Promotion Fundamentals - Advertising

Promotion is the most visible of the marketing Ps, driving a common misconception that marketing is nothing more than high profile advertising and aggressive salespeople. While promotion is a conspicuously powerful part of the marketing mix, <u>marketing is more than promotion</u> (there are 3 other Ps), and <u>promotion is more than just advertising and sales</u>, though those components are prominent in most companies' promotional mix.

Promotion encompasses all aspects of <u>informational and motivational communications</u> with customers and intermediaries, including media-based advertising and public relations, action-oriented incentives (e.g. rebates, coupons), merchandising allowances (e.g. temporary sale prices), and direct selling (in person, or personalized via phone, mail, or internet).

Promotional Objectives

<u>The overarching objective of promotion is to frame customers' perceptions</u> (making them aware of the product in its most favorable light) <u>and stimulate buying</u>.

More specifically, promotion can be an effective set of tools for:

(a) Building awareness for a product, brand or category, and highlighting uses and benefits

(b) Developing a brand identity and create brand preference or "***pull***" ("ask for it by name")

(c) Establishing points of differentiation versus competitive products ("more power than other brands")

(d) Creating a sense of urgency ("call to action") to encourage purchases by intermediaries (i.e. stockpiling by distributors and retailers) and consumers (i.e. "demand pull").

(e) Increasing usage <u>occasions</u> (e.g. "orange juice is not just for breakfast"), <u>frequency</u> ("brush your teeth after every meal"), and <u>volume</u> consumed (e.g. supersized fast food meals).

(f) Reinforcing purchase decisions to reduce post-purchase cognitive dissonance ("congratulations on making a wise choice")

The various promotional tools have differential impact for achieving the objectives. For example, advertising is usually most effective building broad awareness of a product or brand; buying incentives, like short duration special pricing, are more effective motivating action (e.g. "buy now, sale ends soon").

Most marketing programs have at least some advertising support. Many marketing programs have intensive advertising support. Since advertising often accounts for sizable expenditures, it is imperative that all managers have at least a basic understanding of how advertising works and how it can be managed.

The 6 Ms of Advertising

The 6 Ms are a traditional shorthand that captures the essence of advertising management: **M**ission, **M**arket, **M**essage, **M**edia, **M**oney, and **M**easurement.

1. Mission

Every advertising initiative should have a clear objective. That is, a specific communication task and level of achievement to be accomplished with a precisely defined audience in a specific period of time.

In general, the advertising mission be focused on:

(a) Building awareness by <u>informing</u> prospective customers of a brand, product, or delivered benefit

(b) Generating trial by <u>persuading</u> prospective that the brand / product meets their purchasing criteria better than competition and that they should purchase the product sooner rather than later

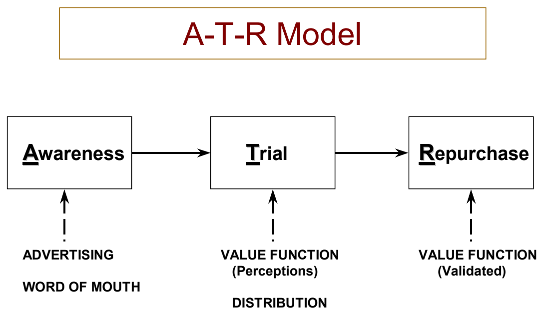
(c) Increasing repurchase rates by <u>reminding</u> customers that they made wise purchases and should consider buying the brand / product again.

This note was developed by Prof. Ken Homa as background for class discussions and is incomplete without extensive supplemental oral elaboration.

ATR Framework

The **awareness-trial-repurchase (ATR)** framework is useful for mission-setting since it conceptualizes the systematic steps in the purchase process, including the early-on psychological effects (thinking, feeling, deciding) that precede and may lead to purchase, and the physical acts of actually buying the product.

More specifically, the ATR model posits 3 sequentially linked steps.



First, potential customers must become aware of a product (or brand) either generally, or specifically with respect to particular benefits and performance levels. Awareness can be relatively strong (i.e. reflected as unaided awareness on market research surveys) or fairly superficial (i.e. aided awareness).

If the customer perceives that the brand's attributes and benefits match her requirements and deliver a competitively superior value, then the customer may be motivated to try the product (i.e. purchase intent is established).

