Reach	Engagement and Influence	Action and Insight
Metrics	• Visits/views • Unique visitors • Pages viewed • Links	• Sentiment analysis • Time spent • Upvotes • Number of downloads	• Action/insight • New business • Customer satisfaction/loyalty
Gathering Info	Google, social media platforms, web analytics	Social media platform metrics/tools	Surveys, marketing mix-modeling

[Slides 40]

Top Social Media marketing ROI metrics

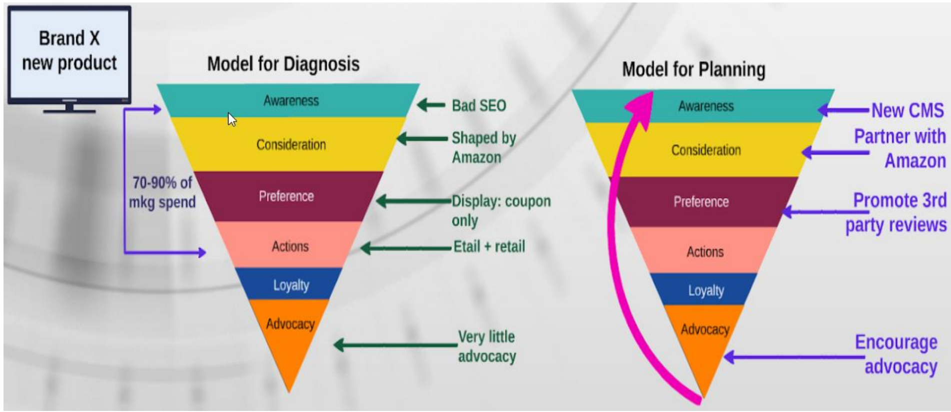
- Social presence: # of followers = 76%
- Traffic to site: 67%
- Social mentions across platforms: 53%

[Slides 42-46]

Four kind of metrics

Audience	**Channel Engagement**	**Universal Engagement**	**Financial**
• Frequency • Reach • Fans/followers • Views • Monthly uniques	• Retweets (Twitter) • Comments (Fbook) • Time on site • Votes cast (forums) • Click-throughs (banner ads)	• Brand awareness • Brand sentiment • Purchase intent • Customer satisfaction • Net Promoter Score	• Revenue • Market share • Customer acquisition • Customer retention • R.O.I.

[Slides 49]



[Slides 50]

Success Attribution Models

Banner ad ->	Paid Search ->	**Organic Search ->** $100	**Success** $100	**Last channel gets *all* credit (last-click model)**

Banner ad -> $100	Paid Search	Email Blast ->	**Success** $100	**First channel gets *all* credit (first-click model)**

Banner ad -> $100	**Banner ad ->** $100	**Affiliate Referral ->** $100	**Success** $100	**All channels get *equal* credit (average allocation model)**

Print ad -> $33	**Social Media ->** $33	**Paid Search ->** $33	**Success** $100	**All channels get *partial* credit**

- **U-shaped model**: Credit is given to touch-points at beginning and end of customer journey
- **Time decay model**: Credit is given to touch-points at the end of customer path to purchase.

[Slides 51]

What is attribution? Why does it matter?

- The process in which value or credit for conversion is allocated across marketing touchpoints.

- To best optimize spend across channels, we must first capture relationships between channels and touchpoints, and quantify the impact of each.

[Slides 52]

How much are channels being misrepresented?

- Multi-channel paths are getting longer/more complex
    - Improvements in tracing/targeting = better data
    - Device options and connectivity
- Analytics tools provide data to understand time & touches to convert
    - Google Analytics > Multi-channel funnels > **Time lag/path length**

[Slides 53-59]

What is Channel Attribution Analysis?

