

## marketing insight

### Playing Tricks to Build a Brand

Some marketers are taking advantage of viral videos and other digital forms of expression to develop creative stunts or "reality pranks" to promote their brands. The successful ones capture the public's imagination while reinforcing the brand positioning in the process. Here are two examples.

To demonstrate the picture quality of its Ultra HD TVs, with resolution up to four times greater than regular HD TVs, LG shot a hidden-camera prank commercial in Chile. In an office in a high-rise building, the company replaced the large window overlooking the city with one of its Ultra HD TVs showing the same scene. Then it filmed unsuspecting job seekers responding to interview questions from an actor posing as an employer. All is well until the middle of the interview when a large meteor is shown crashing into the city with a monstrous dust cloud rushing toward the building. The interviewees all try to remain calm until the realistic images eventually overwhelm them and they react in panic.

To demonstrate the eye-tracking feature of its new Galaxy S4 smart phone, Samsung ran a "Stare Down" challenge contest. The concept was simple. Anyone who could sustain eye contact with an S4 handset for a full hour in a busy public setting would win the phone free. The phone was placed at eye level, but as time went on, increasingly attention-getting distractions would appear: Police holding back a barking German shepherd, a one-man band roaming around playing loud music, a motorcycle crashing into a flower stand, and so on. There was a consolation prize too. The longer a participant was able to stare at the S4, the bigger the discount for purchasing one.

Both videos became viral sensations with millions of views, entertainingly reinforcing key benefits that made up the brand positioning.

**Sources:** Will Burns, "Samsung 'Stare Down' the Latest Great Reality Prank," *Forbes*, May 31, 2013; "An Eye to Eye Phone Competition," [www.feishmanhillard.com](http://www.feishmanhillard.com), accessed March 30, 2014; Will Burns, "LG Ultra HDTV: A Product Demo for the Ages," *Forbes*, September 5, 2013; Salvador Rodriguez, "LG Hidden-Camera Prank Ad for Its Ultra HD TV Goes Viral," *Los Angeles Times*, September 7, 2013.



LG's reality prank with scared job interviewees vividly demonstrated the picture quality of its Ultra HD TVs.

## 1) ESTABLISH THE TOTAL MARKETING COMMUNICATIONS BUDGET

One of the most difficult marketing decisions is choosing how much to spend on marketing communications. John Wanamaker, the department store magnate, once said, "I know that half of my advertising is wasted, but I don't know which half."

Industries and companies vary considerably in how much they spend on marketing communications. Expenditures might be 40 percent to 45 percent of sales in the cosmetics industry, but only 5 percent to 10 percent in the industrial-equipment industry. Within a given industry, there are low- and high-spending companies.

How do companies set their communications budgets? We will describe four common methods: the affordable method, the percentage-of-sales method, the competitive-parity method, and the objective-and-task method.

**AFFORDABLE METHOD** Some companies set the communications budget at what they think they can afford. The affordable method completely ignores the role of marketing communications as an investment and their immediate impact on sales volume. It leads to an uncertain annual budget, which makes long-range planning difficult.

**PERCENTAGE-OF-SALES METHOD** Some companies set communication expenditures at a specified percentage of current or anticipated sales or of the sales price. Automobile companies typically budget a fixed percentage based on the planned car price. Oil companies appropriate a fraction of a cent for each gallon of gasoline sold under their own label.

The percentage-of-sales method has little to justify it. It views sales as the determiner of communications rather than as the result. It leads to a budget set by the availability of funds rather than by market opportunities. It discourages experimentation with countercyclical communication or aggressive spending. Dependence on year-to-year sales fluctuations interferes with long-range planning. There is no logical basis for choosing the specific percentage, except what has been done in the past or what competitors are doing. Finally, it does not encourage building the communications budget by identifying what each product and territory deserves.

**COMPETITIVE-PARITY METHOD** Some companies set their communications budgets to achieve share-of-voice parity with competitors. This approach is also problematic. There are no grounds for believing competitors know better. Company reputations, resources, opportunities, and objectives differ so much that communications budgets are hardly a guide. And there is no evidence that budgets based on competitive parity discourage communication wars.