Of course, intended trial may not materialize if the brand can't be found in stores (poor distribution coverage), or if the customer, on inspection, realizes that her perceptions are inaccurate (e.g. actual price is much higher than the going-in perceived price, or actual features and benefits miss expectations).

When a customer purchases the product, she is able to validate the product's performance in use and determine whether her perceptions were correct and the product delivers the expected value. If so, the customer may be inclined to buy the product again (i.e. repurchase).

If the product misses the customer's expectations, she is unlikely to repurchase it unless the product is still needed and competitive brands are even further off-the-mark.

Sometimes, especially for big ticket items, a customer may suffer ***post-purchase cognitive dissonance*** and conclude that she made a buying mistake, even though the product hits her requirements, and she may consider returning it or not buying it again. Many companies regularly call customers a few days after a major purchase to reassure them that they made a wise purchase decision and relieve any post-purchase anxieties.

Different components of the marketing mix are most operative at each of the stages: advertising, word-of-mouth (now popularly referred to as "buzz"), and in-store merchandising[1] are critical to building front-end awareness; perceived value (product and price) and distribution (where the product is available) drive the trial stage; actual value (again, product and price) that is validated in use, drives repurchase.

ATR Conversion Ratios

Conversion ratios measure the proportional movement of potential customers through the ATR stages. For example, if 100 potential customers are aware of a product, and 45 of the 100 are inclined to try it, then the awareness to trial conversion ratio is 45%.

Conversion ratios, which vary by product category, can be benchmarked to draw inferences on the absolute conversion level (i.e. over or under category norms) and, more importantly, can calibrate the leverage from increasing the population at a specific stage. For example, if awareness levels are doubled to 200 customers and the awareness to trial conversion ratio stays constant, an additional 45 customers are likely to try the product. Depending on the cost to build to that level of awareness, the action may or may not be cost effective. The higher the conversion ratio is, the greater the leverage, and the more likely that the action would be economically justified.

More generally, inspecting the series of conversion ratios provides insight regarding the most appropriate (and cost justified) strategies and tactics. For example:

(a) If awareness and trial are high, but repurchase is low, then the product or its price are suspect and little benefit is likely from building additional awareness through advertising.

(b) If awareness is high but trial is low, then customers perceptions, which may be right or wrong, may be that the product does not offer a good value, or the product may have inadequate distribution (too few or the wrong

[1] Awareness may develop just-in-time at store level. That is, a customer may walk into a store intending to buy a particular brand, see a previously unknown brand on the shelf, and buys the "new" brand.

outlets). If the problem is erroneous perceptions, remedial advertising may be appropriate to close the perceptual gap.

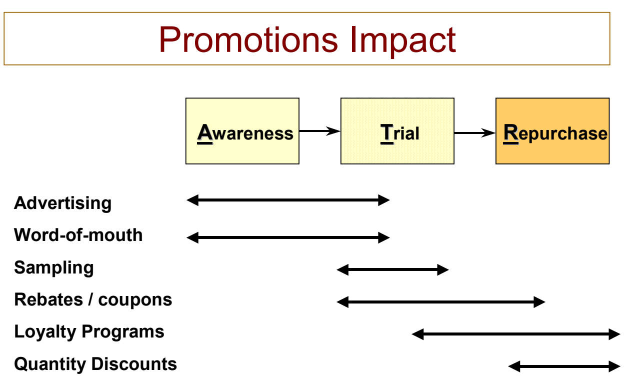
(c) If trial and repurchase conversion rates are high but total sales are low, then the market may be too small, or awareness may be too low. If awareness is the problem, then more intensive advertising (bigger budget), more effective advertising better ads), or better targeted advertising (most receptive audience) may be required.

Hierarchy of Effects Models

The ATR model is representative of a class of frameworks called hierarchy of effects models. Other models trace a different sequence of effects. For example, in some cases, the most insight can be gleaned by tracking progression from awareness to purchase intent to actual purchase. Or, the AIDA variation traces progress from awareness to interest to decision (to purchase) to action (purchase).

Matching Tactics to ATR Stages

A key point, illustrated below, is that different promotional tools are effective for remediating deficiencies at the different stages.