- Answers the most pertinent question that every digital marketer has in his mind - "What part of my marketing effort should be credited for this specific sale?
- Covers:
    - Multiple digital channels
    - Multiple media
    - Multiple screens
    - Multiple sales channels
- Benefits:
    - Transparency around introductory, assisting, and converting channels (allocate fair share of credit to each channel)
    - Avoid wastage of media impressions and boost channel level ROI by investing in right places to keep CPA (cost-per-action) under control
    - **Help in conversion and sales and investing more in those channels; get a clearer picture of what works and what doesn't, make better options**

[Slides 61-63]

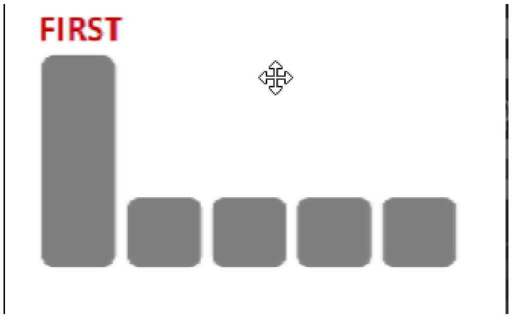
How to get started with channel attribution analytics?

- Collecting Good Data
    - The foundation of accurate attribution and profitable + predictive] mix model is correct & comprehensive data
- Interactions & Correlations
    - The next step towards attribution is understanding channel relationships and participation in conversion paths.
- Nabler's channel attribution
    - Choose a conversion type to analyze
    - Select a campaign, channel grouping or set of keywords to optimize
    - Comparison between default & other models
    - Identify touchpoints with biggest changes across models
    - Shift budget and resources to support high ROI opportunities
    - Adopt the most impactful model in terms of ROI

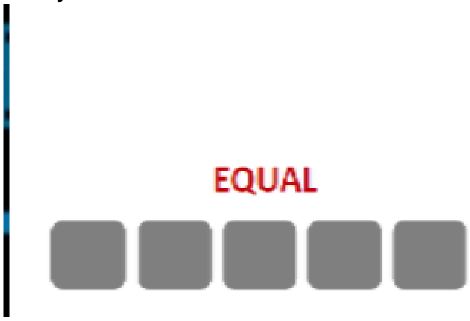
[Slides 64]

Common Attribution

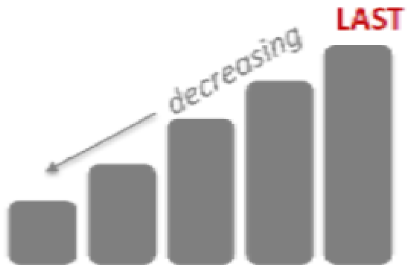
First touch - the first interaction gets all the credit:



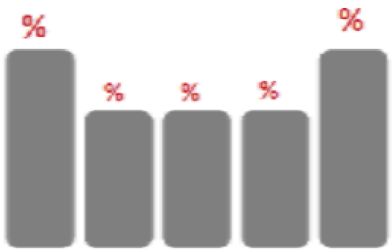
Linear - credit divided evenly across all touches:



Time decay - touches close to conversion receive more credit (set a half-life):



Position based - static weight given by position in path:



[Slides 71]

Building Intelligence into Analytics e.g. Reach, Act, Convert, Engage and KPIs

	Volume	**Quality**	**Value**	
Reach *Awareness and visits*	Unique visitors	Bounce rate	**Revenue per visit**	n searches % brand
Act *Interaction and leads*	nLeads	% conversion to lead	**Goal value per visit**	Page views/visit
Convert *Sales and profit*	nSales	% conversion to sale	**Sales value**	Average order value
Engage *Loyalty and advocacy*	% of active customers	% customer conversion	**% of existing sale value**	n brand mentions

[Slides 71-111]

