

Media Selling, 4th Edition

By Charles Warner

Chapter 17 – Advertising

Advertising is selling (mass selling), so the purpose of advertising is the same as the purpose of personal selling – to get customers and keep them. The way advertising gets and keeps customers is also similar to the way personal selling does it, which is to create value, present effectively, get customers to take action, and then get them to repurchase. In advertising the creating value function is referred to as building brand image, or brand attitude as Tim Larson and Ken Foster call it in Chapter 15. Getting customers for a national consumer package goods advertiser or a local department store simply means selling products. So the *purpose of advertising is to build brands and sell products*.

Media consultant Erwin Ephron estimates that approximately 80 percent of national advertising dollars in broadcast television network are invested for brand building, or reminding and reinforcing consumers about brands they are familiar with.ⁱ This high percentage of ad dollars invested for reminding indicates the importance national advertisers place on building brand image. Great advertising both builds brand image and sells products, good advertising does one of these things well, and poor advertising does neither. But even well-written and well-produced advertising cannot build an image for or sell a bad product, as you learned in Chapter 15.

Advertising and Promotion.

Both advertising and promotion are marketing communications and part of the third P of marketing—promotion. However, the objectives of advertising and promotion are different: Advertising tells you why to buy a product, promotion tells you when to buy a product. Advertising creates value and builds brand image for the long term and, therefore, consumers will pay more for brands they like and trust. Promotions, as you learned in Chapter 8, are designed to get people to take action and buy a product immediately, usually because of a price reduction, rebate, or discount. Promotions have a short-term effect and eventually hurt sales and profit margins in the long run. Therefore, as you learned in Chapter 8, it is more profitable to invest \$1 in advertising than to promote a \$1 reduction in price in an attempt to increase volume.

How Advertising Works

Advertising has both a long-term and short-term effect on sales because well-crafted, consistent advertising takes consumers up an Advertising Ladder similar to the Sales Ladder you learned in Chapter 11. Exhibit 17.1 shows the Advertising Ladder.

Exhibit 17.1

The Advertising Ladder

Advertising	Corbett *	Marketing **	Sales
Repeat Purchase		Repeat Purchase	Repurchase
Reinforce and remind	Reminding	Brand attitude	Satisfaction
Adoption/Purchase	Persuading	Brand trial and purchase	Action
			Conviction
Induce trial	Informing	Brand attitude	Desire
Communicate information		Brand learning/association	Interest
Create awareness		Brand awareness	Attention

* Michael Corbett with David Stilli. 2002. *The 33 Ruthless Rules of Local Advertising*. New York: Pinnacle Books. p. 53.

** Tim Larson and Ken Foster, Chapter 15, *Media Selling*.

In order for advertising to work, it must take consumers, step-by-step up the Advertising Ladder. Every advertising message should have an objective based on the five steps in Exhibit 17.1 that lead up to the sixth step, repeat purchase. As a media salesperson, you must know what advertisers' objectives are (or help them figure them out) in order to recommend an effective solution and an advertising schedule in your medium. In terms of solutions, you must define the problems that accompany the steps on the Advertising Ladder: Consumers' lack of awareness, lack of information about a product, a marketer's low share of market, declining sales, low-level of repurchase, and so on.

The types of schedules that you will recommend will depend not only on your customers' advertising objectives but also their media plans. If you are selling to national advertisers, they will most likely have an advertising agency that creates their media strategy and media plans. If you are selling direct to local advertisers who do not have agencies, you must advise them on the best media strategy and plans that will help them meet their marketing and advertising objectives.

National Advertising

National advertisers invariably retain advertising agencies to do two things: create and place their advertising.

Creating Advertising. Advertising agency creative departments are responsible for writing and producing advertising in the three top national media – television, the

Internet, and magazines. Newspapers and radio are primarily local media, so large, national advertising agencies do not create a lot of advertising for newspapers and radio. And highly paid creative people generally do not like to create newspaper ads or radio commercials because they believe these media are dull compared to television and magazines, especially television. Copywriters and agencies do not show prospective clients newspaper ads they have created, they only show their television commercials, or commercial reels as they are called. An agency's, creative director's, and copywriter's resume is their commercial reel, and you will never, ever hear an agency say when showing a reel to a client or a prospective client, "And here is a commercial we did that came from an idea that a salesperson brought us." A media salesperson selling to a national agency does not call on the creative department or creative people at an agency, as it is generally a waste of time.

