Don Schultz

Advertising in a Push-Pull Marketplace

Don Schultz

Profesor de Comunicación Integrada de Marketing en Northwestern University.

Autor de trece libros, incluyendo Brand Babble: Sense and Nonsense about Branding y IMC, The Next Generation.

Media Planning in a Push-Pull Marketplace

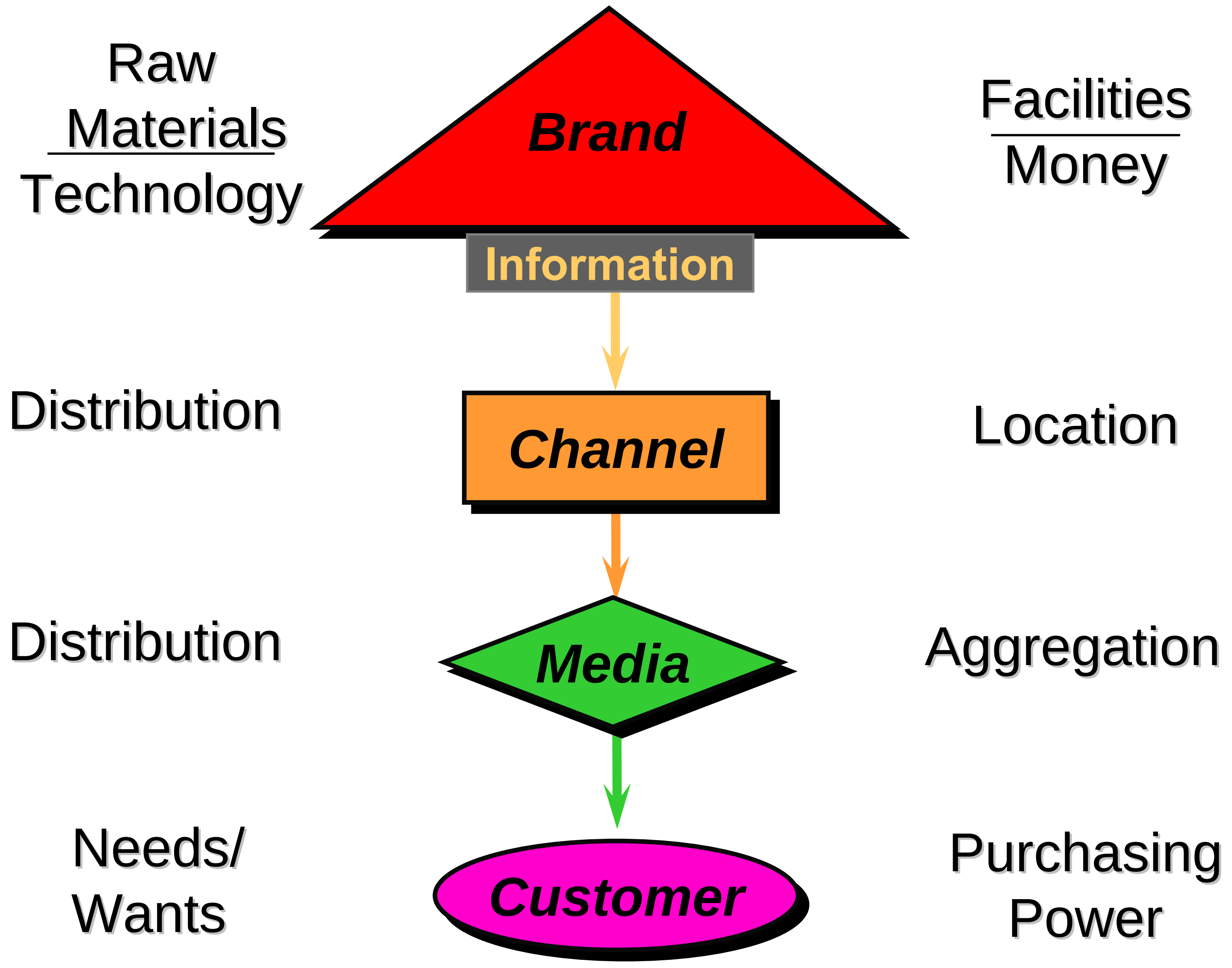
LAMAC – Chile

Don E. Schultz
Agora, Inc. and Northwestern University

Santiago
19 August, 2008

Media Planning Used to be Relatively Easy.... Especially in a "Push" Marketplace

Product-Driven Marketing Was Key



agora, inc.

Only Four Client/Agency Resources Required

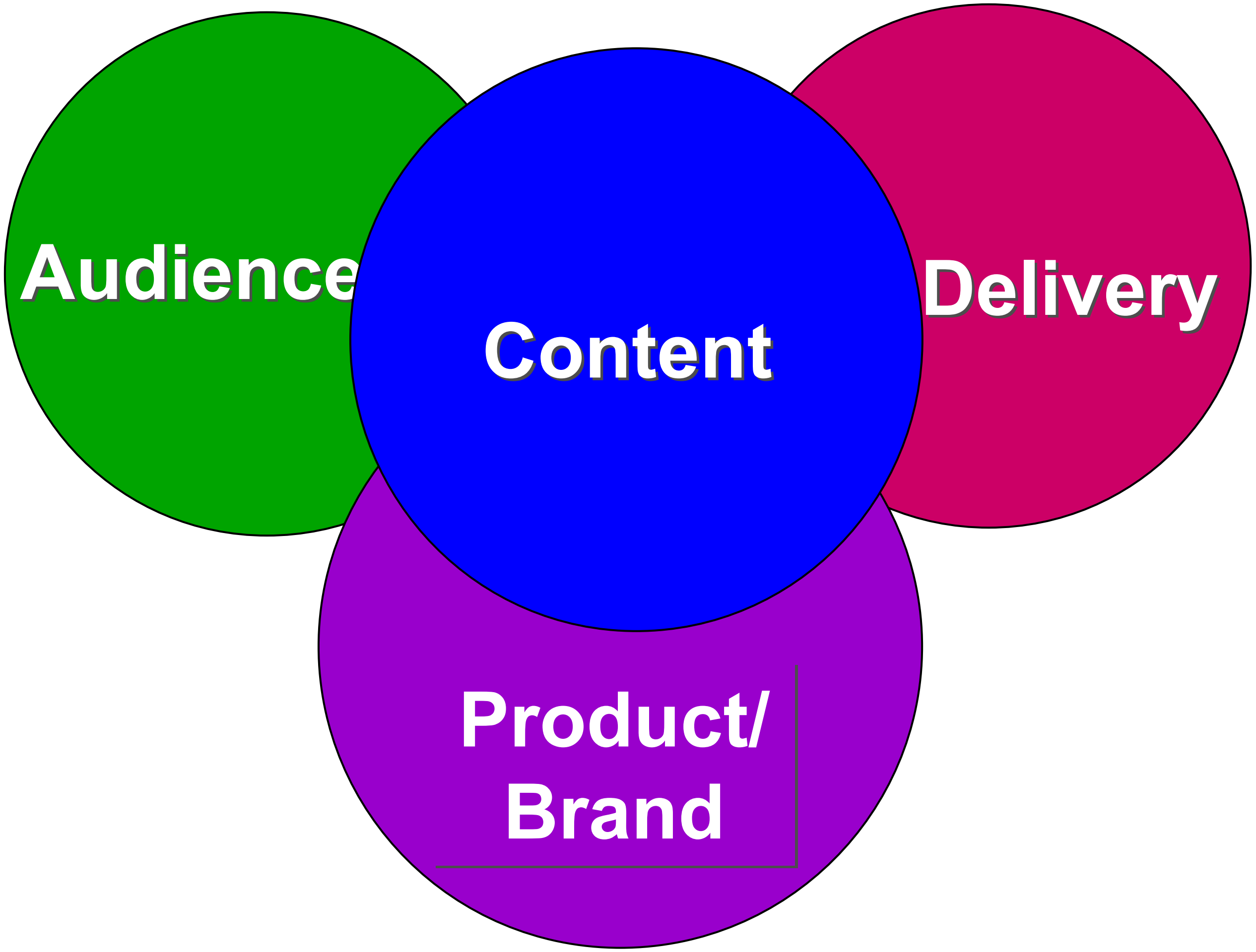
Audience

Delivery

Content

Product/ Brand

It Was How You Mixed and Matched Them That Mattered



All Based on Fairly Simple Communication Models

Agency → Research → Media

Products/Services

Marketer → **Consumer/ Prospect**

Messages and Incentives

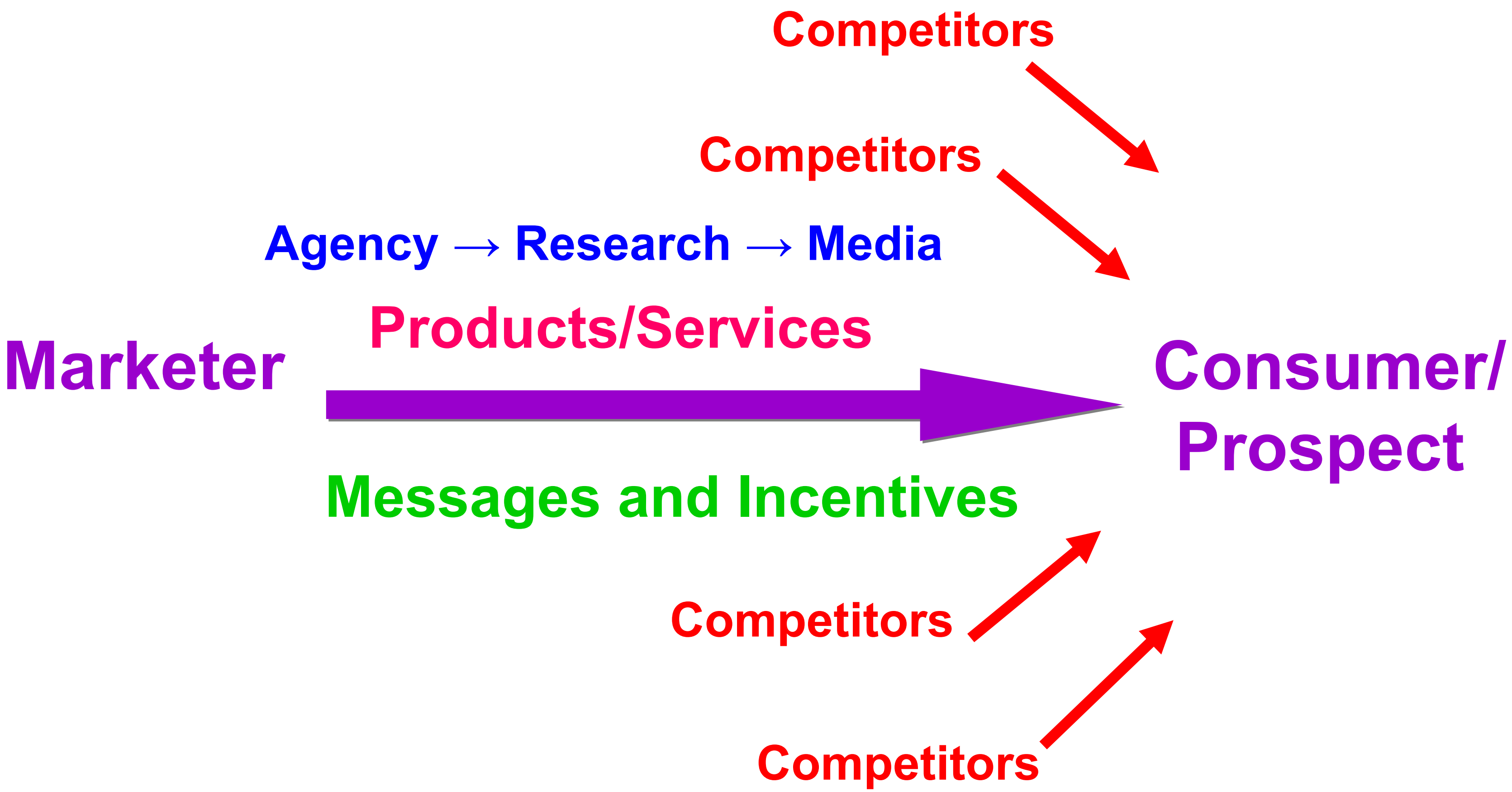
All Outbound and All Marketer Controlled

And,
The System Worked....
All Over the World!