And again, the conversion ratios between the stages help both to isolate specific shortfalls and to indicate the leverage from boosting performance at a particular hierarchal stage.

In summary, advertising is only one tool in a marketer's promotional kit. When advertising is best suited to the task at hand, its mission, which must be clear and realistic, can range from informing (building awareness) to persuading (creating purchase intent and stimulating trial) and reminding (encouraging repurchase).

****

2. Market

Market is shorthand for the clear delineation of a target market. ***STP*** is the process of ***segmenting*** markets, ***targeting*** an attractive segment, and ***positioning*** the product with potential customers in the target group. In general, a segment is a relatively homogenous group of high potential customers who make their purchases based on similar criteria and motivations, act in a substantially similar way (e.g. decision processes, shopping patterns), and can be communicated to using the same focused media (e.g. watch the same TV shows or read the same magazines).

More specifically, ***segmentation*** is the definitional process of disaggregating a mass market into compartmentalized subsets based on criteria such as demographics (e.g. age, sex, location, income), psychographics (e.g. attitudes, interests, lifestyles), usage (e.g. heavy or light users), and benefits sought (e.g. convenience, safety, power).

Strategically, the most effective segmentation is typically based on a creative slicing of the market (like benefit segmentation), rather than the application of traditional demographic variables (like age or income).

The next step, after defining alternative segmentation schemes, is the analytically based decision process of ***targeting***, i.e. selecting segments that are inherently attractive and that closely match the company's strengths.

Attractive Segments

In general, the most attractive segments to target are those that are:

(a) ***Prospectively profitable***: the segment's characteristics (e.g. price levels, growth rate) and competitive environment (e.g. number of competitors, basis of competition) are conducive to a growing pool of profits.

(b) ***Homogeneous within*** the segment, i.e. members are relatively similar with respect to attitudes, buying criteria, media habits, etc.

(c) ***Heterogeneous across*** segments, i.e. members in different segments have fundamental differences and act accordingly.

(d) ***Accessible***: members can be reached effectively with communications, and shop in outlets through which products can be efficiently distributed.

(e) ***Winnable***: the company's distinctive strengths match the segment's requirements and provide an advantage versus competition, so the company can reasonably expect an acceptable share of the industry profits.

****

3. Message

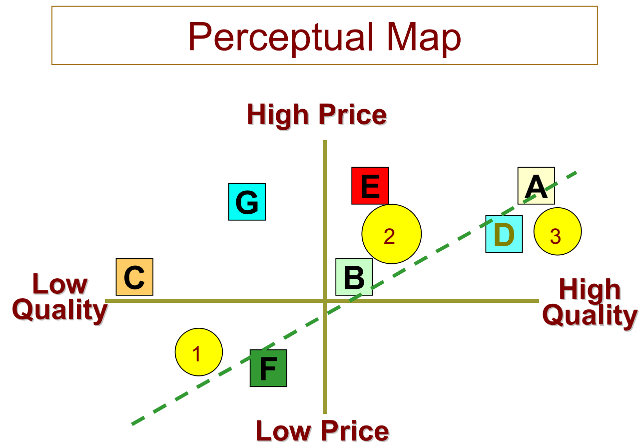
Message is the specific content of the advertising. That is, an ad's words, pictures, sounds, personalities, etc. Importantly, the message is the synergistic combination of substance (what's being said) and style (how it's being said).

With respect to the substance, ads should have a very precise mission-derived objective (i.e. inform, persuade, or remind), and a focused main idea that is compelling to prospective buyers, i.e. ***positioning*** the brand (the P in STP) - in the minds of target market consumers - closer to the segment's requirements than competitors.

Perceptual Maps

Analytically, the primary positioning tools are called ***perceptual maps***. Perceptual maps, which can be derived using market research methodologies such as semantic and multi-dimensional scaling, are based – as the name implies – on customers perceptions of the benefits that brands deliver. The maps are visual representations of competitive brands (or products) plotted along dimensions that capture the most important attributes in the purchase process. The maps reveal brands' positions relative to each other, and relative to customers' ideal points.

For example, the illustrative perceptual map below plots brands (the letters in squares) along 2-dimensions: price and quality.