Placing Advertising. Agency media departments are responsible for placing advertising. The two basic functions of a media department are planning and buying media. Media consultant Erwin Ephron writes that, "The purpose of media planning and buying is to enhance advertising's positive effects on sales."ⁱⁱ In this chapter you will learn how media planning works, because when you call on media buyers, they will be buying according to a media plan that has been put together by a media planner. In some smaller agencies, the media planning and buying is done by the same person, but in larger national agencies the two functions are separated.

Media Planning

Media planning is essentially deciding which media to buy and how much of each medium to buy in order to reach an advertiser's target audience while staying within a budget. It sounds relatively simple, but, in practice, it is complicated. Let us look at each of these decisions separately.

Which Media to Buy? First, media planners analyze which media reach an advertiser's target audience most effectively and most efficiently. The effectiveness criterion is based on the execution the creative department has decided upon. For example, for a mass-marketed cosmetics product that appeals to teenage girls, a creative department might decide that a four-color ad featuring a glamorous teenage model might be the best creative execution, so magazines would be the most effective medium.

Once the most effective media have been selected, planners then consider efficiency. The efficiency criterion is based on media costs, primarily on cost-per-thousands (CPM), except online where other efficiency measures might be used – online efficiency criteria are covered in Chapter 20: Interactive. CPM is used to judge the comparative efficiency of network television (broadcast and cable), network radio, and magazines. Spot radio, television, and cable and local radio, television, and cable are evaluated based on comparative cost-per-point (CPP) data. Spot means buying on a market-by-market basis. For example, a spot television campaign might include buying the top 100 markets out of a total of 212 television markets in the U.S.

The next step in the planning process is to figure out how much media can be purchased based on an advertiser's budget. Advertising budgets are determined according to a percentage of sales. Industries have different advertising-to-sales ratios, as seen in Exhibit 17.2, which shows just 10 industries out of 190 industries that are reported on.

Exhibit 17.2

Advertising-to-Sales Ratios of Selected Industries

Industry	Ad dollars as a percent of sales
Auto rent & lease, no drivers	2.1
Beverages	7.8
Biological products, excluding diagnostics	1.6
Blank books, binders, bookbinders	5.5
Books: publishing & printing	7.6
Bottled & can soft drinks, water	2.9
Building material, hardware, garden-retail	3.1
Cable & other pay TV services	1.9
Commercial printing	7.2
Distilled and blended liquor	16.8

Source: http://adage.com/datacenter/article?article_id=109934. July 2007.

The ad-to-sales ratios are available at www.adage.com in the Data Center, in the Marketing/Advertising link, and under the title of “Advertising to sales ratios by industry.” In Exhibit 17.2, you can see the wide variance by industry to a low of 0.9 percent to a high of 10.1 percent of advertising dollars spent as a percentage of sales. Therefore a typical auto rental and leasing company that had \$2 billion sales would allocate \$44 million dollars (2.2 percent) for advertising, whereas a beverage company that had \$2 billion in sales would allocate \$202 million dollars (10.1 percent) for advertising.

If we take the auto rental company with \$2 billion in sales and an annual advertising budget of \$44 million dollars as an example, a media planner might go through the following thought process: “I know the client likes television and the creative department believes it has a memorable creative execution. However, because network television is so expensive, we cannot buy enough network television to make an impact. Also, the creative is targeted to business travelers and the majority of business travelers are concentrated in the top 25 markets. I think I’ll recommend 70 percent of the budget be spent in television in the top 25 markets and 30 percent of the budget in cable in those markets on ESPN and the Golf Channel.” Let us assume the auto rental client approves this portion of the media plan.

