Session 14: Promotion (Communications)

• Types of communication
• Consideration sets
• Funnel measures for communication
• Analytics examples
• Creative development examples
• Summary
Swatch hints

1. Marketing assets. What is the “Swiss” brand worth?

2. Wedding cake. How will the market evolve?


4. Key elements. 4P’s are interrelated. Think strategically.

5. Competitive advantages. Marketing and …
Communications is a mix of analytic and creative.

<table>
<thead>
<tr>
<th></th>
<th>Media Spend (Ex 5)</th>
<th>Percent (calculated)</th>
<th>CPAApplication (Ex 5)</th>
<th>Completed Apps (from Ex 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google</td>
<td>$288K</td>
<td>56%</td>
<td>$77</td>
<td>52%</td>
</tr>
<tr>
<td>MSN</td>
<td>$37K</td>
<td>7%</td>
<td>$56</td>
<td>9%</td>
</tr>
<tr>
<td>SuperPages</td>
<td>$70</td>
<td>~ 0%</td>
<td>$4</td>
<td>0.2%</td>
</tr>
<tr>
<td>Yahoo</td>
<td>$177K</td>
<td>34%</td>
<td>$73</td>
<td>34%</td>
</tr>
<tr>
<td>Unified Marketplace</td>
<td>$14K</td>
<td>3%</td>
<td>$48</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$516K</strong></td>
<td><strong>100%</strong></td>
<td><strong>$73</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

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Generic types of communication

• **Passive customer search** – TV advertising, banner advertising

• **Active customer search** – classifieds, retail visits, natural search
  (aka inbound marketing, definition 1)

• **Full engagement and trust** – strategic partners, unbiased information,
  co-creation of content

• **Listening to the customer** – VOC, surveys, user-generated content
  (aka inbound marketing, definition 2)
Some of the many means to communicate with customers.

<table>
<thead>
<tr>
<th>Advertising</th>
<th>Sales Promotion</th>
<th>Public Relations</th>
<th>Personal Selling</th>
<th>Web &amp; Other</th>
<th>Direct Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Print adv. Broadcast adv</td>
<td>Premiums Gifts Sampling Fairs Trade shows Exhibits Demonstration Coupons Rebates Trade-ins Tie-in Loyalty Bundling Free-standing inserts Groupon Sports marketing Sponsorships</td>
<td>Press kits Speeches Seminars Annual Reports Charity Sponsorships Publications Community relations Lobbying In-house magazine Events</td>
<td>Sales presentations Sales meetings Incentive programs Samples Fairs Tradeshows Test-drives</td>
<td>Banner adv. Natural search Key words Sponsored links Embedded Pop-up Pop-under Trust-based Advisors Morphing websites Blogs Twitter Facebook Twitter, etc. Forums User groups</td>
<td>Catalogs Mini-catalogs Mailings Telemarketing Email</td>
</tr>
</tbody>
</table>

Note that in many of these, the customer or the public is actively involved in co-creation.
Rough estimates of spending

BBVA (MR > MC)

Paid search

Direct mail, etc.  Banners  Natural search blogs, etc.

Online marketing
New online accounts

Offline marketing
New offline accounts

Branches

Percent of Spending

Percent of Online Spending

TV  Direct Selling  Online  Magazine  Newspaper  Radio  Banners  Outdoor

Search  Display  Video, etc.  Classified  Inbound  Other
Three tools to help manage communications

1. **Consideration set** – the role of communication

2. **Funnel measures** – managing communication strategy

3. **Memory schema revisited** – the creative process
Consideration sets

- Unaided awareness
- Aided awareness
- Consideration
Consideration sets are rational

<table>
<thead>
<tr>
<th>Search if:</th>
<th>Consumer</th>
<th>Managerial Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Benefit of choice from n+1 brands</td>
<td></td>
<td>Perceived quality, product design, differentiation</td>
</tr>
<tr>
<td>– Benefit of choice from n brands</td>
<td></td>
<td>Competitors’ actions</td>
</tr>
<tr>
<td>exceeds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Search cost</td>
<td></td>
<td>Easy to find</td>
</tr>
</tbody>
</table>
Consideration decisions are based on “must-have” rules

- “Must-have” features
  - sporty
  - well-handling
  - stylish
  - and under $50,000

- Screen quickly and only search those that pass screen
Managerial actions enhance consideration (examples)

- Sports marketing (BBVA at $5M/yr, Chevrolet at £47M/yr)
- Showrooms (Aqualisa, Sonance Speakers)
- End-aisle displays in retail
- Auto dealers offer test drives
- Blogs, search-engine optimization, paid search advertising
2nd tool: communications funnel