Measurement	*Definition*	*Notes*
Acquisition Rate	Total participants who accepted an offer on a marketing campaign divided by total audience.	**How effective was your offer or messaging?**
Advertising Value Equivalency (AVE)	How much editorial coverage would cost if it were advertising space (time)	**Although it appears to be evaluative, the dollar-denominated calculations have nothing to do with profitability, and can confuse senior managers who are not familiar with marketing metrics.**
Amplification Rate	Rate at which followers take your content and share it through their network	**Higher the amplification rate, the further the content will reach.**
Average Interactions Per Post	Average number of external interactions one social media post receives	**Measuring interactions allow you shape them and direction of future content.**
Bounce Rate	Number of users who leave a web site after viewing only one web page.	**Bounce rate measures the ineffectiveness of page or site.**
Click by Channel	Number of clicks on a specific link that came from each individual social media channel	**Knowing how your visitors get to your content tells you which channels you should focus on.**
Click-through Rate (CTR)	Number of click-throughs per ad impression, expressed as a percentage	**Learn what is enticing people to click on your ads, and repeat this success.**
Conversion Rate (CVR)	Percentage of time a website visit turns into a lead or contact	**Is your site effective? Yes or No?**
Cost-per-Click (CPC)	Advertisers pay for each time a user clicks on an ad or link	**How valuable is each online ad you post?**
Cost-per-Lead (CPL)	Total cost of generating one lead either in total or from a specific lead generation campaign.	**Generating leads needs to be as efficient as possible.**
Customer Sentiment	What tone or context (positive, negative, neutral) people are discussing your brand in	**By ignoring negative or even positive sentiment, you're missing key opportunities to engage consumers and build brand advocates.**

Drop-off Rate	Number of visitors or attendees who left the conversion process without completing it	**Drop-off rate shows you where prospects stop the sales process, often pointing out a weakness in your strategy.**
Email Campaign Open Rate	Number of emails that were received and opened pertaining to your campaign	**Open rate is a measure of relevance, and determines the effectiveness of subject lines.**
Funnel Visualization	Movement of prospects through different stages (new, engaged, sales accepted, sales rejected) in the funnel	**Funnel visualization shows strengths and weaknesses in the marketing/sales process.**
Inbound Link	Incoming links to a website or web page	**Always focus on number of links coming to your site and from where. A link from high ranked site is worth more than low ranked site.**
Lead Origination	First contact point for a new lead	**Understand what activities influence your pipeline.**
Lead Volume	Amount of leads that you are receiving from campaigns	**Know what programs are the most effective and conduct real-time measurements.**
Lead-to-Customer Conversion Rate	Ratio shows on average how many leads turn into paying customers.	**Know if your sales process works or not.**
Market Share	Company's percentage of an industry or market's total sales over a specified time period.	**Validates your position in the market and help you fine-tune your overall marketing plan.**
Marketing-influence Sales Pipeline	Measures % of leads in pipeline uniquely created by marketing.	**How effective are marketing campaigns at influencing pipeline.**
Marketing-Originated Campaign Influence	Portion of overall customer acquisition originated in marketing and where marketing touched/nurtured the lead at any point during the sales process	**What effect are marketing campaigns having on driving/influencing customer acquisition?**
Media Coverage	Number of media outlets that discuss, report, or critique your company news in a given time period	**The more media pick-ups, the more viewers will see your news.**
Organic Search	Result of viewers that visits your site due to non-paid	**SEO drives better organic search results.**

	search results.	
PageRank	Algorithm used by Google web search engine to rank websites in their search engine results. 80% of traffic is organic	**Do you have the most relevant content when a prospect looks for information?**
PageViews	Instance of page being loaded by a browser; total number of pages viewed	**Pageviews shows that your site work well enough to allow the viewer to go from one page to the next. And you have content that keeps them engaged.**
Quality Score	Calculated from an ad's click-through rate, keyword relevance per keyword group and relevance of landing page	**Those who achieve higher quality scores are rewarded with top placement and lower bid cost.**
Referral Traffic Growth	Changes in referral traffic and sources	**Referral traffic growth tells you where to refocus your efforts.**
Referring URLs	Any link received by a web page from another web page	**Referring URLs enhances your share of voice.**
Return Visits	Unique visitors returning more than once in a given time period	**Returning visitors are a great indicator of engagement.**
ROMI	Provides critical performance assessment of marketing campaigns relative to the marketing spend.	**Quick, meaningful measurement of campaign success.**
Share of Voice	Proposition of total audience commanded by media group or brand across its full range of media activities.	**Share of Voice shows where you rank compared to your competitors when people talk about your industry.**
Social Interactions	Number of total interactions your social media account received over a specific time period.	**Focus on increasing your social interactions to build rapport with your network.**
Social Media Page Views	Number of times a web page is viewed as result of being directed from social media channel.	**Focusing on social media led page views enables you to understand what content truly resonates with your audience.**
Social Media Publishing Volume	How often you post a tweet or status update to a certain network.	**People want content from you on a regular basis. Too much and they tune you out, too little and they forget you exist.**