Sales Grew,
Consumers Were Happy,
Media Companies Were
Successful....

Then....

Competitors with Similar Products, Began Targeting the Same Audiences with the Same Media at the Same Time



Marketer and Media Planning Responses Were Fairly Simple...

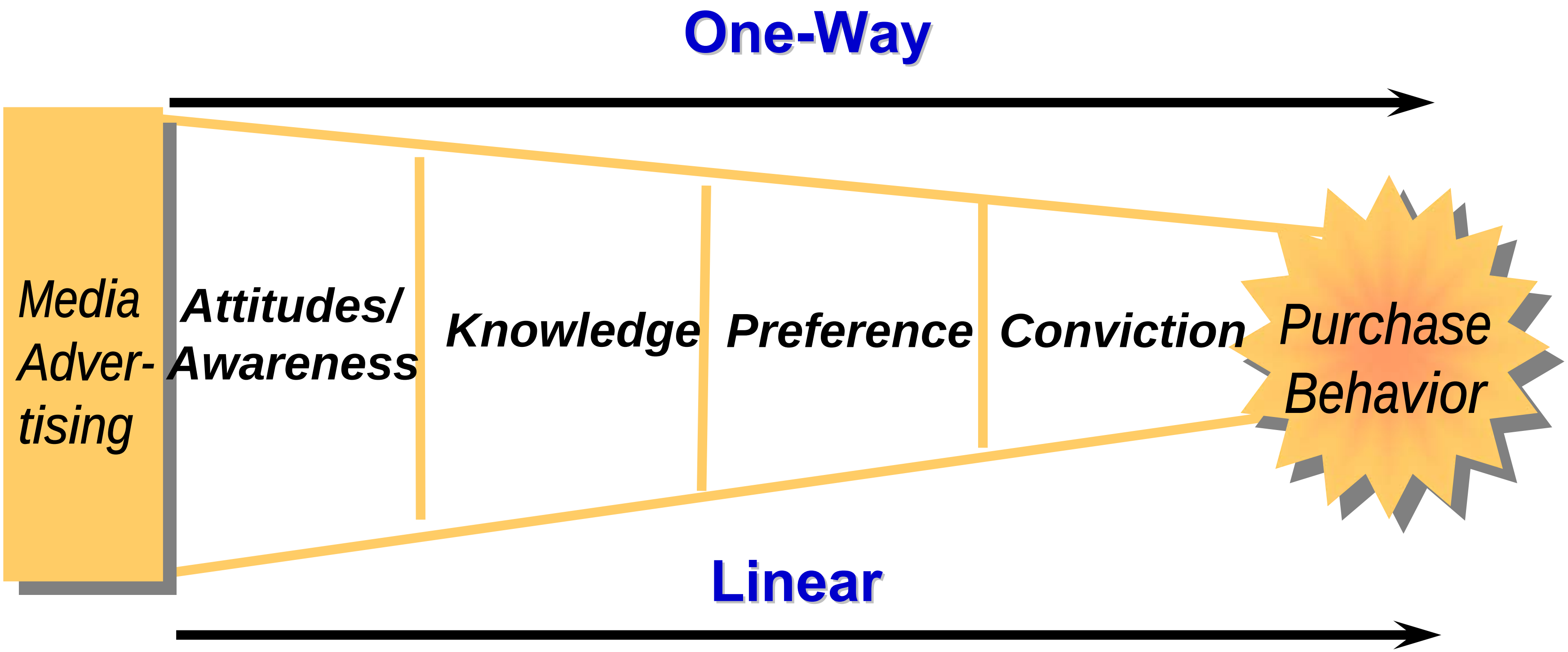
- Add more “tonnage”, i.e., send out more messages, buy more GRPs, add more pages, etc.
- Maybe add a few different media
- Develop more “Big Idea” and “breakthrough” creative

And, Assume Consumers Would Pay More Attention

Most Were Based on Efficiency-Driven Media Optimization Models

- Since over-the-air television was the dominant medium, we always started there
- We assumed a frequency of three (3) was the optimal
- And, that we could drive consumer behavior

Underlying Concept:
A "Hierarchy of Effects" Model



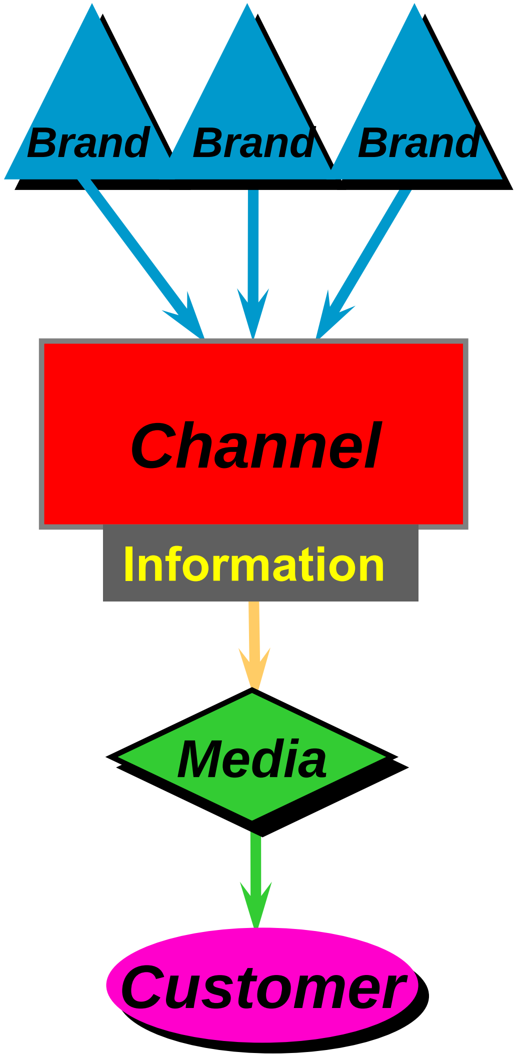
"With enough Reach and Frequency, We could convince anyone to buy!"

Source: Adapted from Lavidge and Steiner

Then, The Market Marketplace Changed Again

Distribution-Driven Marketers Emerged

Distribution-Driven Marketer



Marketer and Agencies Responded in the Same Way… Ratchet Up Spending, Grow Share of Voice!

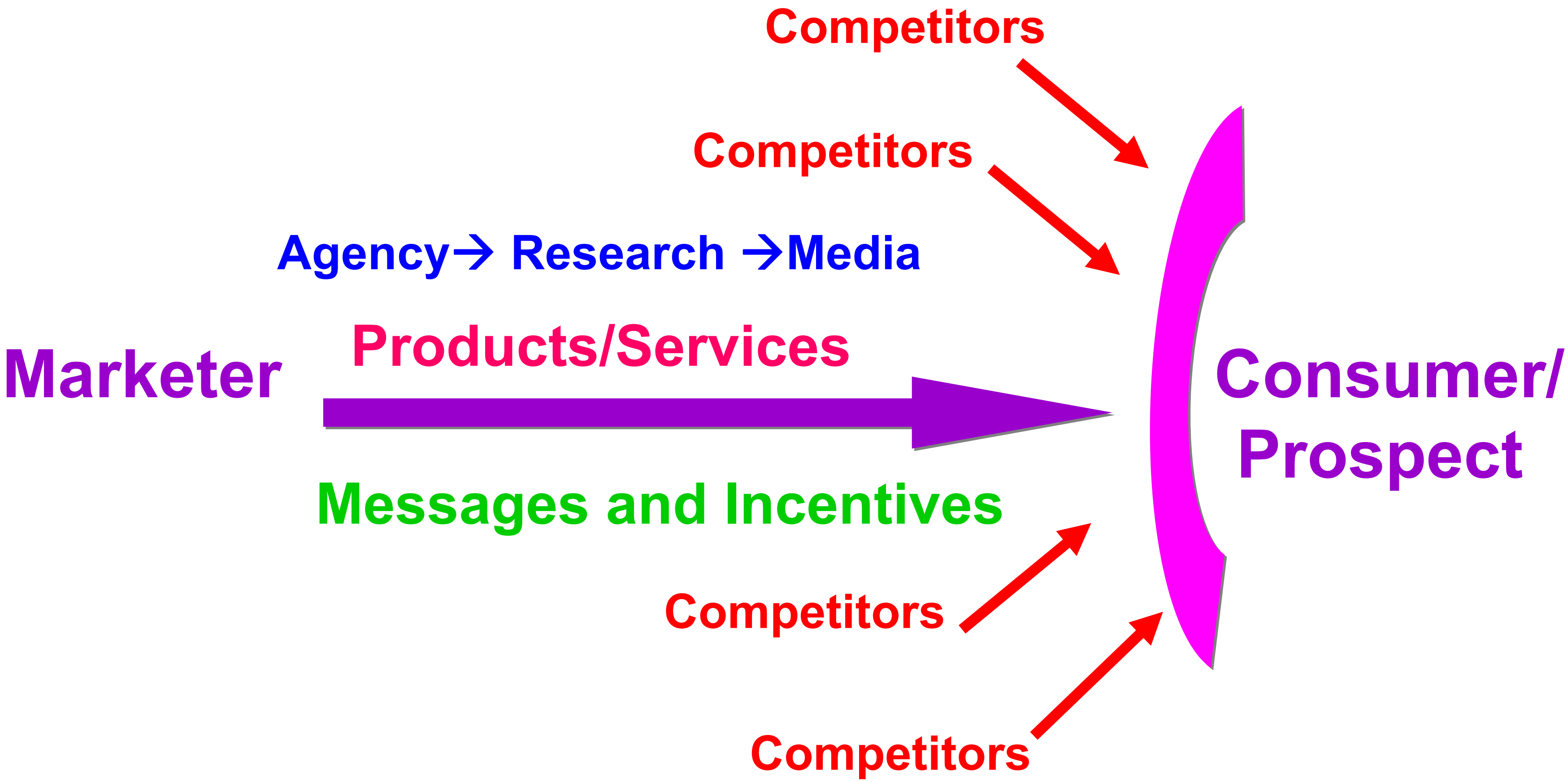
- More and more “tonnage”, i.e., even more messages, more GRPs, more pages, etc.
- Add a few other media forms
- Try for radically different “breakthrough” creative