1. Consideration set – the role of communication

2. Funnel measures – managing communication strategy

3. Memory schema revisited – the creative process
In offline communication, the funnel often has other names, such as the “hierarchy of effects” or AIDA (awareness, interest, decision, action) model, but the concept is the same and the funnel for online communication.
Example funnel for advertising

- **exposure**
- **awareness**
- **knowledge**
- **preference**
- **trial**
- **loyal**

**offline funnel** ("Hierarchy of Effects")

- **online funnel** (recall BBVA)

**Advertising CPM**:
- Display = $2.06 CPM
- Search = $44.75 CPM

**Click-thru impressions**:
- Display = 0.045%
- Search = 4.1%

- **Start application**:
  - Display = 13.3%
  - Search = 8.6%

- **Complete Application**:
  - D = 38.9%
  - S = 17.5%

- **Approved**, 80%

- **Fund account in time**, 67%

- **Remain Active**, 55%
# Example funnel for advertising

<table>
<thead>
<tr>
<th>Funnel</th>
<th>Action</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>exposure</td>
<td>budget, media</td>
<td>CPM, GRPs</td>
</tr>
<tr>
<td>awareness</td>
<td>message, “copy”</td>
<td>seen, noted, read, recall</td>
</tr>
<tr>
<td>knowledge</td>
<td>content, relevance</td>
<td>benefits, consideration</td>
</tr>
<tr>
<td>preference</td>
<td>strategic position</td>
<td>preference, purchase intention</td>
</tr>
<tr>
<td>trial</td>
<td>availability</td>
<td>trial, penetration</td>
</tr>
<tr>
<td>loyal</td>
<td>reinforce quality</td>
<td>repeat, frequency</td>
</tr>
</tbody>
</table>
Funnel analytics

- **Funnel measures (online and offline)**
  - “response curves” such as awareness vs. GRPs
  - profit = revenue – costs \(\Rightarrow\) MR > MC

- **Experiments within the funnel (online and offline)**
  - test vs. control (A-B testing)
  - more complex experimental designs

- **Econometrics (online and offline)**
  - advertising dynamics
  - control for other variables
Can quantify funnel measures
Can optimize funnel measures

![Graph showing relationship between GRPs and Awareness](image)
![Graph showing Sales Revenue, Profit, and Communication Spending](image)
"Heavy-up" advertising experiment
Example experiments within funnel

- Crayola outbound electronic marketing

- General Motors trust-based strategies

- Conde Nast magazine covers (attract active search)
## Crayola: Designing Emails

<table>
<thead>
<tr>
<th>Variable</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject</td>
<td>Help us help you.</td>
</tr>
<tr>
<td>Salutation</td>
<td>Greetings!</td>
</tr>
<tr>
<td>Call to action</td>
<td>Because you as an educator have a special understand of the arts and how art materials are used, we invite you to help build Crayola.com.</td>
</tr>
<tr>
<td></td>
<td>By answering ten quick questions, you’ll be helping …</td>
</tr>
<tr>
<td>Promotion</td>
<td>As a thank you, you will be entered into our monthly drawing to win one of ten $25 Amazon.com gift certificates. …</td>
</tr>
<tr>
<td>Closing</td>
<td>Yours, Crayola.com</td>
</tr>
</tbody>
</table>

_Crayola is a division of Binney & Smith and Hallmark._

_Goal is to drive educators to Crayola.com._
## Experimental design

<table>
<thead>
<tr>
<th>Variable</th>
<th>Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subject</strong></td>
<td>Crayola.com Survey</td>
</tr>
<tr>
<td></td>
<td>Help Us Help You</td>
</tr>
<tr>
<td><strong>Salutation</strong></td>
<td>Hi [user name] 😊</td>
</tr>
<tr>
<td></td>
<td>Greetings!</td>
</tr>
<tr>
<td></td>
<td>[user name]</td>
</tr>
<tr>
<td><strong>Call to action</strong></td>
<td>As Crayola.com grows …</td>
</tr>
<tr>
<td></td>
<td>Because you are an educator …</td>
</tr>
<tr>
<td><strong>Promotion</strong></td>
<td>$100 product drawing</td>
</tr>
<tr>
<td></td>
<td>$25 Amazon.com gift certificate drawing</td>
</tr>
<tr>
<td></td>
<td>No offer</td>
</tr>
<tr>
<td><strong>Closing</strong></td>
<td>Crayola.com</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:EducatorEditor@Crayola.com">EducatorEditor@Crayola.com</a></td>
</tr>
</tbody>
</table>
Trust-based strategies

• Consumers only consider those brands that they trust

• Build trust with
  – competitive information
  – user groups and communities
  – unbiased advisors
  – product that meet needs
  – good after sales service
Building trust

Competitive Test Drive

Online social community

Customized CRM Brochures

Unbiased online advisor

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15.810 Marketing Management
GM invests $1M to identify best trust-based strategy.