Social Reach	How far your message reaches across social media	**Demonstrates level of content viewership.**
Time on Site	How much time the average user spends on your site	**An engaged viewer can turn into an engaged customer.**
Total Website Conversions	Number of web visitors that took an action that resulted in conversion you wanted	**Getting visitors to convert is the true value of the site.**
Traffic by Device	What devices were used to access a web page/site	**Web pages look different on different devices. Make sure your content is formatted properly for all prospects.**
Unique Visits	Count of how many different people access your web site in a given amount of time	**Marketer's goal should be to increase the number of unique visitors to the site to expand market research.**
Visitors Demographics	Tells you the country, city, language, and other demographic information that pertains to your website visitors	**Visitor demographics can help you curate content specific to a certain area or language if you're seeing high viewership rates. Lets you understand who's reading your content.**

2. Product Policy

[Dolan pgs. 28-29]

3. Key terms

ASSESSOR: The ASSESSOR model is a pre–test market model that forecasts sales or market share (or both) for a new brand, provides a structure for evaluating alternative marketing strategies, and generates diagnostics that aid in improving the product.

BASES test: A concept test that assesses a sample of consumers' reactions to a concept; a key measure is their expressed purchase intention. With this measure and others, such as perceived uniqueness of the product, BASES makes a market share forecast.

brand equity: The value premium that a company realizes from a product with a recognizable name when compared to its generic equivalent.

brand extension: Product line extension marketed under the same general brand as a previous item or items. To distinguish the brand extension from the other item(s) under the primary brand, one can either add a secondary brand identification or add a generic. A brand extension is usually aimed at another segment of the general market for the overall brand.

cannibalization: A reduction in sales volume, sales revenue, or market share of one product as a result of the introduction of a new product by the same producer.

hierarchy-of-effects model: 1. A concept related to the manner in which advertising supposedly works; it is based on the premise that advertising moves individuals systematically through a series of psychological stages such as awareness, interest, desire, conviction, and action. 2. An early model that depicted consumer purchasing as a series of stages including awareness, knowledge, liking, preference, conviction, and purchase.

product item design: The detailed specification of a manufactured item's parts and their relationship to the whole. A product design needs to take into account how the item will perform its intended functionality in an efficient, safe, and reliable manner. The product also needs to be capable of being made economically and be attractive to targeted consumers.

product line: A group of products or services marketed and positioned by an organization to one general market. The products have some characteristics, customers, or uses in common, and they may also share technologies, distribution channels, prices, services, and so on.

product line depth: The number of product varieties (subcategories) within a product or service line or category. Companies with deep product lines focus on a specialized product mix or an expertise in a specialized service offering.

product line extension: A new product marketed by an organization that already has at least one other product being sold in that product or market area.
Line extensions are usually new flavors, sizes, models, applications, strengths, and the like. Sometimes the distinction is made between near line extensions (very little difference) and distant line extensions (almost completely new entries).

product mix breadth: The number of the product or service lines (categories) that a company offers to its customers.

stock-keeping unit (SKU): A specific unit of inventory that is carried as a separate, identifiable unit. In retailing it is the lowest level of identification of merchandise.

willingness to pay: The maximum amount a consumer thinks a product or service is worth. This amount is considered when developing an asking price for products and services.

Marketing Metrics: Note for Marketing Managers

[Fleming, M & Stanko, M.A. pgs. 1]

- **There is tremendous value to goal setting.**
- **Marketers should set specific goals for each campaign and tactic, which will guide efforts and improve performance.**
- **Strategic goal (incremental profit or ROI) supported by several specific metrics relevant to tactics at hand link strategy and tactics**

- **The near future will see the use of marketing metrics viewed as a strength of marketing practice**