Develop More Refined Optimization Models

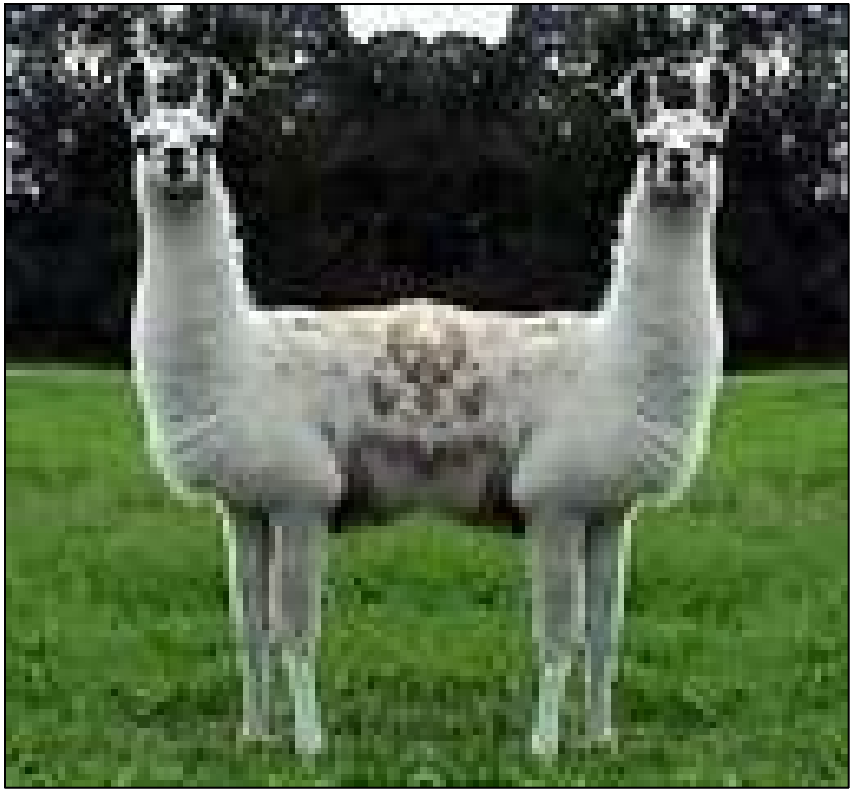
Then,
Engagement Emerged

- The belief that some media forms are more “engaging” than others.
- These more “engaging media” give added value to the advertising that appears in that media form
- Advertisers can enhance their response by selecting the most “engaging media”

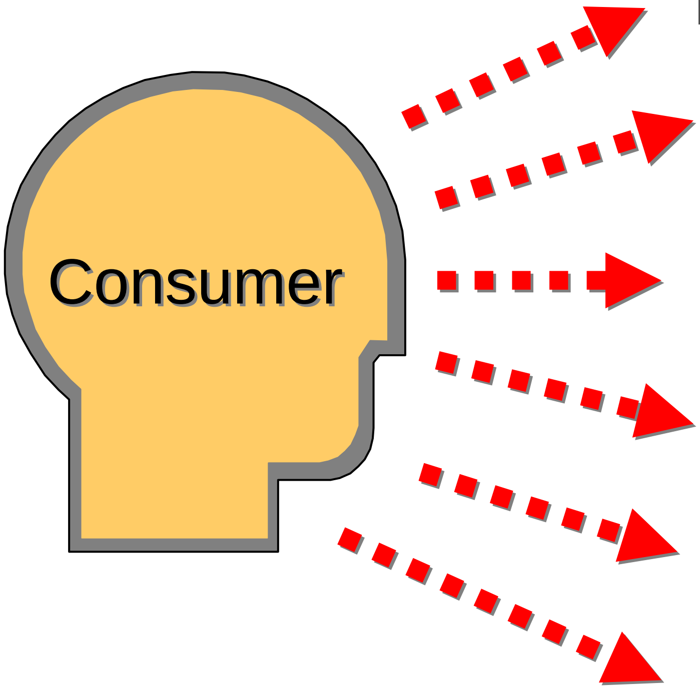
But, Information Overload Developed - Consumers Adopted Avoidance Techniques



Then, Complications Really Began to Occur – The "Push-Pull" Marketplace



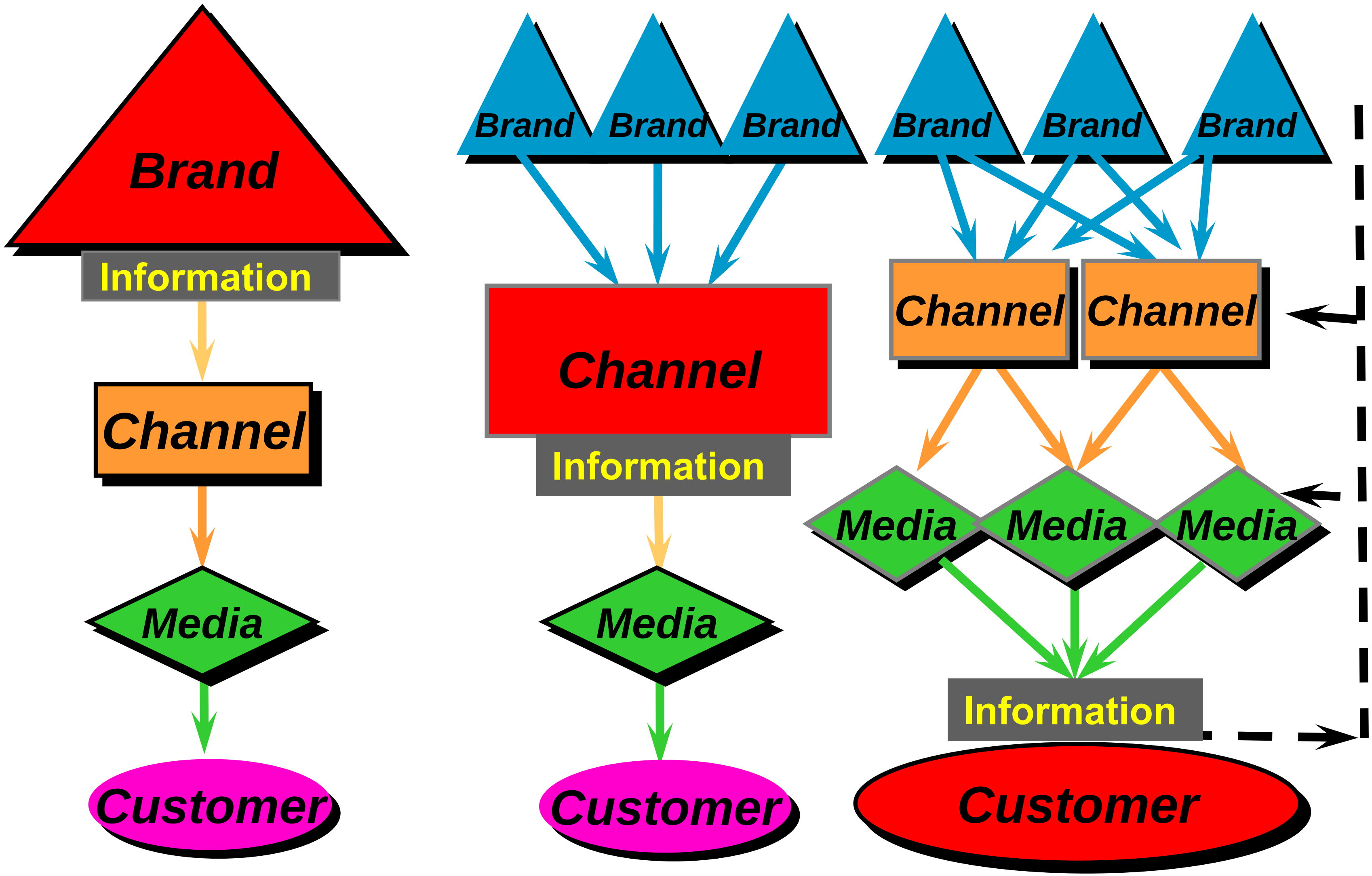
That Came from Consumer Acquisition of Information Technology

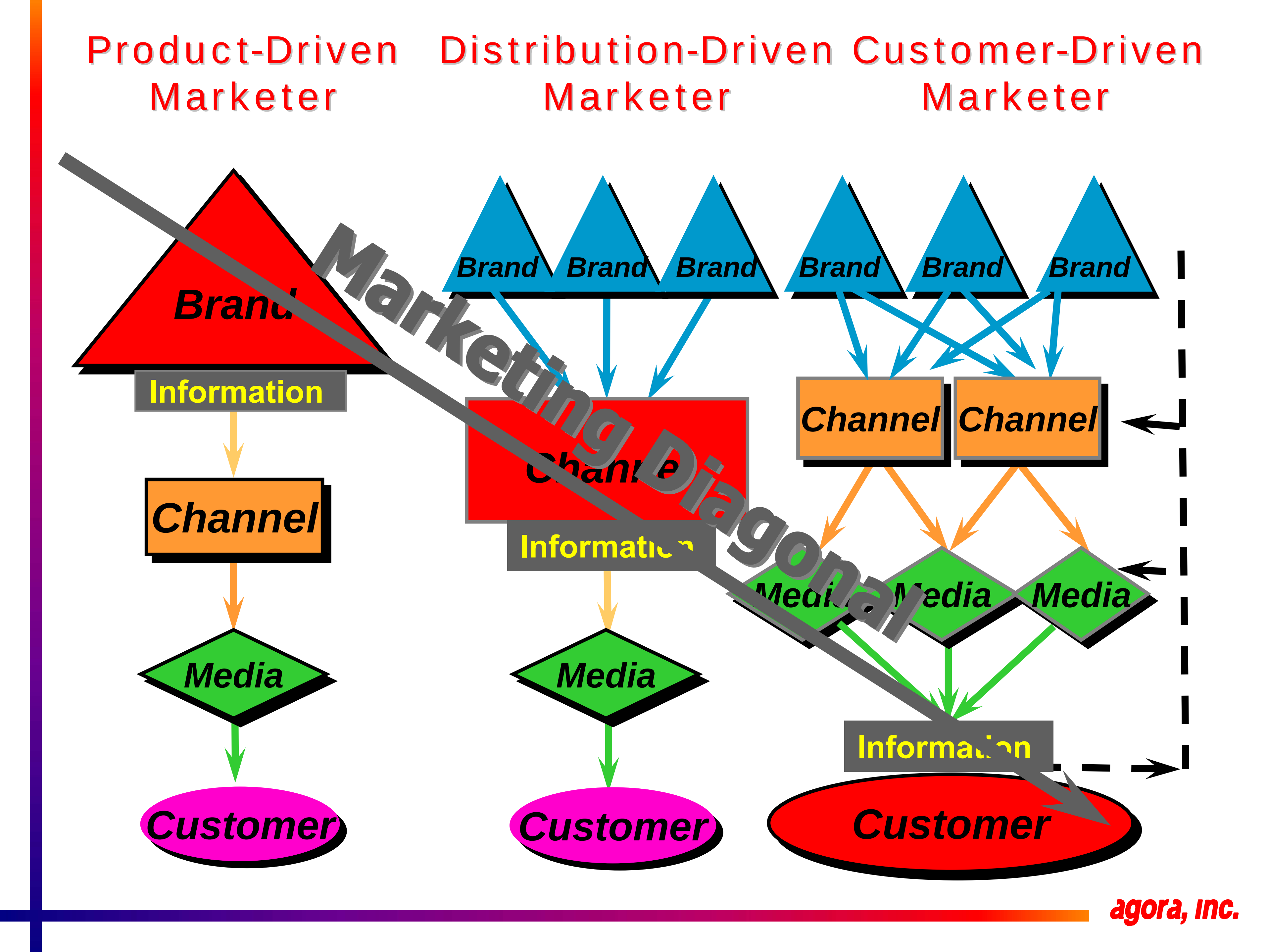


- Internet – WiFi
- Mobile Telephony
- iPods/MP3 -- podcasts
- Search Engines
- Cable/satellite
- Blocking systems - TIVO/DVRs/ Filters/Pop-up Blockers/etc.