Brand A is perceived to be relatively high priced with high quality; brand F is low quality and low price (perhaps an economy brand); and brand G is in the unstable position of being perceived to be low quality, but high price. The circled numbers indicate the ideal points - combinations of price and quality - that are desired by each of 3 illustrative segments (good, better, best). Since price is along the vertical axis, this perceptual map is a variation of a value map.[2]

Proximity rules on perceptual maps. In general, a brand will accrue most of its sales from the market segments with ideal points closest to where the brand is positioned (e.g. brand A is likely to draw most from segment 3) and, all else equal, brands positioned closer to ideal points will capture a disproportionate share of that market segment's sales (e.g. F should outperform C is segment 1).

Strategic & Tactical Implications

Of course, customer perceptions may, or may not match the objective realities. Meeting the objective performance criteria is usually necessary but not sufficient. That is, a product may meet objective performance criteria (e.g. can be validated by laboratory tests), but a company only "gets credit" if customers perceive that the product delivers the benefits that they are seeking.

Assuming that a product is designed to the proper market-driven specifications and "made to spec", promotional programs, like advertising campaigns,

[2] See Note – Pricing Fundamentals for a more complete discussion of Value Maps

may be required to:

(a) Close any gaps between the favorable positive objective realities and inaccurate customer perceptions

(b) Amplify the perceived importance of any attributes on which the brand is competitively closest to customers' requirements

(c) Diminish the perceived importance of any attributes on which the brand misses customers' requirements.

<u>Value Equation</u>

Even more specifically, the breadth and specificity of alternative messages can be gleaned from the value equation: an algebraic representation of the value map.[3]

$$V = \sum_{i=1}^{n} (a_i * b_i) / P$$

V is the objective criteria: the perceived value of the product (benefits per dollar)

i represents a product's specific attributes (features, or more precisely, benefits like 'power' or 'ease of use').

n is the number of meaningful attributes.

$\mathbf{a_i}$ is the relative importance weight of specific attributes (i.e. important or unimportant, expressed as a portion of the 100% total weighting across all attributes).

$\mathbf{b_i}$ is a measure of the extent to which a product meets the desired specification for an attribute (e.g. in perceptual mapping terms, proximity to an ideal point - the closer, the better).

$\sum$ indicates a summation across all of the relevant attributes.

P is the price of the product, which standardizes the value measure as a ratio of total weighted benefits per dollar.

<u>More Strategic Implications</u>

From a strategic perspective, the value equation highlights the alternative sorts advertising missions that can be adopted, such as:

(a) Inform potential customers that a brand or product exists, i.e. raise general awareness

Example: "State Farm now offers life insurance"

(b) Inform customers that the brand / product offers a specific attribute ("i")

Example: "Now with side air bags"

(c) Persuade customers that a brand / product is closer to an attribute ideal than they might otherwise perceive (modify the "b")

Example: Publicize superior ratings from expert references ("9 out of 10 doctors recommend") or consumer tests (e.g. the Pepsi challenge).

(d) Persuade customers that an attribute should be perceived as more, or less, important (i.e. modify the "a")

Example: "Alloy metal case for increased durability"

(e) Modify a customers ideal point by providing compelling rationales for why an attribute should have particular characteristics

Example: "Too much power causes overheating"

(f) Target customer segments that heavily weight the importance of attributes that the product has (benefit segmentation along the "a" variable)

Example: "Its light weight is perfect for the business traveler"

(g) Change the customer's perception of the product's price (P) to recalibrate the value delivered

Example: "Only pennies per day".

---

[3] This particular form of the value equation (or "function"), which is discussed in greater detail in the Note - Pricing Fundamentals, is called a ***linear compensatory model*** since high values for some attributes can compensate for low values on other attributes. Other common models are ***conjunctive models*** (minimum qualifying criteria must be met for all attributes), and ***lexicographic models*** (best performance on the most important attribute).

Message Execution: Substance

Again, a key point is that the message should be clearly predefined and focused on a specific objective. Then, the main idea should be conveyed in a manner that is compelling and credible:

(a) Centered on the main benefit delivered, the customer “hot buttons”, and “action triggers”

(b) Rationally supported with credible facts, demonstrations, endorsements

(c) Emotionally amplified with an appropriate sensory ambiance (sounds, colors, graphics etc.) and psychological cues (e.g. social status, ego-gratification, responsibility)

Copy Testing

A common mistake that managers make is to judge proposed commercials based on a projection of their personal experiences and “gut judgment”, rather than an objective reading of customer reactions.