The next step would be for the planner to look at CPPs in the top 25 markets for television and cable and estimate how many weeks and how many spots per week in each medium to buy. These two factors will depend on advertising objectives. So, the planner might go through the following thought process: “The auto rental brand is well known, so I don’t have to have a big, short burst of commercials to create awareness or to induce

trial. The commercial is persuasive, so I need to reach and persuade business travelers on a continuous basis because business travel is not particularly seasonal. I need to reach them when they are planning a business trip and, therefore, are most receptive to my message. I will recommend a 39-week continuous schedule that runs March through November, I will optimize on reach for \$44 million, and I will look at several media mixes”

The above paragraph introduces six concepts into planning considerations: reach, frequency, recency, continuous scheduling, optimization, and media mix. As you learned in Chapter 16, reach is the number of different people an advertising message reaches over a designated period of time, and frequency is how many times the average consumer is reached by an advertising message over a designated period of time. Recency in terms of media planning is a little more complicated.

Recency. Recency in media planning is a concept that Erwin Ephron introduced to media planners 1994 based on research of John Phillip Jones. Jones’s research was published in his book *When Ads Work*. Up to that time, it was assumed by the media planning community that frequency is what drove sales because people tended to forget advertising messages, so the messages needed to be repeated often. However, Jones’s research indicated that a single exposure could strongly influence which brand consumers purchased if those consumers were ready to buy. Recency is the last message consumers are exposed to before they buy and is, therefore, the most effective. Thus, the objective should be to expose advertising messages when consumers are receptive. As Ephron writes, “It is as if there is a window of opportunity for the ad message preceding each purchase, media’s job is to put the message in the window.”

Since the introduction of the recency planning concept, it has gradually replaced frequency as the favored planning model, especially with package goods advertisers and their agencies. Recency planning means that reach becomes the most important criteria, not frequency.

Continuous Scheduling. Jones’s and Ephron’s research concluded that, because of the concept of recency, it is more effective to advertise continuously than to start and stop with heavy schedules and then cut back for several weeks or months (referred to as *flighting*) or to heavy-up regular schedules from time to time (referred to as *pulsing*). The point of continuous scheduling is always to be present in the window of opportunity when a consumer is receptive and in the market for a product.

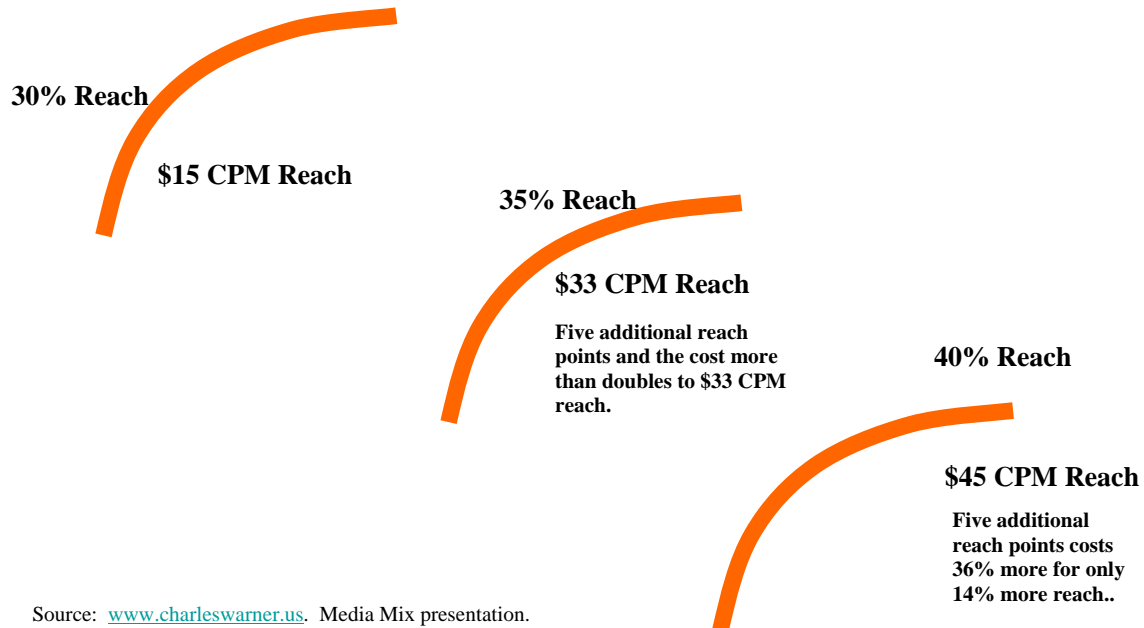
Optimization. Optimizations means trying to find the best combination that provides the most reach for either the lowest CPM or for a given budget amount. Most of the larger and many mid-sized agency planners use optimization computer programs called optimizers into which they input all the data and parameters of media plan. According to Erwin Ephron, “TV optimizers were a response to three powerful forces—*recency planning, fragmentation and sharp increases in prime time pricing.*”ⁱⁱⁱ Optimizers produce printouts, called flow charts, that show the best combination of dayparts and media that will provide the optimum reach that is either the most efficient (CPM) or within the limits of a specified dollar amount.