That Required a New, Consumer-Driven Model

Product-Driven Marketer | Distribution-Driven Marketer | Customer-Driven Marketer





Product-Driven Marketer
Distribution-Driven Marketer
Customer-Driven Marketer
Brand
Information
Channel
Media
Customer
Brand
Brand
Brand
Information
Media
Customer
Brand
Brand
Brand
Channel
Channel
Media
Media
Customer
Marketing Diagonal
agora, inc.

And,
Those New Systems Have Given Consumers Increasing Marketplace Control

Today, Consumers Can Access Market Information in Multiple Ways

Web Search

Products
Services
Facilities
Service
Reputation
Location
Advocates
History
Etc.

The “Pull” Marketplace

Consumers/
Prospects

Word-of-Mouth

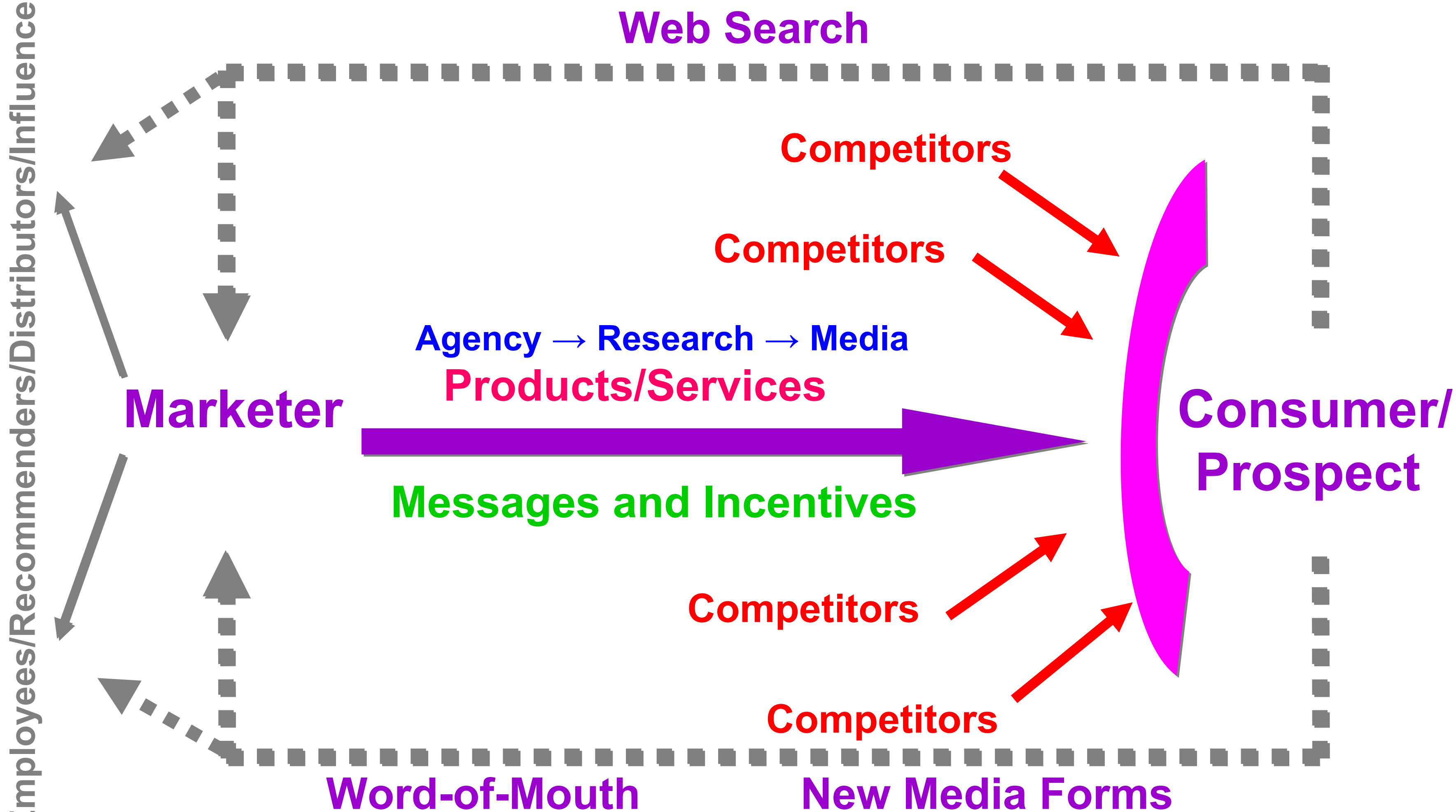
New Media Forms

Consumers Can Now Acquire Anything They Want to Know About Any Product or Marketer With Only 6 Keystrokes and in 0.02 of a Second

A Major Question for Chilean Marketers and Media Planners:

How Quickly Are Consumers Acquiring Information Technology in Chile?

The Challenge?
Today's "Push-Pull" Marketplace, With Consumers in Control



Today's Major Media Issue Is Not Marketer Media Distribution But, Consumer/Prospect Media Consumption

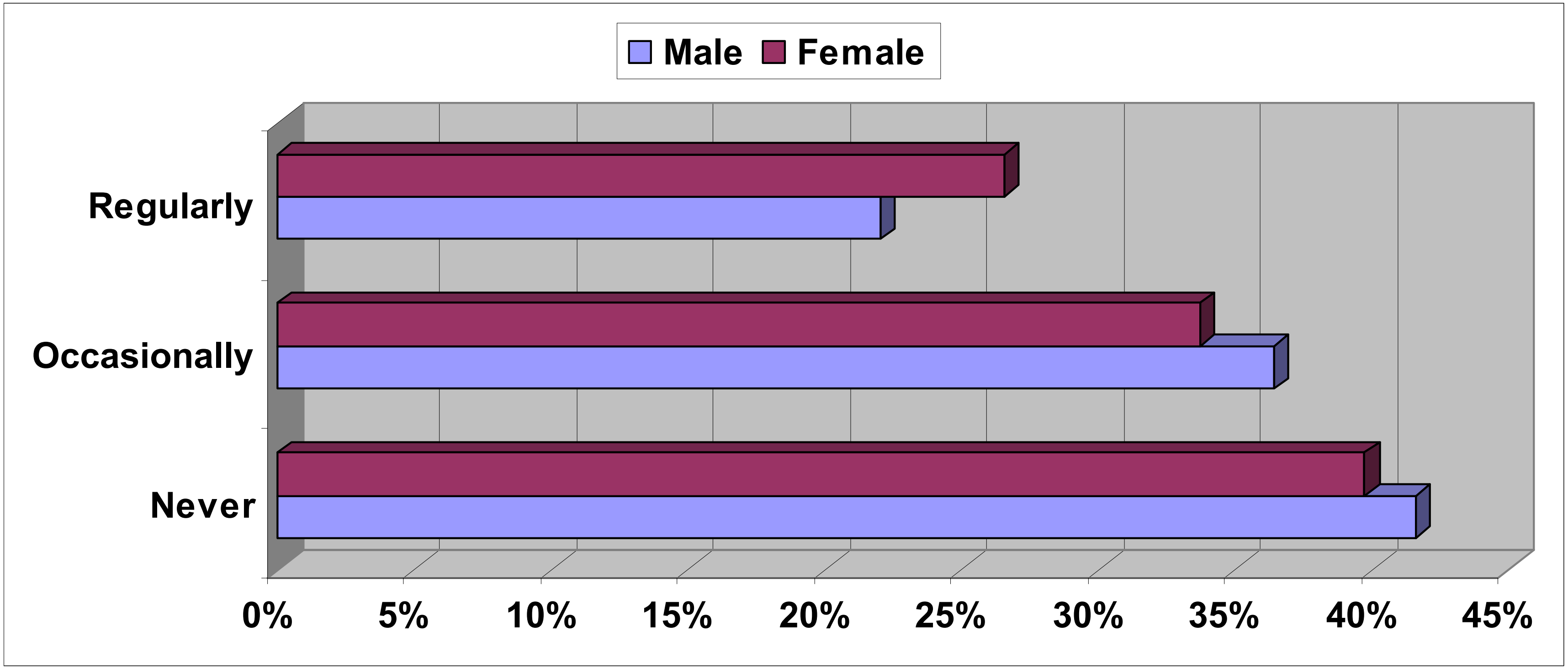
We Can "Push" Communication Out – But, Will Consumers Accept It?

The Issues Become More Complicated When We Factor In Consumer Media Multi-Tasking

Some Evidence: SIMM Studies

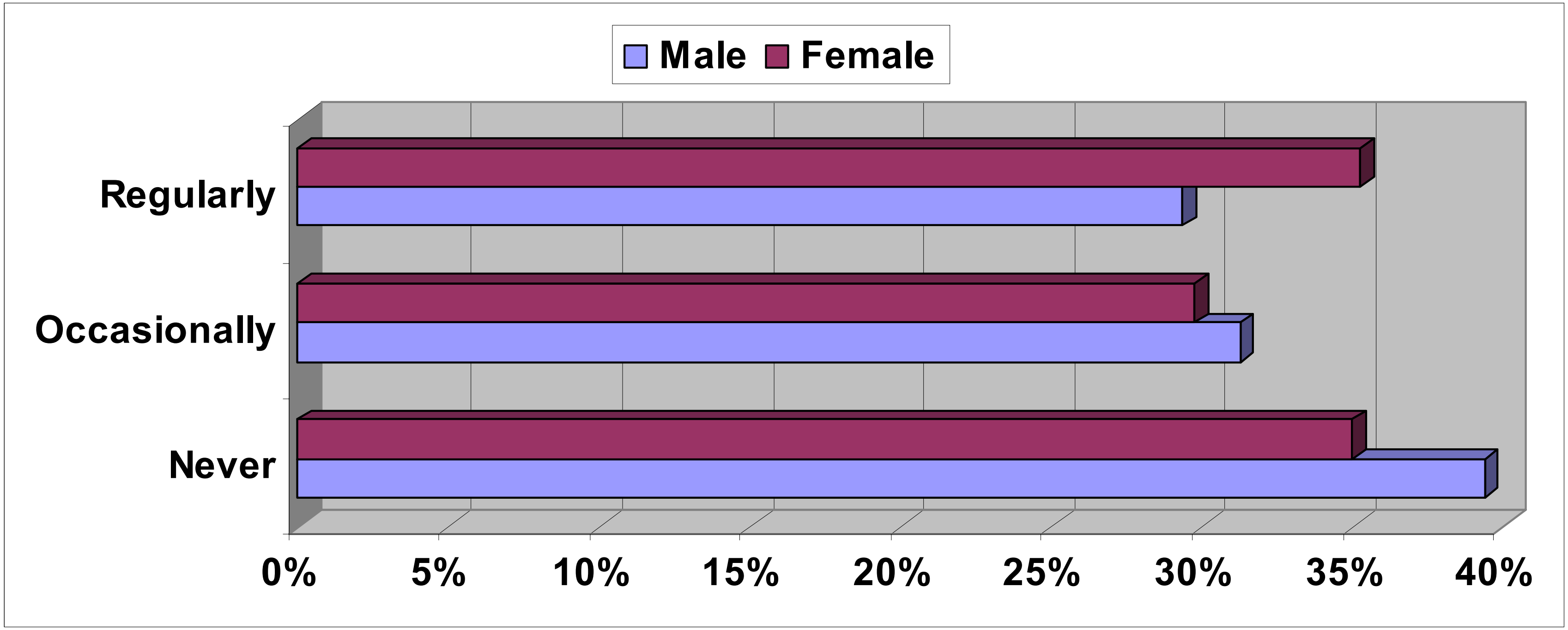
- A method of understanding how consumers use and consume media today and the impact it has on them
- Methodology
  - Conducted twice per year in the USA since 2002
  - 12 separate waves (12th in analysis now)
  - 151,000+ individual responses (15,000 more in Wave 12)
  - Drawn from on-line interactive base of 60 million individuals
  - Double opt-in methodology
  - Captures media usage, retailer preference, influence of media, past and future purchases, etc.
  - Includes 31 media forms
  - Accuracy of .01 level
  - Benchmarked to non-online studies
  - Weighting/balancing of 14 US Census 2000 age-sex cells
- System Active in China. Testing in Mexico, Poland, etc.