More appropriately, many companies (or more precisely, their advertising agencies) will “copy test” preliminary advertising executions (e.g. concept statements or prototype commercials) with a representative sample of target market customers to validate that a commercial is “on message”, i.e. effectively communicates the intended points and causes an appropriate attitude shift.

Message Execution: Style

With respect to style, messages must be presented in a manner that preserves their credibility, that is sufficiently intrusive to break through the clutter of ads without alienating the audience, and that creates an identifiably differentiated brand association.

Among the more common formats and styles are:

(a) ***Slice of life***: showing the product in a relevant context

(b) ***Testimonial***: having real users present rational support for product claims

(c) ***Personality symbol***: deriving legitimacy from association with a well-regarded authority or celebrity

(d) ***Technical / scientific***: presenting experts and evidence to establish efficacy or competitive superiority

(e) ***Fantasy***: projecting benefits in an exaggerated, sometimes surreal context

(f) ***Musical***: providing a memorable jingle or tune

Again, the keys are to be “on message” with a focused going-in objective, to deliver the message in synergistic format, and most important, to objectively assess the impact on customer perceptions.

****

4. *Media*

Media, the method of delivering the message, ranges from traditional media such as network TV, radio, magazines, and newspapers, and more “new wave” media such as cable TV, the internet, events (concerts, sports), and “buzz marketing” (e.g. hiring trend-setting “missionaries”, including celebrities, to use and tout products in real life environments); or placing products and brand names in high visibility settings (such as movies, sports stadiums).

Media Criteria

Media alternatives can be evaluated along 3 main criteria:

(a) ***Accessibility***: Do they reach the target market?

(b) ***Intrusiveness***: Do they get the product / brand noticed?

(c) ***Efficiency***: are they cost-effective in absolute terms (i.e. net profitable), and compared to other alternatives?

More specifically, media alternatives can be evaluated along a battery of quantitative measures:

(a) ***Reach***: How many members of the target market are exposed to the ad?

(b) ***Frequency***: How often do members of the target market see the ad?

(c) ***Cost per Thousand (CPM)***: How much does it cost per unique exposure?

(d) ***Recall***: What portion of the people who see the ad remember it and make accurate associations?

Applying the criteria and metrics to the more commonly used media:

(a) ***Network TV***, the favorite of most agencies (largely because of the favorable economics that accrue to the agencies[4]) and of many executives (because of the visibility and apparent prestige) provides fast, mass exposure with full sensory presentation (sound, visuals). But, TV tends to be subject to high absolute costs (production, media, and agency commissions), diffused coverage (hits both targets and non-targets), and commercial avoidance (channel switching and VCR zapping).

(b) ***Radio*** is relatively low cost, can put commercials in a relevant context (e.g. beer commercials during baseball games), and can be precisely targeted to locales and market segments. But radio is generally less impactful than TV (no visuals) and is subject to channel switching and extreme clutter.

(c) ***Cable TV*** provides the benefits of radio and network TV (impactful format, precision targeting) at relatively low cost, but has limited reach (cable penetration) and is still subject to clutter and channel switching.

(d) ***Magazines*** provide a venue for extensive information content, can be precisely targeted to segments, and benefit from supplementary "pass along" readership. But, magazines are visual only and tend to have very long production lead times that limit timeliness and flexibility.

(e) The ***internet*** is largely unproven as a medium. While some sites provide high reported exposure rates at very low CPMs, most experts are skeptical of the effectiveness of the exposures.

As a general rule, managers must be conscious of fitting the media to the audience (market) and the message, and supplement their qualitative judgments with an appropriate level of quantitative facts and analysis.

****

[4] Traditionally, agencies are compensated as a fixed percentage of media spending, typically 15%. Some companies have adopted schemes to pay agencies on a basis more directly related to time and materials, and a few have adopted performance based compensation systems that link agency pay to how well ad objectives (like share gains or sales increases) are met.

5. ***Money***

Money is representative of the periodic resources required to support a specific advertising campaign, i.e. the level and timing of expenditures.