**OBJECTIVE-AND-TASK METHOD** The most defensible approach, the objective-and-task method, calls upon marketers to develop communications budgets by defining specific objectives, identifying the tasks that must be performed to achieve these objectives, and estimating the costs of performing them. The sum of these costs is the proposed communications budget.

Suppose Dr. Pepper Snapple wants to introduce a new natural energy drink, called Sunburst, for the casual athlete.<sup>32</sup> Its objectives might be as follows:

1. **Establish the market share goal.** The company estimates 50 million potential users and sets a target of attracting 8 percent of the market—that is, 4 million users.
2. **Select the percentage of the market that should be reached by advertising.** The advertiser hopes to reach 80 percent of the market (40 million prospects) with its advertising message.
3. **Estimate the percentage of aware prospects who should be persuaded to try the brand.** The advertiser would be pleased if 25 percent of aware prospects (10 million) tried Sunburst. It estimates that 40 percent of all triers, or 4 million people, will become loyal users. This is the market share goal.
4. **Calculate the number of advertising impressions per 1 percent trial rate.** The advertiser estimates that 40 advertising impressions (exposures) for every 1 percent of the population will bring about a 25 percent trial rate.
5. **Find the number of gross rating points to be purchased.** A gross rating point is one exposure to 1 percent of the target population. Because the company wants to achieve 40 exposures to 80 percent of the population, it will want to buy 3,200 gross rating points.
6. **Calculate the necessary advertising budget on the basis of the average cost of buying a gross rating point.** Suppose it costs an average of \$3,277 to expose 1 percent of the target population to one impression. Then 3,200 gross rating points will cost \$10,486,400 ( $= \$3,277 \times 3,200$ ) in the introductory year.

The objective-and-task method has the advantage of requiring management to spell out its assumptions about the relationship among dollars spent, exposure levels, trial rates, and regular usage.

**COMMUNICATIONS BUDGET TRADE-OFFS** How much weight should marketing communications receive compared to alternatives such as product improvement, lower prices, or

better service? The answer depends on where the company's products are in their life cycles, whether they are commodities or highly differentiable products, whether they are routinely needed or must be "sold," and other considerations. Marketing communications budgets tend to be higher when there is low channel support, the marketing program changes greatly over time, many customers are hard to reach, customer decision making is complex, products are differentiated and customer needs are nonhomogeneous, and purchases are frequent and quantities small.<sup>33</sup>

In theory, marketers should establish the total communications budget so the marginal profit from the last communication dollar just equals the marginal profit from the last dollar in the best noncommunication use. Implementing this economic principle can be a challenge, however.

## 2 Selecting the Marketing Communications Mix

Companies must allocate their marketing communications budget over the eight major modes of communication—advertising, sales promotion, events and experiences, public relations and publicity, online and social media marketing, mobile marketing, direct and database marketing, and the sales force. Within the same industry, companies can differ considerably in their media and channel choices. Avon concentrates its promotional funds on personal selling, whereas Revlon spends heavily on advertising. Electrolux spent heavily on a door-to-door sales force for years, whereas Hoover relied more on advertising. Table 17.2 forecasts spending on some major forms of communication.

TABLE 17.2 Advertising and Digital Marketing Communications Forecast for 2016

Share of Global Adspend by Medium—2016	(%)
Cinema	0.5%
Desktop Internet	17.9%
Magazines	7.9%
Mobile Internet	2.7%
Newspapers	17.0%
Outdoor	6.9%
Radio	6.9%
Television	40.2%
<i>Source: Executive Summary: Advertising Expenditure Forecasts December 2013, ZenithOptimedia, www.zenithoptimedia.com.</i>	
U.S. Digital Marketing Communications—2016	
Display Advertising	26.4%
Email Marketing	2.4%
Mobile Marketing	25.5%
Search Marketing	37.5%
Social Media	8.2%

*Source:* Data from Forrester Research Online Display Advertising Forecast, 2014 to 2019 (US), May 21, 2014; Forrester Research Search Engine Marketing Forecast, 2014 to 2019 (US), May 8, 2014; Forrester Research Mobile Advertising Forecast, 2014 to 2019 (US), May 5, 2014; Forrester Research Social Media Forecast, 2014 to 2019 (US), April 4, 2014; Forrester Research Email Marketing Forecast, 2013 to 2018 (US), July 8, 2013.