When you watch TV, do you simultaneously go online?



	Male	**Female**
Regularly	22.0%	26.6%
Occasionally	36.4%	33.7%
Never	41.6%	39.7%
R/O	**58.4%**	**60.3%**

When you go online, do you simultaneously watch TV?

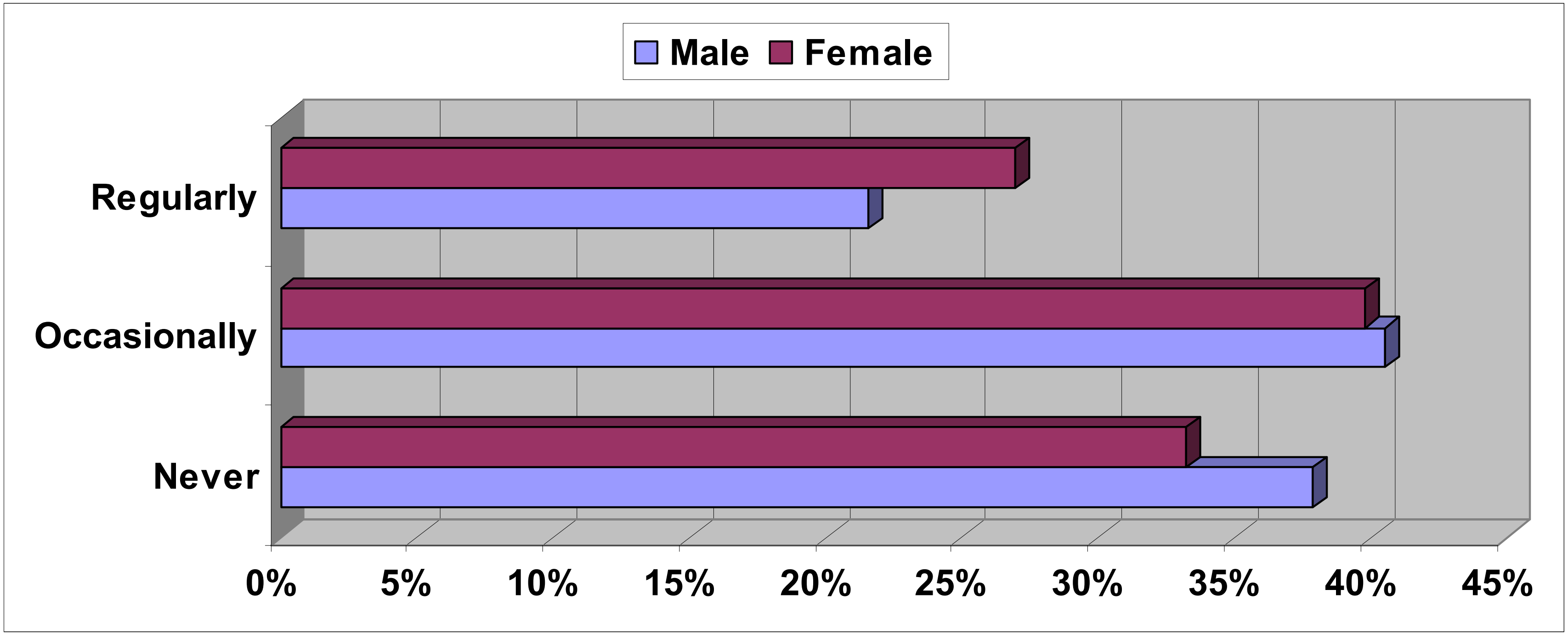


	Male	Female
Regularly	29.4%	35.3%
Occasionally	31.3%	29.8%
Never	39.4%	35.0%
R/O	**60.6%**	**65.0%**

Clear Evidence of New Media Planning Issues

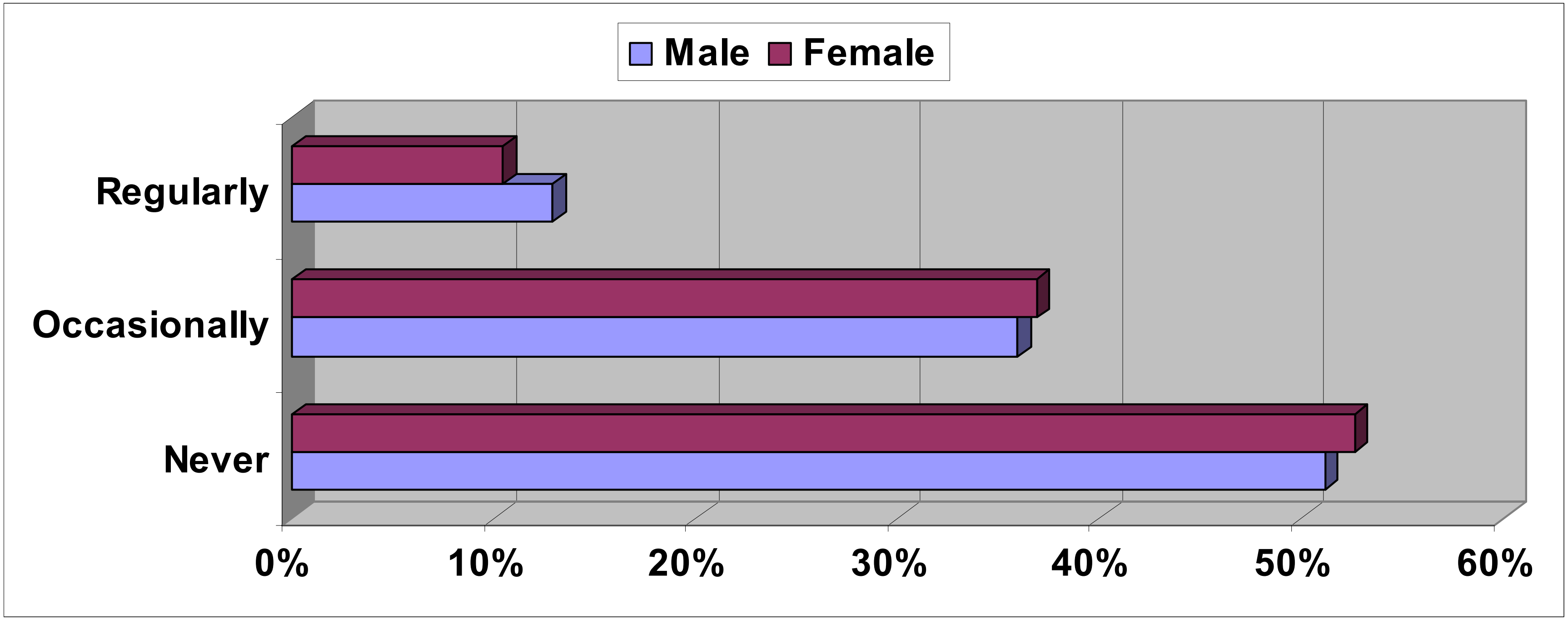
- What comprises an "audience"?
- Consumers create "foreground and background" media for themselves and for the occasion
- What is the impact of "conflicting messages" delivered at the same moment in time?
- Simultaneous multi-media usage suggests all media audiences are likely "over-estimated", and, perhaps "overpriced"

When you read the newspaper, do you simultaneously watch TV?



	Male	Female
Regularly	21.6%	27.0%
Occasionally	40.5%	39.8%
Never	37.9%	33.2%
R/O	**62.1%**	**66.8%**

When you read magazines, do you simultaneously listen to the radio?



	Male	Female
Regularly	12.9%	10.5%
Occasionally	35.9%	36.9%
Never	51.2%	52.6%
R/O	**48.8%**	**47.4%**

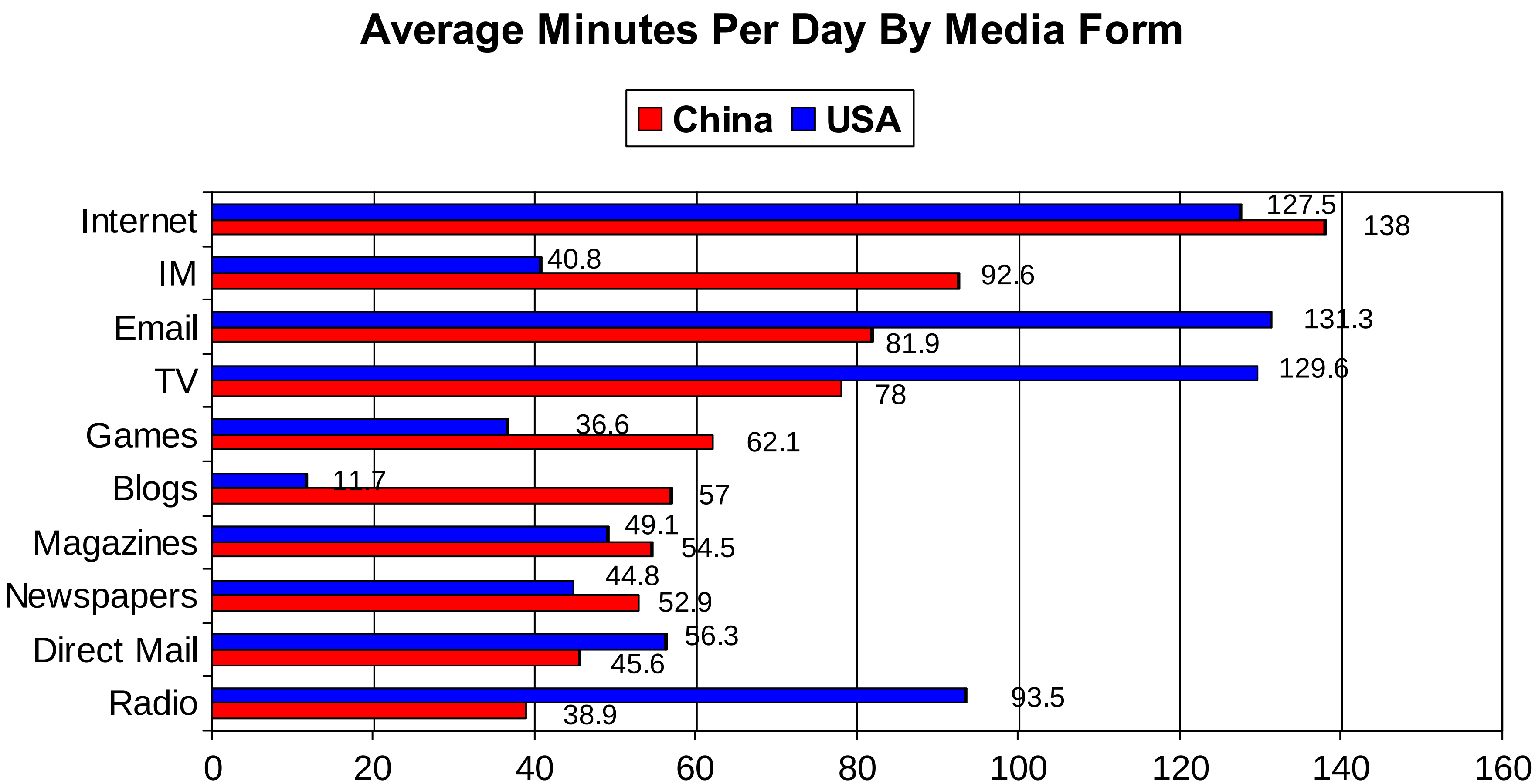
Can People Really Multi-Task With Media?