Media Mix. Media mix modeling is also referred to as marketing mix modeling. Optimizers will always show that the cost of additional reach after a certain reach level has been attained in any one medium is expensive and that a combination of media is the

best way to achieve maximum reach at the minimum cost. Exhibit 17.3 shows an example of how expensive it is to add incremental reach to a network television schedule.

Exhibit 17.3

The Cost of Incremental Reach



This example is taken from the Media Mix presentation in the Presentations link on www.charleswarner.us. It shows that achieving a 30 percent reach level has a CPM reach of \$15, which more than doubles to \$33 for just 5 percent more reach, and an additional 5 percent reach costs an additional 34 percent. Erwin Ephron writes, “Marketing mix modeling finds diminishing marginal response to media weight. As more dollars are spent in any medium, the sales response per-dollar for that medium tends to do down. That’s why mixing media is seen as the key to greater advertising effectiveness.”^{iv}

These concepts are explained more fully in Erwin Ephron’s booklet, *From Recency to Fusion: Seven Ideas that Nudged the Business*. This enlightening book is a recent history of media planning by the subject’s foremost expert and I recommend that you download it from www.ephronmedia.com and read it, especially if you are now calling on or hope to call on large agencies that have media planning departments and use optimizers.

Selling to Media Planners

If you are a broadcast network television salesperson, there is little reason to call on media planners because most major national advertisers, especially consumer package

goods advertisers, spend approximately 80 percent of their advertising dollars in television (network and spot) and you would not want to do anything to derail this gravy train. However, if you are selling Interactive, cable, magazines, or radio, you should call on planners and show them media-mix presentations showing that by adding your medium both reach and efficiency can be increased. In February 2003 the *Jack Myers Report*, a widely read media industry newsletter that often identifies trends, featured a headline that read, “Sellers Shift Focus From Buyers to Planners.”^v The accompanying article indicated that many national sales organizations had realized the benefits of calling on media planners. Several national sales organizations, such as Turner Broadcasting, are armed with their own optimization programs that show that their medium can add reach and efficiency to a broadcast network television schedule. The only way to get a medium (other than broadcast network television) added to a media plan is to call on planners with credible research information that shows how your medium can add efficient reach to a television schedule. Do not sell against television, but sell with it – in combination with television – and sell your medium to planners, not to buyers, by the time media plan gets to a buyer, it is too late.

Local Advertising

The purpose of local advertising is the same as national advertising, but the emphasis locally is generally more on selling products than on building brand image, which means that local advertisers generally evaluate the effectiveness of their advertising based more on sales results and return-on-investment (ROI) than on ratings, circulation, CPMs, CPPs, reach, frequency, or branding. Bringing up the concept of optimization, recency, or diminishing marginal response to a local retailer will usually get you nothing but a blank stare as will a discussion of brand image or branding. However, as you will learn soon, branding is as important in local advertising as it is in national advertising and is an important concept for you to teach to local advertisers.

The other major difference between national and local advertising is that salespeople often have to be responsible for creating advertising – writing copy and either producing or supervising the production of ads or commercials.

The best book about local advertising is Michael Corbett’s *The 33 Ruthless Rules of Local Advertising*. I will give you some of those rules in this chapter, but the best way to learn about them is to buy, read, and study the book.

Corbett Rule #6: Know what a new customer is worth to you.