Companies are always searching for ways to gain efficiency by substituting one communications tool for others. Many are replacing some field sales activity with ads, direct mail, and telemarketing. One auto dealer dismissed his five salespeople and cut prices, and sales exploded. Substitutability among communications tools explains why marketing functions need to be coordinated.

## CHARACTERISTICS OF THE MARKETING COMMUNICATIONS MIX

Each communication tool has its own unique characteristics and costs. We briefly review them here and discuss them in more detail in Chapters 18, 19, and 20.

- ✓ **ADVERTISING** Advertising reaches geographically dispersed buyers. It can build up a long-term image for a product (Coca-Cola ads) or trigger quick sales (a Macy's ad for a weekend sale). Certain forms of advertising such as TV can require a large budget, whereas other forms such as newspaper do not. The mere presence of advertising might have an effect on sales: Consumers might believe a heavily advertised brand must offer "good value."<sup>34</sup> Because of the many forms and uses of advertising, it's risky to make generalizations about it.<sup>35</sup> Yet a few observations are worthwhile:
  1. **Pervasiveness**—Advertising permits the seller to repeat a message many times. It also allows the buyer to receive and compare the messages of various competitors. Large-scale advertising says something positive about the seller's size, power, and success.
  2. **Amplified expressiveness**—Advertising provides opportunities for dramatizing the company and its brands and products through the artful use of print, sound, and color.
  3. **Control**—The advertiser can choose the aspects of the brand and product on which to focus communications.

**SALES PROMOTION** Companies use sales promotion tools—coupons, contests, premiums, and the like—to draw a stronger and quicker buyer response, including short-run effects such as highlighting product offers and boosting sagging sales. Sales promotion tools offer three distinctive benefits:

1. **Ability to be attention-getting**—They draw attention and may lead the consumer to the product.
  2. **Incentive**—They incorporate some concession, inducement, or contribution that gives value to the consumer.
  3. **Invitation**—They include a distinct invitation to engage in the transaction now.
- ✓ **EVENTS AND EXPERIENCES** Events and experiences offer many advantages as long as they have the following characteristics:
    1. **Relevant**—A well-chosen event or experience can be seen as highly relevant because the consumer is often personally invested in the outcome.
    2. **Engaging**—Given their live, real-time quality, events and experiences are more actively engaging for consumers.
    3. **Implicit**—Events are typically an indirect soft sell.

- ✓ **PUBLIC RELATIONS AND PUBLICITY** Marketers tend to underuse public relations, yet a well-thought-out program coordinated with the other communications-mix elements can be extremely effective, especially if a company needs to challenge consumers' misconceptions. The appeal of public relations and publicity is based on three distinctive qualities:

1. **High credibility**—News stories and features are more authentic and credible to readers than ads.
2. **Ability to reach hard-to-find buyers**—Public relations can reach prospects who prefer to avoid mass media and targeted promotions.
3. **Dramatization**—Public relations can tell the story behind a company, brand, or product.



↓ **ONLINE AND SOCIAL MEDIA MARKETING** Online marketing and messages can take many forms to interact with consumers when they are in active search mode or just browsing and surfing online for something to do. They share three characteristics:

1. **Rich**—Much information or entertainment can be provided—as much or as little as a consumer might want.
2. **Interactive**—Information can be changed or updated depending on the person's response.
3. **Up to date**—A message can be prepared very quickly and diffused through social media channels.