- Monochronic – sequential information processing – “digital immigrants”
- Polychronic – parallel-information processing – “digital natives”
- Continuous “partial attention”
- Context becomes critical

The Primary Question Becomes:

How Much Time Do People Spend With the Various Media Forms

Here's Data from China and the US on Time Spent by Media Form



Source: China: 1st Quarter, 2008 – BIGresearch, Inc.
US: 1st Half 2008 – BIGresearch, Inc.

agora, inc.

What Influence Does the Media Form Have on Consumers?
U. S. Average* Influence by Media Form

	Percent Influence		Percent Influence
Word-of-Mouth	36.2	Radio	13.1
Coupons	28.4	Internet	12.3
Inserts	21.5	Email	11.7
TV	20.8	Outdoor	7.2
Newspapers	20.0	Yellow Pages	7.0
Read Article	19.8	Blog	3.1
In-Store	19.6	Satellite	3.1
Direct	19.1	IM	2.9
Magazines	17.0	Web Radio	2.7
Cable	13.6	Picture Phone	2.2

*Across 8 product categories, Apparel/Clothing, Automobile, Eating Out, Electronics, Grocery, Home Improvement, Medicines, and Telecom/Wireless

Source: 1st Quarter, 2008 – BIGresearch, Inc.

Here's the Latest Chinese Media Influence* Data

	% Influence
Word of Mouth	21.7
In-Store Promotion	19.7
Magazines	19.1
TV	17.0
Cable TV	17.0
Newspapers	16.1
Coupons	15.5
Reading an Article	14.5
Internet Advertising	13.5
IM	12.5
Outdoor	12.1

	% Influence
Blogs	8.6
Newspaper Inserts	8.0
Direct Mail	6.8
Email	6.6
Radio	5.7
Product Placement	5.5
Text on Cell Phone	4.3
Web Radio	3.9
Picture Phone	2.9
Video on Cell Phone	1.9

*Across 8 product categories, Apparel/Clothing, Automobile, Eating Out, Electronics, Grocery, Home Improvement, Medicines, and Telecom/Wireless

Source: 1st Quarter, 2008 – BIGresearch, Inc.

More Important…What Media Forms Are Used Together – Synergy in China

Primary Medium (When …,do you simultaneously ….)

	Online	TV	Maga-zines	News-papers	Direct Mail	Cell Phone	Radio
Online		22.7	19.4	19.9	17.8	32.5	23.1
TV	27.6		21.2	22.8	15.4	28.0	14.4
Magazines	17.0	18.5				19.5	20.7
Newspapers	16.0	19.0				19.3	24.1
Direct Mail	19.0	13.8				15.3	16.0
Radio	16.5	9.1	20.2	20.8	16.5	17.5	

Source: 1st Quarter, 2008 – BIGresearch, Inc.

But,
The Argument Goes:
Things Aren’t Like That in Chile…

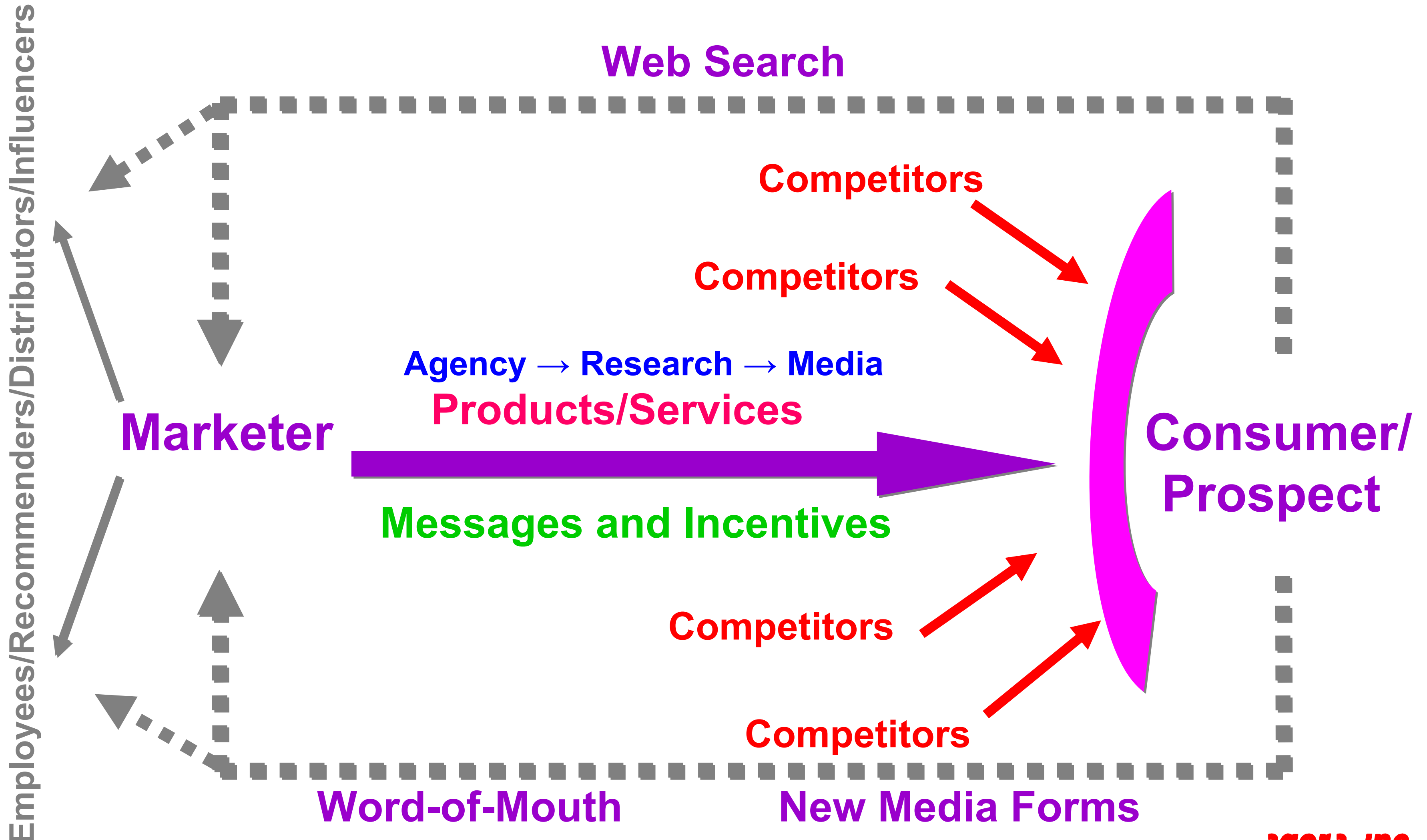
In Truth, South America, at Least Mexico, Is Little Different from Most Other Marketplaces

- Increasingly fragmented audiences
- Mexican consumers exhibit a wide variety of:
  - Tastes
  - Preferences
  - Interests
  - Personalities
  - Identities

Some Preliminary Evidence from the New SIMM/CIA Studies in Mexico by BIGresearch

- Media transitions in the U.S., China and Mexico are quite similar
- Consumers allocate their available time to a variety of media forms
- They use a multitude of media in making buying decisions
- Increasingly, the marketplace is about “me” and “mine”

Given the Rapidly Emerging "Push and Pull" Marketplace: What to Do?



agora, inc.