Advertising Budgets

Companies commonly set an advertising budget (the level of expenditures) based one or more of the following criteria:

(a) ***Affordability***: How much money can realistically be spent given a company's aggregate resource base and profitability profile?

The affordability criteria has obvious conceptual shortcomings since it largely ignores cause and effect. For example, sometimes it is more critical to advertise in bad times when sales and profits are low than in boom periods when demand is generally high. But in real life, affordability is a hard constraint that is guides many companies' advertising budgets.

(b) ***History***: Based on past expenditures and results, how much spending seems appropriate?

Again, reliance on past patterns has a glaring vulnerability since it implicitly assumes that past decisions were made on a sound basis and were reasonably correct. Over time, the assumption may be self-validating since a constant underspending on advertising will eventually be reflected in declining market shares. In other words, over a sufficiently long time period, a company may settle into a spending pattern that achieves its goals.

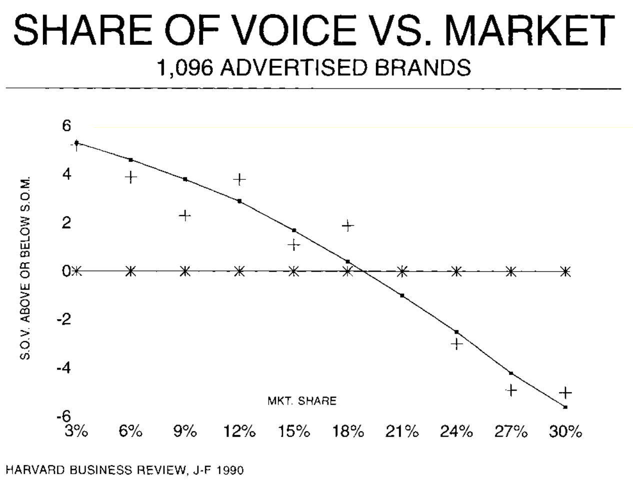
Of course, a strategic shift may require a different spending level. For example, a common rule of thumb is that a radical change in positioning requires a doubling or tripling of spending from status quo levels.

(c) ***Benchmarks***: Given the spending levels of competitive or analogous companies, how much spending is required to establish, improve, or maintain a competitive position?

The most basic benchmarking approaches - which implicitly assume that other companies know what they're doing - simply try to match close competitors' spending levels or maintain a relatively fixed relationship.

A more rigorous approach is to consider the company's relative proportion of total industry ad spending in the product category (called SOV for "share of voice") in relation to its market share (SOM).

Generally, low market share companies must overspend (SOV > SOM) just to maintain their positions, and high market share companies can sometimes underspend (SOV < SOM) and still maintain their positions. For example, one study estimated that at 20% SOM, an equivalent spending level (SOV = 20%) can maintain share. But, a relatively low 5% SOM requires overspending (10% SOV) and a relatively high 25% SOM allows underspending (20% SOV).



Of course, the SOM to SOV relationship implicitly assumes that all other factors (e.g. ad effectiveness, market targeting, media efficiency) are equal. If a company is able to outperform its competitors with better ads, more precise audience targeting, more economical media buys, etc., then it may be able to spend less than the relationship suggests.

Again, this and all other benchmarking approaches implicitly assume that there is an evolved collective wisdom guiding industry spending patterns or that specific competitors have broken the code for superior performance. Both assumptions typically merit skeptical review.

(d) ***Objective & Task*** is the purest ad budgeting method from a conceptual perspective. In essence, the O&T approach works backwards from a clearly defined objective (e.g. maintain market share, build awareness, convert purchase intent) and determines the level and nature of advertising that is required.

The ATR conversion ratios (discussed above) are the basic building blocks of the O&T methodology.

For example, a company may decide to aim for volume growth. If industry growth is slow, the sales increase may require a market share gain. Applying the logic of the ATR framework, the share gain would be the result of converted purchase intent. So, the company must either increase the intent conversion rate or expand the pool of purchase intenders. The number of intenders is dependent on the rate that aware people become intenders or the size of the aware pool.

One growth strategy the company might employ is to focus on increasing awareness. Assuming that all conversion rates stay roughly constant, the amount that awareness must increase to generate the target share increase can be calculated by tracing through the conversion rates. For example, assume that test marketing or tracking surveys indicate that a 2% share gain is required, that 25% of aware customers become purchase intenders, and that 50% of all intenders actually purchase. Given these parameters, a 16% increase in awareness would be needed to generate the 2% share gain (16% x 25% x 50% = 2%).