Corbett writes that determining the value of a new customer allows local businesses to manage their advertising expenditures accurately. To calculate the value of a new customer a business must know several things: (1) How much does the typical customer spend on an average purchase? (2) What is the net profit on an average purchase? (3) What is the average patronage lifetime? (4) How many repeat sales does a customer make? (5) How many prospects will a typical customer refer? (6) How often will than customer base turn over, or how many times new customers will be needed to replace those who leave? (7) What has been invested in advertising to get the current customer base? (8) What is a new customer worth? A business may discover after making all of these calculations that it will be investing more in advertising than will be

realized from a customer's first purchase. However, the future profits from repeat purchases and referrals might well compensate for an initial loss on the first purchase.

Corbett Rule #7: Understand the purpose of advertising.

According to Corbett, "The purpose of advertising is to create an equity position in a target market and to reach and motivate a sufficient number of consumers so that a business can realize a specific growth objective."^{vi} An equity position is branding. So, branding is of critical importance to local advertisers, because, as Corbett writes, "The objective of advertising is to first have an impact on the mind of the consumer followed by or accompanied simultaneously with an impact on the spending of the consumer."^{vii}

Corbett's Rule #9: Use the most powerful tool in local advertising.

According to Michael Corbett, the most powerful tool in local advertising is a Unique Selling Proposition (USP) or, what Corbett calls, a Preemptive Advantage. The idea of a USP was developed by the legendary advertising executive Rosser Reeves in the 1950s. In his book, *Reality in Advertising*, Reeves defines USP in three parts: (1) "Each advertisement must make a proposition to the consumer. Not just words, not just product puffery, not just show-window advertising. Each advertisement must say to each reader: 'Buy this product and you will get this specific benefit.'" (2) The proposition must be one that the competition either cannot, or does not, offer. It must be unique – either a uniqueness of the brand or a claim not otherwise made in that particular field of advertising. (3) The proposition must be so strong that it can move the mass millions, i.e., pull over new customers to your product."^{viii}

Corbett claims that most local businesses have not developed a USP, are not aware of the USP concept, and that without a USP a local business is just one of many similar businesses, "just another store front."^{ix} But a USP cannot be stated in a worn-out cliché such as "the lowest prices in town" or "the best service in the city" because everyone uses these phrases and nobody believes them. A USP must be a truly unique and different positioning statement and promise.

Corbett Rule #10: If your doors are open, you should be advertising.

And by advertising, Corbett means advertising all the time, not just occasionally, for five reasons: (1) People shop all the time, not just when a business decides to advertise. (2) People move, in some markets as many as 25 percent of the population moves out of the area every year. (3) People forget, mainly because they have been exposed to thousands of advertising messages a day. (4) People often take their time buying. (5) To establish an equity position in the consumer community. So, what Erwin Ephron taught media planners about continuous scheduling works for local advertisers, too, only the words are different. Continuous scheduling means advertise all the time.

Corbett's Rule #12: Think long term.

The notion of a local business saying, “I’ll try this for a month and see how it works,” will not work. Corbett writes, “Using the media for infrequent, short term advertising schedules will not get you the same growth benefits you’ll get when you advertise with consistency, frequency, and impact. If you advertise from week to week, idea to idea, promotion to promotion, you’re usually going to end up disappointed.”^x

Corbett’s Rule #26: Use a proven scheduling formula.

By a proven scheduling formula, Corbett means several things; here are two: (1) “Choose a medium you can dominate. (2) Determine if your chosen medium for domination reaches a sufficient number of your target consumers.”^{xi} If an advertiser cannot dominate an entire medium such as television, then the advertiser should try to dominate a daypart or a particular type of programming. Corbett recommends radio schedules that run every week for sixteen weeks and three out of four weeks thereafter with a minimum level of average frequency of three. In television he recommends a schedule of 250 gross rating points (GRPs) per week and a schedule of two weeks out of every month. Corbett also writes that, “If you’re advertising with a dominant, consistent schedule, it doesn’t matter on which days you run your ads.”^{xii}

Finally, two of Corbett’s rules are closely related. I have used only nine of Corbett’s 33 rules of local advertising because I want to give you just a sample of the wisdom that permeates his book in attempt to entice you to read it.

Corbett’s Rule #30: Sell something more profitable than low price.

Corbett’s Rule #31: Avoid the “sale” syndrome.