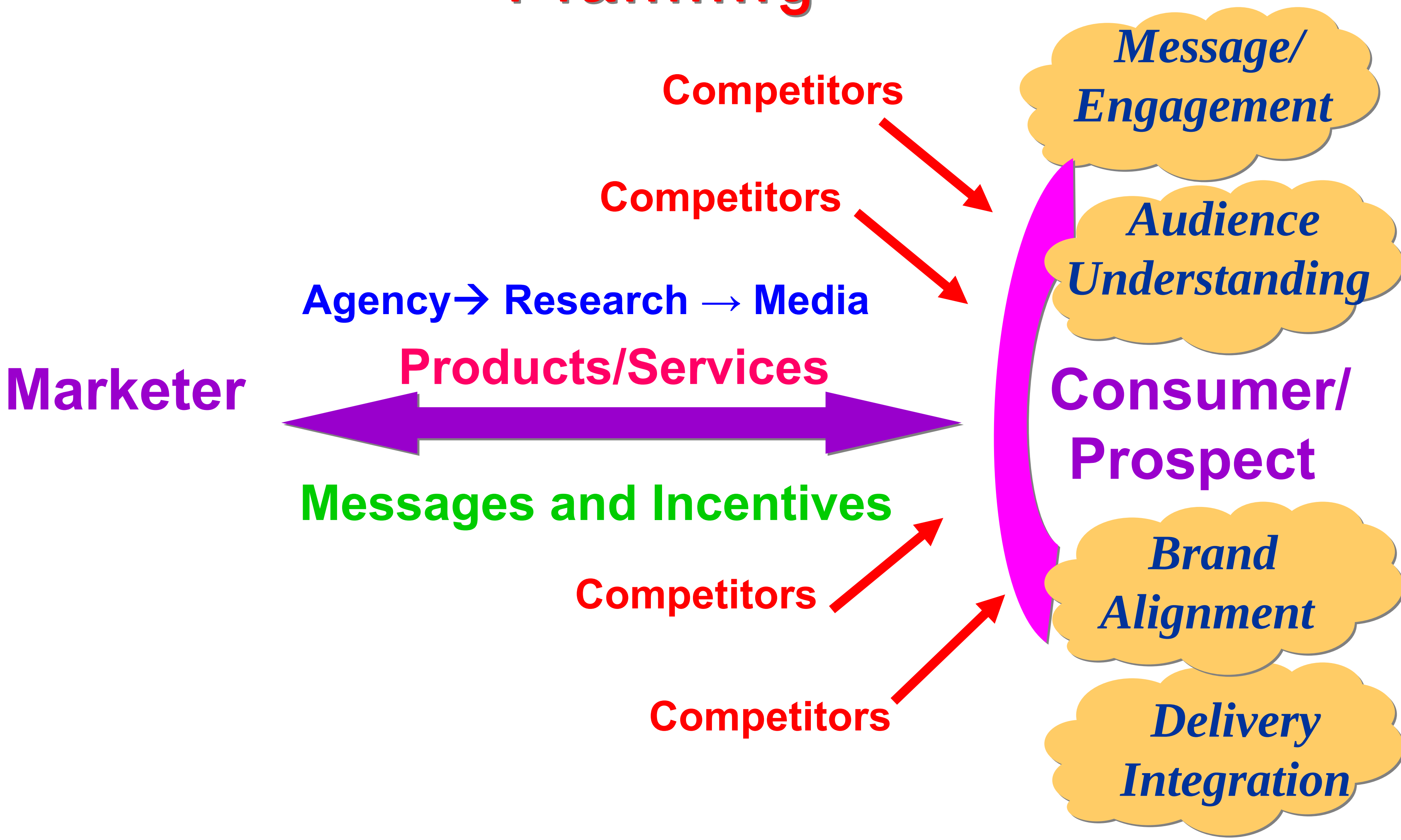
One View from a Leading Academic

- “The networked information economy obviates the channel captain. Marketers no longer control the entire media environment. Accordingly, they must learn to participate in the consumer’s world. Media planning does not change; it goes away and is replaced by an entirely different mindset. That mindset will reflect the way consumers actually use media, not the demographically defined media audiences.
  - Frank Mulhern, Northwestern University, 2008

Two Primary Alternatives

- Get Better at What You Are Doing Now
- Do Things Differently, or, Do Different Things

Get Better at Current Media Planning



But,
That Only Keeps You One Step Ahead of Competitors!

A Better Alternative:

Do Things Differently:
Revise Your Media Thinking, Planning and Implementation

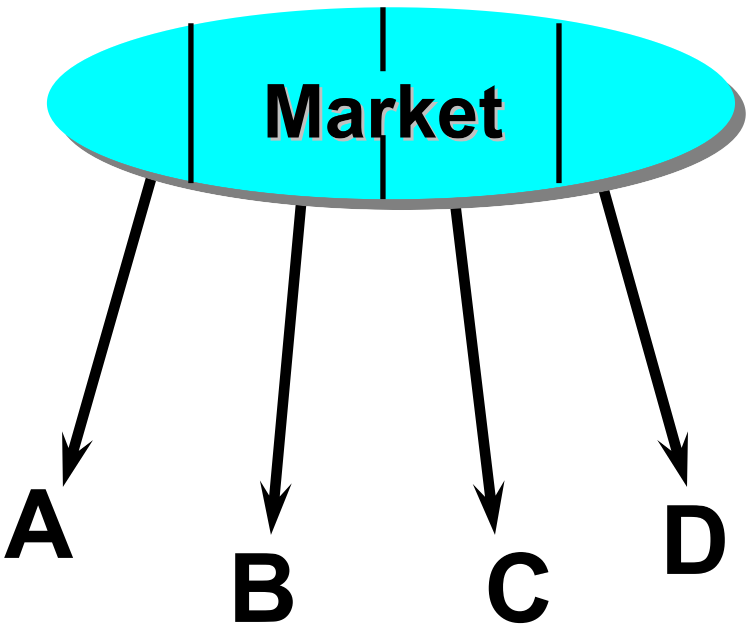
1. Promote to the "Right" Customers

- The Chilean market is fragmenting and will continue to fragment
  - Identify the most likely customers and prospects and promote directly to them through media forms which they use and value – and, to which they respond
  - Determine which media forms have the greatest influence on consumer behaviors
  - Demographics are of limited value – behaviors are what count today

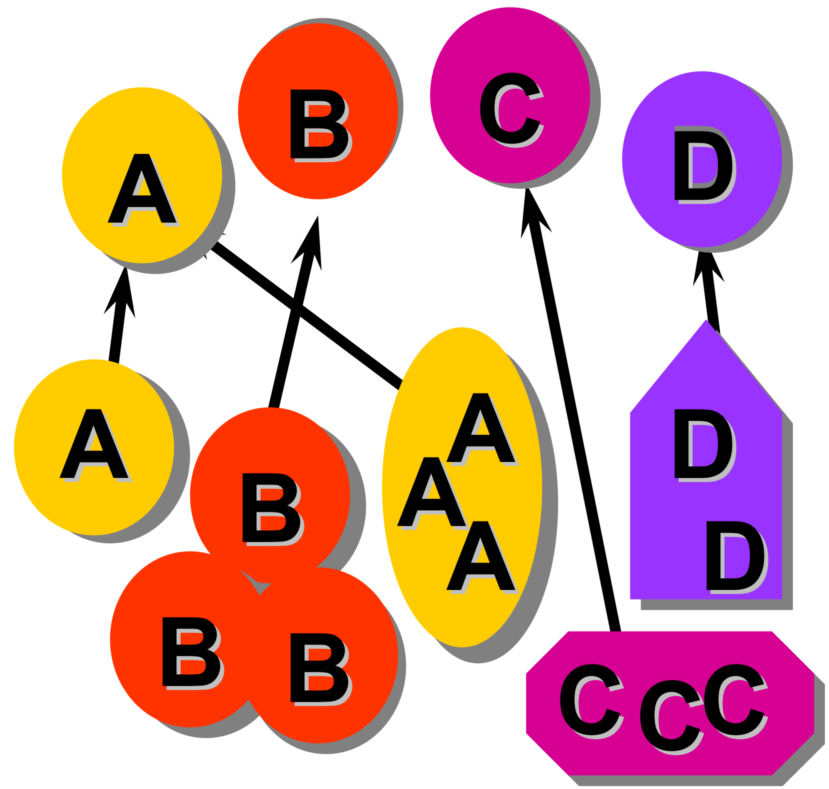
One Size Does Not Fit All No Matter How Efficient!

Re-Think How You Identify Audiences...Behaviors Count

<u>Segmentation</u>
<u>Done by Marketer</u>



<u>Aggregation</u>
<u>Done by Customer</u>



agora, inc.

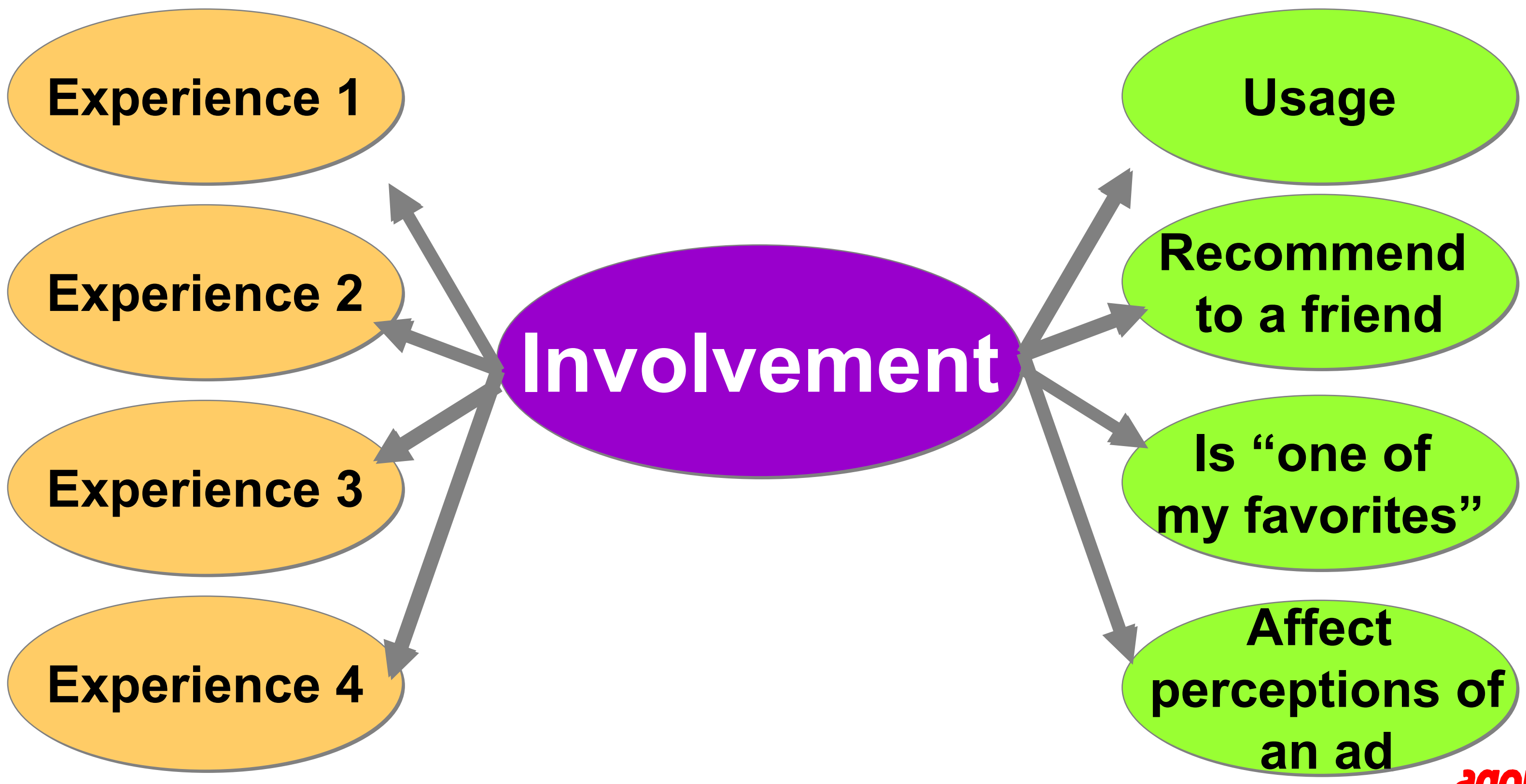
2. Use Media Forms With Which Customers and Prospects Have Strong Relationships

- On-going research by Malthouse and Calder, Northwestern University on experience and involvement with various forms of media
- Six factors
  - Involvement, Utilitarian, Source, Intrinsic, Positive Emotional, Social
  - Conducted for Newspapers, Magazines and Web – Television under development

