Advertising

MKT 6301
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So Far…

- Week 1 – Intro
- Week 2 – Strategy
- Week 3 – Market Research
- Week 4 – Consumer Behavior
- Week 5 – NPD
- Week 6 – Case Discussions
- Week 7 - Midterm

Looking Ahead…

- Week 8 – Advertising
- Week 9 – Pricing
- Week 10 – Promotions/Deere Case
- Week 11 – Distribution
- Week 12 – CRM/Goodyear Case
- Week 13 – Project Presentations
- Week 14 – Final Exam
Volvo Trucks: An Example

- Since 1981 Volvo has been selling heavy duty trucks
  - Volvo, Autocar, White/GMC
  - Lacked Quality, Low Prices, perceived as low quality “fleet trucks”
  - Recently, Volvo trucks consolidated everything under the Volvo Brand
  - Developed a new line of premium trucks

Goals

- Raise the old low-status image to match new high quality reality
- Improve sales

Action Plan - I

- Jim Lesinski proposed running an ad during the Super Bowl
- Management – How much will it cost?
  - Lesinski - 1.3MM + 0.5MM
- Management – How long and how often will it run?
- Lesinski – Once for 30 seconds
Target Market Characteristics

- Truck Fleet Buyers and Independent Operators
- Firms with better performing, more comfortable, higher-status trucks were better able to retain their drivers
- Truck buyers cared about drivers' perceptions
- Target Audience – truck buyers/drivers

Miscellaneous

- 70% of all truck drivers watch all or some part of the Super Bowl game
- Lesinski’s idea to place a single ad in Super Bowl 1998 won approval
- Super Bowl Ad alone won’t do it!

Action Plan - II

- Carefully targeted four-month integrated promotional campaign – centerpiece Super Bowl '98
- “The Best Drive in the Game Sweepstakes”
- Grand Prize – Volvo VN770 Truck ($120,000)
- Volvo national truck tour – two caravans of 3 trucks each
- Campaign attracted 48,700 participants
- Wallet-size entry card with one of 40 “Volvo Truths”
Action Plan - II

- Volvo Trucks sponsored Super Bowl parties at 40 truck stops around the country
- A Volvo VN770 parked at each truck stop

Ad Content

- Ad featured a professional driver, Gus, driving a Volvo VN770 down a desert highway
- Gus: "What 30 years on the road have taught me, is always run the best truck you can."
- Scene shifts to show both the sleek and handsome exterior of the truck and its luxurious interior
- Gus: "But success hasn’t spoiled me, I still put my pants on one leg at a time."
- As Gus delivered the last line, a uniformed butler approaches from the sleeper area with a small silver box on a pillow – "your toothpick sir"
- Volvo – Drive Safely!

Was it Worth It?

- Total cost - $2.4MM
- Ad was viewed by 1.4million truck drivers, more than half the target market
- 23% of truck drivers talked about the ad with someone else generating about 325,000 conversations about the commercial
- Perceive Volvo VN770 like being a "Hilton" as opposed to "Motel 6"
- Campaign created 30% driver preference for Volvo trucks compared to Freightliner (25%), Peterbilt (23%)
- By ’98 end – sales were up 44.5%; market share rose by 2.5% points to 12%
Determinants of Success

- Clear Objectives/Target Audience
- Appropriate Targeting
- Good Advertising – consistent with image
- Appropriate Support
- IMC – Integrated Marketing Communications!!

Keys to Success

- Strategic Component
  - Who are the target segments?
  - What do they value?
  - Does our product meet the needs?
  - Value Proposition?
- Tactical Component
  - How to adjust marketing mix to implement the strategy?

Communications Model

[Diagram showing Sender and Receiver]
Communications Media

- **Personal**
  - Sales force in retail channel
  - Personal Selling (door-to-door)
  - WOM communication between customers
- **Impersonal or Mass Media**
  - TV, Radio, Newspapers, Magazines, Internet etc.
  - Limited or no feedback

Elements of Communication Mix

- Advertising
- Direct Marketing
- Sales Promotion
- Public Relations
- Other

Communications Expenditures

[Pie chart showing marketing communications expenditure]
Advertising Management: Six Stages

- Target Selection
- Goal Setting
- Message Strategy
- Media Planning
- Budget Setting
- Measurement

1. Target Selection

- Follows from the overall strategy
- Who makes the purchasing decisions and what are they influenced by – Volvo

2. Advertising Goals

- Increase Sales/Profits?
- Awareness/Interest
- Short/Long-term

- Advertising Goals can be the source of conflict between firm and the ad agency
  - Double Moral Hazard
Advertising Response Process: Models

- Three Stages
  - Cognitive/Affective/Behavioral
- AIDA
  - Attention/Interest Desire/Action
- Hierarchy of Effects
  - Awareness Knowledge/Liking Preference Conviction/Purchase
- Other Models
  - Help outline goals for advertising – goals other than sales
  - Goals may depend on stage in PLC

3. Message Strategy

- Attribute-focused advertising
  - Help differentiate
  - Change perceptions of some product attributes
- Rational Appeals
  - Focus on functional aspects of product
- Emotional Appeals
  - Use humor, fear, sex and other appeals to achieve objectives (example)
  - Other examples

Testing the Ad Copy

- Lab tests
  - Pretests – before implementing the campaign
  - Posttest – after implementing campaign but prior to roll-out
- Field Test
  - Less controlled environment
  - More realistic
4. Media Planning

- Choice of media
  - TV
  - Print – Newspapers and Magazines
  - Radio
  - Billboards
  - Internet
    - CPM, CPC, CPA

Analyzing Media

- Cost Effectiveness (CPM)
- GRP (Reach*Freq)
- Nielsen Ratings
- Contextual Fit
- Duplication – Advertise in BW and WSJ?

Cost of Media

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Cost/Page-Ad</th>
<th>Circulation</th>
<th>CPM</th>
</tr>
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<tbody>
<tr>
<td>Newsweek</td>
<td>$84,000</td>
<td>3,000,000</td>
<td>$28</td>
</tr>
<tr>
<td>Business Week</td>
<td>$30,000</td>
<td>775,000</td>
<td>$39</td>
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</tbody>
</table>
Gross Rating Points (GRP)

- GRP = Reach(%) * Freq
- Example:
  - An Ad reaches 20% of the target market
  - Shown 4 times on the show
  - GRP = 4 * 20 = 80 GRPs

Nielsen Ratings

- Rating – the percentage of households in a market that are tuned to a particular TV show or radio station
- One percentage point ~ 1 million viewers (1.008 M Households)

Scheduling

- Shape of the advertising response function
- Hysterisis/Decay
- Seasonality of demand
  - Lead time important
- Flighting
- Continuous
- Pulsing
5. Budgeting

- Investment or Expense
  - Positive relationship between Advertising and Market Share
- Objective Based
  - Sum of costs ~ budget
- Percentage of Sales
  - Simple but dangerous
- Do what others do (SOV)
- Experiment
- Optimization (Decision Calculus)

6. Measurement

- Unaided recall
- Aided recall
- Track over time
  - Recall may be influenced by other factors

Quantitative Approaches

- Objectives to Incremental Contribution (Table 8-6)
- Estimate Relationship between objective and advertising
Real Advertisements

- Illiterate? Write today for free help
- Auto Repair Service. Free pick-up and delivery. Try us once and you will never go anywhere again
- Our experienced Mom will care for your child. Fenced yard, meals and smacks included
- Dog for sale: eats anything and is fond of children
- Man wanted to work in dynamite factory – must be willing to travel
- Stock up and save. Limit: one
- Semi-Annual After-Christmas sale