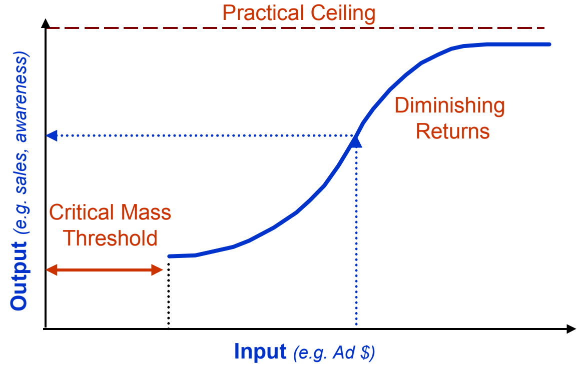
Response curves (discussed below) are fundamental tools for the O&T methodology.

Response Curves

The ad spending required to drive the awareness gain can be estimated based on a relationship called a response curve. Response curves calibrate the amount of an input (e.g. advertising) that is required to drive a specific output (e.g. awareness).

While response curves are subject to theoretical limitations[5] and can be shaped differently, a classical S-curve response function is broadly applicable and useful for drawing insights.

Response Curve



The typical s-curve response function has 4 defining characteristics:

(a) ***Critical mass threshold***: some minimum amount of an input is required to generate any noticeable output reaction.

(b) ***Increasing returns***: once past critical mass, modest increases in the input variable generate disproportionate movements in the output variable.

(c) ***Diminishing returns***: after reaching some level of input saturation, the rate of output response decreases. In other words, after some point, very large increases in the input variable generate only modest increases in the output.

(d) ***Practical ceiling***: at some point, additional increases in the input variable generate no noticeable response at all.

For example, advertising below a certain level of intensity may fail to "move the needle" at all. Once past the critical mass threshold, awareness (the primary output of advertising) increases at a relatively fast rate until saturation becomes evident (most members of target audiences have heard the message, perhaps multiple times). At relatively high spending levels, increases in advertising intensity have a decreasing impact on awareness building. When the practical ceiling is reached, additional advertising spending may reinforce the message with targets who are already aware, but little or no new awareness is built.

Once the response curve is calibrated, then the objective (build awareness) can be triangulated to estimate the aggregate level of required ad spending.

Time Phasing

The required spending estimate can be adjusted for extraordinary factors, and must be appropriately time-phased to optimize impact. For example, there may be a single ***burst*** of spending concentrated in a very short period to introduce a product, or spending may be allocated to intermittent ***flights*** (on for awhile, off for awhile, then on again) matched to seasonal demand, or spending may be ***sustained*** at continual, but relatively low levels, to provide constant market reminders.

In summary, determining an ad budget is part art, part science. No one technique is likely to provide a precisely right answer. So, in most instances, it is useful to combine two or more of the above approaches, triangulate to a best estimate, and stay flexible for course adjustments.

****

6. ***Measurement***

Measurement is the M that closes the advertising loop, determining if program objectives are being achieved cost effectively.

At a macro level, it is tempting but misleading to focus on sales and conclude that if sales are increasing then advertising is working, or vice versa. There are simply too many other variables impacting sales (e.g. product quality, distribution coverage, pricing, competitive offerings). While effective promotion may even be able to generate the transient allusion that an off-the-mark product delivers the desired benefits, if the product doesn't actually meet the customers' requirements then, most likely, the perceptions will ultimately converge on the realities and the product will be doomed.

[5] For example, there are usually time delays (leads and lags) between the injection of an input and the observable results, so relating "same period" inputs and outputs may be inappropriate. Similarly, most marketing outputs (e.g. awareness, trial, repurchase) are driven by multiple stimuli, so isolating an effect to a single input may be an oversimplification.

At a more micro level, concept and copy tests can determine whether ads communicate a specific message and get an attitudinal response in a very controlled environment (heightened interest, few distractions). But, results may differ in a real life environment where the controls are lifted.

So, as a general rule, it is typically most appropriate to track the specific measurements that are most directly impacted by advertising by surveying customers after the ads have actually run. The relevant measures are, more or less sequentially hierarchal. That is, poor performance on an early-on objective, limits the upside potential of subsequent measures.