The same principle of creating value applies to advertising as well as to media selling – if you create value by emphasizing high quality and excellent service before mentioning price, you can get a higher price. Local businesses that try to compete with national discount chains such as Wal-Mart by offering lower prices are bound to lose in the long run because they can never consistently beat Wal-Mart on prices and they certainly cannot out-advertise huge corporations. The only hope local businesses have against big national chains is to create a Unique Selling Proposition that positions their businesses on something other than price, on elements such quality, selection, service, and convenience.

Corbett’s rule to avoid the sale syndrome, or habit, is closely related to the notion that competing on the basis of low prices is unprofitable. Sales can be useful if used sparingly. Consumers are assaulted by sale advertising day after day in the media and have, therefore, become suspicious of retailers who invent excuses to have a sale. Traditionally, Nordstrom, which is known for high-quality merchandise and excellent service, has only two sales a year, which they do not advertise heavily because they do not have to – their shoppers know about them. Regular Nordstrom shoppers eagerly await these bi-annual sales and crowd the

stores trying to get a bargain. Nordstrom's increased volume makes up for price reductions. Having a sale means discounting the price of goods, which, in turn, means lowering profit margins. *To make up for a price reduction of just 15 percent, a retailer has to increase its volume by 80 percent to attain full-price profit levels.* This idea is so important that I'm going to repeat it: To make up for a price reduction of just 15 percent, a retailer has to increase its volume by 80 percent to attain full-price profit levels. To get that kind of increase in volume, a retailer would have to invest in much more advertising, which would wipe out the profit margin of the increased volume. To attempt having sales on a regular basis would merely increase these losses.

Many local retailers say they have no choice but to compete on the basis of price, especially in slow economic times. But of course they have a choice, which is to develop a compelling USP, which is where intelligent, informed, solutions-focused local media salespeople can help.

By understanding the advertising objectives of both national and local advertisers, media salespeople can offer solutions to advertising problems – both creative solutions (to local advertisers) and media scheduling solutions.

Test Yourself

1. What is the purpose of advertising?
2. What is the difference between advertising and promotion?
3. What are the six steps on the Advertising Ladder?
4. What are some of the differences in selling national advertising to large agencies and selling local advertising to businesses that do not have an agency?
5. What is an optimizer?
6. Why is continuous scheduling important?
7. What is a USP and why is it important?

Projects

Project #1: Select commercials for five different products that you see on local television and identify which step on the advertising ladder they address.

Project #2: Go to the website www.mediabuyerplanner.com, subscribe the RSS feed, and read the posts sent to you for a week and see if you understand the jargon and the points made.

References

Michael Corbett with David Stilli. 2002. *The 33 Ruthless Rules of Local Advertising*. New York: Pinnacle Books.

Erwin Ephron. 2003. *From Recency to Fusion*. www.ephronmedia.com

John Phillip Jones. 1995. *When Ads Work: New Proof that Advertising Triggers Sales*. New York: Lexington Books.

Resources

www.adage.com (Advertising Age's website)

www.charleswarner.us (The author's website with case studies, articles, and presentations)

www.ephronmedia.com (Erwin Ephron's website and newsletter)
www.mediabuyerplanner.com (Media Planner and Buyer website and newsletter)

ⁱ Personal conversation with Erwin Ephron. October 2002.

ⁱⁱ Erwin Ephron. 2003. *From Recency to Fusion*. www.ephronmedia.com. p. 38

ⁱⁱⁱ Ibid. p. 14.

^{iv} Ibid. p.3.

^v Myers, Jack. 2003. *The Jack Myers Report*. February 3. p. 1

^{vi} Michael Corbett with Dave Stili. 2002. *The 33 Ruthless Rules of Local Advertising*. New York: Pinnacle Books. p. 31.

^{vii} Ibid.

^{viii} www.emediaplan.com/admunch/Biographies/Rosser.asp. April 2003.

^{ix} Michael Corbett with Dave Stili. 2002. *The 33 Ruthless Rules of Local Advertising*. New York: Pinnacle Books. p. 43.

^x Ibid. p. 51.

^{xi} Ibid. p. 125.

^{xii} Ibid. p. 127.