↓ **MOBILE MARKETING** Increasingly, online marketing and social media rely on mobile forms of communication and smart phones or tablets. Three distinguishing characteristics of mobile marketing are:

1. **Timely**—Mobile communications can be very time-sensitive and reflect when and where a consumer is.
2. **Influential**—Information received or obtained via a smart phone can reach and influence consumers as they are making a purchase decision.
3. **Pervasive**—Consumers typically carry their smart phones everywhere, so mobile communications are at their fingertips.

↓ **DIRECT AND DATABASE MARKETING** The advent of “Big Data” has given marketers the opportunity to learn even more about consumers and develop more personal and relevant marketing communications. Three noteworthy characteristics of direct and database marketing are:

1. **Personal**—Personal facts, opinions, and experiences can be stored in massive databases and incorporated into personal messages.
2. **Proactive**—A direct marketing piece can create attention, inform consumers, and include a call to action.
3. **Complementary**—Product information can be provided that helps other marketing communications, especially in terms of e-commerce. A good catalog might spur online shopping.

↓ **PERSONAL SELLING** Personal selling is the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction, and action. It has three notable qualities:

1. **Customized**—The message can be designed to appeal to any individual.
2. **Relationship-oriented**—Personal selling relationships can range from a matter-of-fact selling relationship to a deep personal friendship.
3. **Response-oriented**—The buyer is often given personal choices and encouraged to directly respond.

## FACTORS IN SETTING THE MARKETING COMMUNICATIONS MIX

Companies must consider several factors in developing their communications mix: type of product market, consumer readiness to make a purchase, and stage in the product life cycle.

**TYPE OF PRODUCT MARKET** Consumer marketers tend to spend comparatively more on sales promotion and advertising; business marketers tend to spend comparatively more on personal selling. In general, personal selling is used more with complex, expensive, and risky goods and in markets with fewer and larger sellers (hence, business markets).

Although marketers rely more on sales calls in business markets, advertising still plays a significant role:

- Advertising can provide an introduction to the company and its products.
- If the product has new features, advertising can explain them.
- Reminder advertising is more economical than sales calls.

Source: Report, *Churnway of International Business Machines Corporation*, © International Business Machines Corporation.



IBM's "Smarter Planet" corporate ad campaign improved the company's image and drove sales.

- Advertisements offering brochures and carrying the company's phone number or Web address are an effective way to generate leads for sales representatives.
- Sales representatives can use copies of the company's ads to legitimize their company and products.
- Advertising can remind customers how to use the product and reassure them about their purchase.

Advertising combined with personal selling can increase sales over personal selling alone. Corporate advertising can improve a company's reputation and improve the sales force's chances of getting a favorable first hearing and early adoption of the product. IBM's recent corporate marketing effort is a notable success.<sup>36</sup>

### IBM SMARTER PLANET

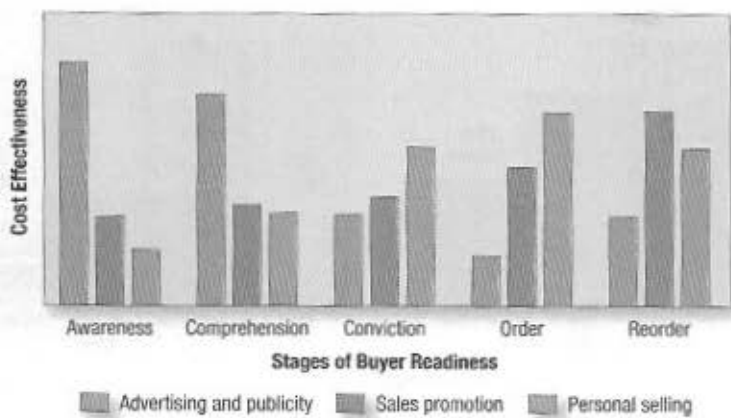
Working with long-time ad agency Ogilvy & Mather, IBM launched "Smarter Planet" in 2008 as a business strategy and multiplatform communications program to promote the way in which IBM technology and expertise help government as well as transportation, energy, education, health care, and other businesses work better and "smarter." The point was that technology has evolved so far that many of the world's problems are now fixable. The campaign began internally to inform and inspire IBM employees about how they could contribute to building a "Smarter Planet." It was then rolled out with unconventional long-form, content-rich print ads, targeted TV ads, and detailed online interactive ads. A "Smarter Cities"