In hierarchal sequence, the key questions to ask are:

(a) Do target market members ***recall*** seeing the ad?

This criterion evaluates whether a commercial is effectively reaching the target market. Poor performance on this criteria might indicate:

- The media used misses the target market

- The media delivery is diluted by channel switching, zapping, and other sources of media leakage

- The ad is ineffective at breaking through the clutter and doesn't get noticed.

(b) Is there strong ***brand identification***, i.e. do people associate the commercial with the specific advertiser?

Consider the commercials for online brokerage firms. Many are quite clever, break through the clutter, and can be recalled. Unfortunately, few people can properly identify which company is featured in any specific ad.

(c) Is the ad communicating the intended ***message***?

The choice of message is strategic and should be pretested to validate that it resonates with consumers. Surveys should be done to verify that the real life execution is understandable and stays "on message", i.e. that consumers are able to internalize and report back the intended message. If they can't, it may be because the commercial is unfocused or that the message is too complex for the media being used.

(d) Does the ad appropriately ***shift attitudes***?

Just building awareness is rarely sufficient. Rather, consumers must be nudged through the ATR process to:

- Recognize and feel comfortable with the brand

- Understand the product's value proposition

- Develop an interest in the brand ("would consider" in market research terminology)

- Establish brand preference ("first choice")

- Become inclined to buy ("very likely to buy")

(e) Is the ad ***action-inducing***, i.e. getting people to take the next step in the process? .

Ads are intended to get people to take action, most often, to buy a product. Accordingly, the ultimate test of efficacy is whether or not the person took action, e.g. inspected the product in a store, or actually purchased it. But again, advertising is only part of the equation. Other parts of the marketing mix must be in place for a sale to materialize.

(f) All things considered, is the campaign ***cost-effective*** and ***profitable***?

Even though an ad campaign may achieve all of its communications objectives, it may be economically problematic. At a micro level, other media may be more efficient conveying the message to the target market. That is, other media may be cheaper (CPMs), or more effective (breaks clutter, conveys message, shifts attitudes), or both. At a macro level, the advertising may be so expensive that that the ad costs can't be recouped through incremental sales or the ads drive activity that is fundamentally unprofitable. For example, some internet ad campaigns were successful in "attracting eyeballs", but the eyeballs didn't translate to profits.

****

Summary

The 6 Ms (mission, market, message, media, money and measurement) provide a complete and organized structure that captures the essence of advertising management, and the four conceptual frameworks provide a conceptual context and analytical basis for decision-making.

More specifically, ***STP*** identifies alternative market segments, targets the most attractive, and defines strategic positions. ***Perceptual mapping*** portrays the objective function: getting target customers to perceive that products (brands) deliver a combination of benefit-delivering attributes that matches their requirements and hits their ideal points. The ***ATR model*** highlights the progressive steps in the process of building the appropriate perceptions and of moving target customers to action, and indicates the most impactful strategic and tactical alternatives at each stage. In combination, the ATR model, specifically the conversion ratios between stages, and ***response curves*** help calibrate the leverage available from input increases at particular stages, and the cost-effectiveness of generating the desired increases.

Using the conceptual frameworks to structure analysis and decision-making, managers can isolate performance issues, focus corrective action, evaluate the financial impact of considered initiatives, and select the optimal promotional tool – advertising and PR, customer and trade promotions, or direct selling.

All things considered, among the generalizable keys to effective advertising management are:

(a) Integrate the Ms for maximum effectiveness, i.e. reflect strategic goals in the mission, tailor the message to the audience, match the media to the message and the audience.

(b) Research consumer perceptions – before, during, and after a campaign – and avoid acting on largely irrelevant personal experiences and gut judgment

(c) Quantify as much of the advertising process as possible, to demystify it and establish a basis for objective performance evaluation.

(d) Spend rationally. Select efficient media; don't underspend (critical mass); don't overspend (diminishing returns).

(e) Don't try to solve all marketing problems with advertising ...

Remember that promotion, and advertising specifically, is only one of the Ps. Advertising has an important part in the marketing mix, but can't do the whole job. The other Ps must be in harmony and do their part of the marketing job.