Relationship Between Specific Experiences, Involvement and Consequences

Specific Experiences With Publication

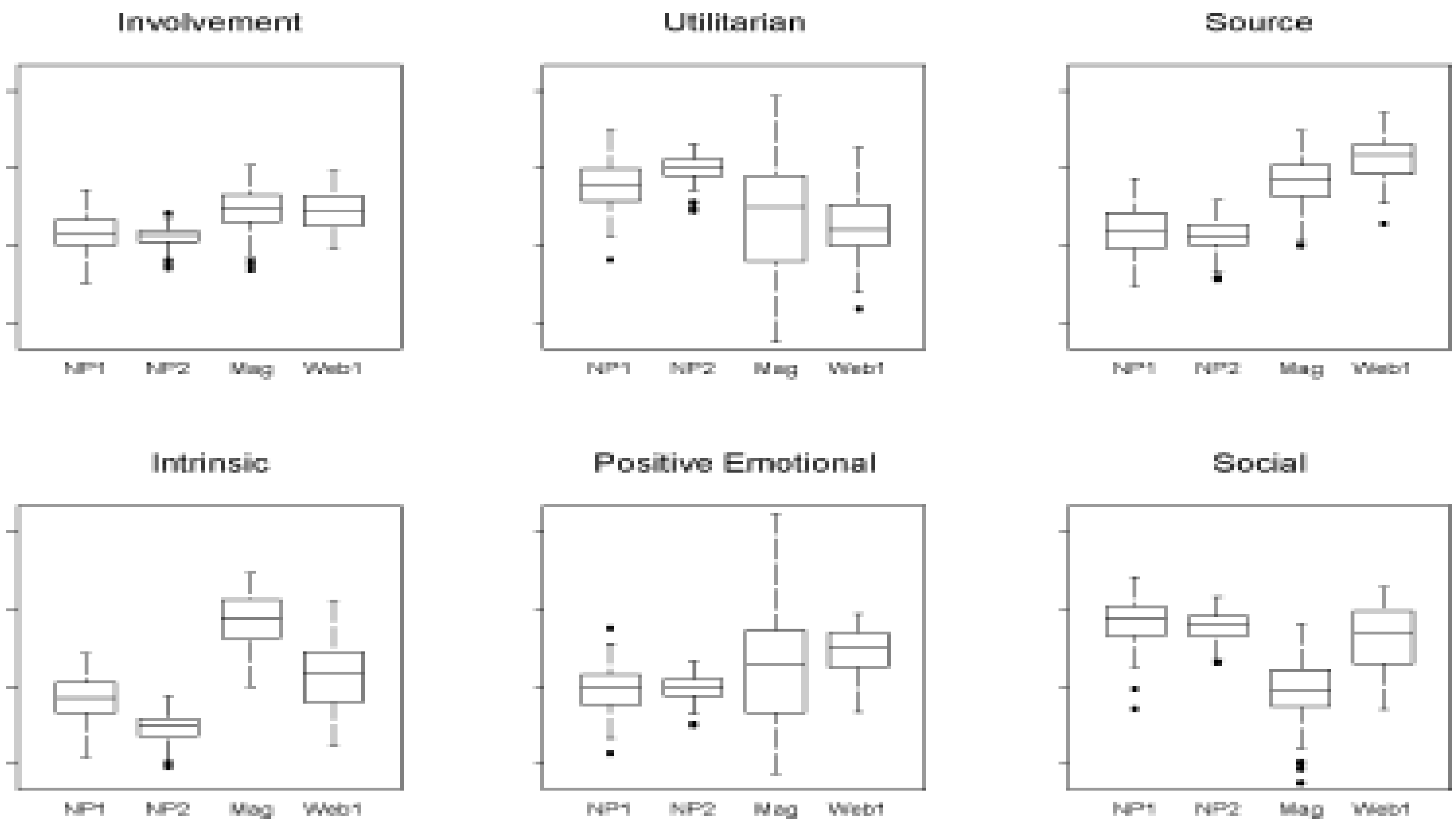
Consequences of Involvement



agora, inc.

Source: Malthouse and Calder, ESOMAR, WM3, 2007

Comparison of Involvement and Experience Across Publications and Media



Each boxplot shows the distribution of average involvement/experience for each publication. Recall from table 1 that the sample sizes (number of titles) was 101 for NP1, 52 for NP2, 100 for Mag and 39 for Web1. The same vertical axis is used for all graphs to facilitate comparisons.

Source: Malthouse and Calder, ESOMAR, WM3, 2007

Re-Think Media Engagement

- Paid media forms appear to have a different and stronger relationship with customers and prospects – they have signified their interest and involvement by their purchase and payment
- Consumers are more “engaged” with media that focuses on their personal interests and concerns
- “Interested and involved audiences” are more valuable than “eyeballs”

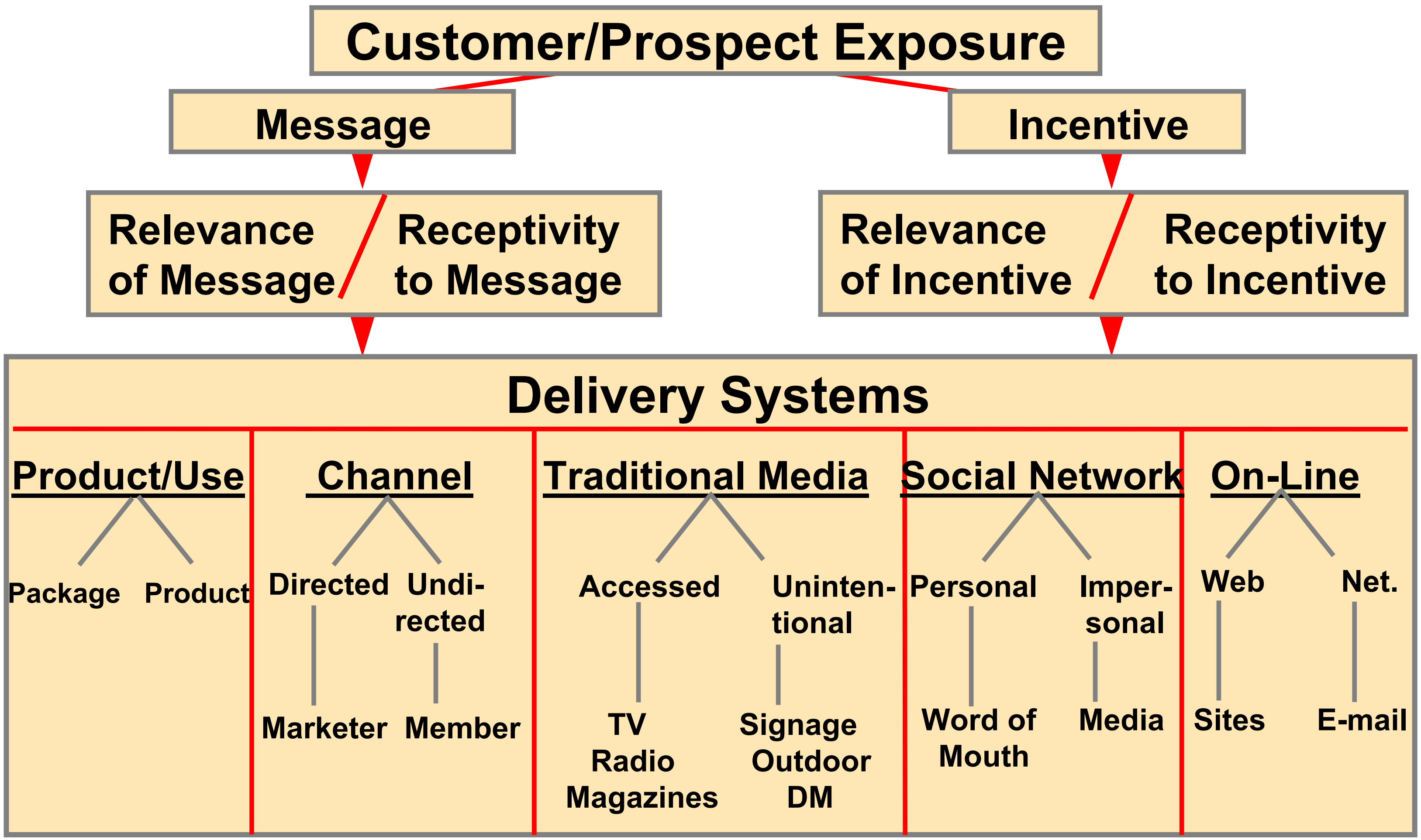
3. Recognize You Will Need Multi-Media Platforms to Reach the Increasingly "Polychronic" Customer and Prospect

- Price, quality and/or distribution no longer differentiate brands – commoditization
- Different media forms provide different experiences for consumers – more selective
- Brands are emotional relationships – not just products or services

Brand "Touchpoints" Become Critical

The Brand Is the Relationship That Links the Company and Its Customers

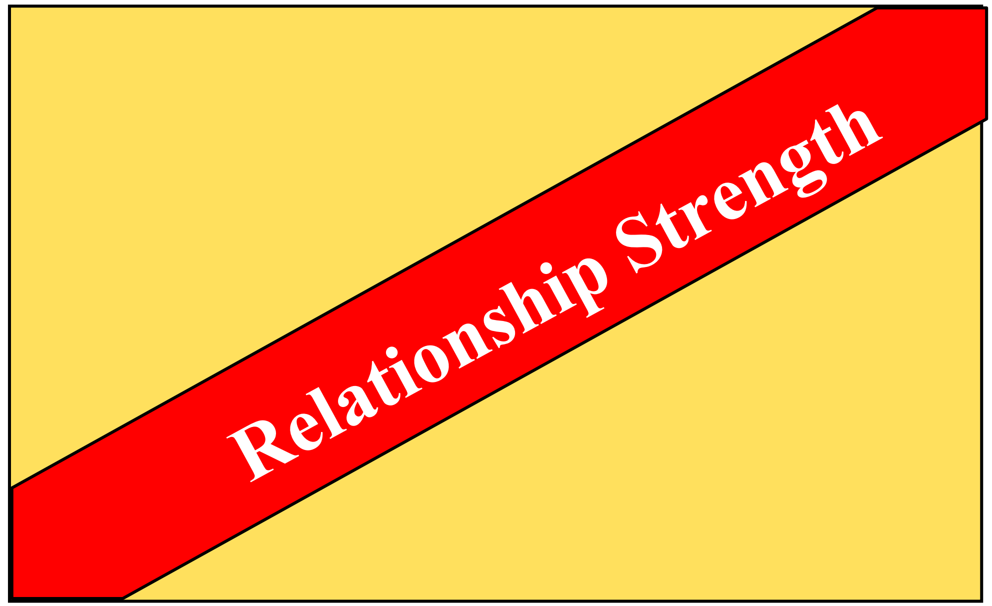
Learn Where You Touch Customers, Or, They Touch You



The Goal Must be to Create Reciprocal Relationships Based on Shared Values

Value of the Customer to the Brand

(Financial Value)



Value of the Brand to the Customer

(Personal Value)

Source: Targetbase

Media Planning in the Future Must be Based on Building Relationships...

Not Just on Broader Reach, Lower CPMs or Optimization Algorithms

It's Time to Re-Think Media Planning in Chile...

Hopefully, This Session Is a Start!

It’s Now Time for Me to Stop “Pushing” My Views

And, For You to Start “Pulling” With Your Questions!

Are There Questions or Comments?

Thank You for Your Time, Your Attention and Your Participation

agora, inc.

Don E. Schultz, Ph.D.

dschultz@northwestern.edu

Agenda LAMAC para Chile

L·A·M·A·C
LATIN AMERICAN MULTICHANNEL ADVERTISING COUNCIL

Valores de TV Paga

Segmentación
Contenido
Engagement
Transferencia
Congruencia

Valores de efectividad

Otras actividades en la agenda

- Newsletter
- Talleres a agencias

Muchas Gracias

www.lamac.org