tour hosted major events at which IBM and other experts discussed and debated challenges all cities face: transportation, energy, health care, education, and public safety. The success of the campaign was evident in the significant improvements in IBM's image as a company that was "making the world better" and "known for solving its clients' most challenging problems." Despite a recession, significant increases occurred in new business opportunities and the number of companies interested in doing business with IBM, and the company's stock price soared from \$80 at the start of the campaign to more than \$200 five years later.

On the flip side, personal selling can also make a strong contribution in consumer-goods marketing. Some consumer marketers use the sales force mainly to collect weekly orders from dealers and to see that sufficient stock is on the shelf. Yet an effectively trained company sales force can make four important contributions:

1. **Increase stock position**—Sales reps can persuade dealers to take more stock and devote more shelf space to the company's brand.
2. **Build enthusiasm**—Sales reps can build dealer enthusiasm by dramatizing planned advertising and communications support for the company's brand.
3. **Conduct missionary selling**—Sales reps can sign up more dealers.
4. **Manage key accounts**—Sales reps can take responsibility for growing business with the most important accounts.

**BUYER-READINESS STAGE** Communication tools vary in cost-effectiveness at different stages of buyer readiness. Figure 17.4 shows the relative cost-effectiveness of three communication tools.



| Fig. 17.4 |

Cost-Effectiveness of Three Different Communication Tools at Different Buyer-Readiness Stages

Advertising and publicity play the most important roles in the awareness-building stage. Customer comprehension is primarily affected by advertising and personal selling. Customer conviction is influenced mostly by personal selling. Personal selling and sales promotion are most helpful in closing the sale. Reordering is also affected mostly by personal selling and sales promotion and somewhat by reminder advertising. Note too that online activities can affect virtually any stage.

**PRODUCT LIFE-CYCLE STAGE** In the introduction stage of the product life cycle, advertising, events and experiences, and publicity have the highest cost-effectiveness, followed by personal selling to gain distribution coverage and sales promotion and direct marketing to induce trial. In the growth stage, demand has its own momentum through word of mouth and interactive marketing. Advertising, events and experiences, and personal selling all become more important in the maturity stage. In the decline stage, sales promotion continues strong, other communication tools are reduced, and salespeople give the product only minimal attention.

### 3 MEASURING COMMUNICATION RESULTS

Senior managers want to know the *outcomes* and *revenues* resulting from their communications investments. Too often, however, their communications directors supply only *inputs* and *expenses*: press clipping counts, numbers of ads placed, or media costs. In fairness, communications directors try to translate inputs into intermediate outputs such as reach and frequency (the percentage of target market exposed to a communication and the number of exposures), recall and recognition scores, persuasion changes, and cost-per-thousand calculations. Ultimately, though, behavior-change measures capture the real payoff.

After implementing the communications plan, the communications director must measure its impact. Members of the target audience are asked whether they recognize or recall the message, how many times they saw it, what points they recall, how they felt about the message, and what are their previous and current attitudes toward the product and the company. The communicator should also collect behavioral measures of audience response, such as how many people bought the product, liked it, and talked to others about it.

Figure 17.5 provides an example of good feedback measurement. We find 80 percent of the consumers in the total market are aware of brand A, 60 percent have tried it, and only 20 percent who tried it are satisfied. This indicates that the communications program is effective in creating awareness, but the product fails to meet consumer expectations. In contrast, 40 percent of the consumers in the total market are aware of brand B and only 30 percent have tried it, but 80 percent of them are satisfied. In this case, the communications program needs to be strengthened to take advantage of the brand's potential power.