Experiment
- 2 x 2 x 2 x 2 design
- observe over six months
- regressions to determine which was effective (if any)

Not consider Chevrolet

Consider GM’s Chevrolet

Competitive Drives

CRM
Brochures

Social media
On-line forum

Virtual advisors
e.g., KBB

Purchase a GM Chevrolet
### Competitive Drives

### CRM

**Brochures**

### Social media

**On-line forum**

### Virtual advisors

* e.g., KBB

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#### Conditional-Logit Analyses (five periods, 317 respondents for consideration model, only those who consider for conditional-purchase model)

<table>
<thead>
<tr>
<th>Dependent Measure</th>
<th>Direct Effects Not Mediated</th>
<th>Trust Regression</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consider</td>
<td>Purchase if Consider</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.492*</td>
<td>-2.567*</td>
</tr>
<tr>
<td>Lagged Consider</td>
<td>2.537*</td>
<td></td>
</tr>
<tr>
<td>Lagged Trust Hat</td>
<td></td>
<td>.866*</td>
</tr>
<tr>
<td>Competitive Test Drives</td>
<td>.579*</td>
<td>.938*</td>
</tr>
<tr>
<td>Customized Brochures</td>
<td>.079</td>
<td>.477</td>
</tr>
<tr>
<td>Competitive Forum</td>
<td>-.023</td>
<td>-.103</td>
</tr>
<tr>
<td>Competitive Advisor</td>
<td>1.44</td>
<td>1.22</td>
</tr>
<tr>
<td>Prior Ownership AAM</td>
<td>.399*</td>
<td>.137</td>
</tr>
<tr>
<td>Prior Own Other American</td>
<td>.304*</td>
<td>-.005</td>
</tr>
<tr>
<td>Prior Ownership Japanese</td>
<td>-.577*</td>
<td>-.188</td>
</tr>
<tr>
<td>Period 3</td>
<td>.313</td>
<td>.200</td>
</tr>
<tr>
<td>Period 4</td>
<td>.419*</td>
<td>.264</td>
</tr>
<tr>
<td>Period 5</td>
<td>.523*</td>
<td>-.238</td>
</tr>
<tr>
<td>Period 6</td>
<td>.722*</td>
<td>.165</td>
</tr>
</tbody>
</table>

Prior Ownership of AAM crossed with
- Competitive Test Drives
- Customized Brochures
- Competitive Forum
- Competitive Advisor

**Two or more treatments**

- Log likelihood: -820.6 - 218.2
- $R^2$ (aka pseudo-$R^2$): 25.3% 60.2%

* Significant at the 0.05 level. † Significant at the 0.10 level. Sex and age coefficients not shown (not significant). Trust regression interactions not significant.
One more (fun) example from Conde Nast

How do you choose the cover of Vogue?
Getting consideration on the newstand buying – cover design

At the newsstand, you have 30 seconds to beat the competition. *It’s you versus them!*

People really do judge a magazine by its cover.
Magazine cover testing

Cover tests are specifically designed to answer editors’ key questions. In this test, they examine 2 different poses and 2 different cover line layouts.
Simulated store
(not unlike Bases in Brita case)

Respondents rank Lucky and its key competitors on a simulated newsstand in the order they would be interested in purchasing them. Respondents also rate each of the competing titles on purchase intent.

This prompts the respondent for a top-of-mind purchase decision and gives the testing a competitive context.
Isolate test variables

Different Poses, Same Background Color and Cover Lines

Different Photographs, Same Cover Lines

+ Cover Line Pair

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Iterative cover selection process

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Take a chance

Very “Vogue”

Risky Option

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Optimization of visual elements (aids the editor’s judgment)

**Visual Optimization**

**Above the title**
*Consider replacing current line (23%) with "$72,800 worth of celeb-proven fitness secrets" (37%).*

**Sex cover line**
"More, More, More" without the subheading "More bonding!" scores 55%. This is a much stronger choice for this position than "Top 10 Sexual Health Mysteries Solved" (39%).

**Hair cover line**
*Replace current line (38%) with "Free Hair Makeover Inside" (45%).*

**Bargain Fashion line**
Current line is top-scoring bargain fashion line (2nd highest overall) — 59%.

**Courteney Cox-Arquette**
Strong choice for cover model. 10th highest celeb tested (scores 27% in celeb rankings). Current line scores 37%, which is atypically high for a celeb cover line.

**Sex Health Mysteries**
All three score evenly (39%-40%); "Top 10 Women’s Health Mysteries" wins the horserace with 45%.

**Cancer Cluster**
Replace current line (22%) with "Dying at 32" (37%).
3rd tool: memory schema

1. **Consideration set** – the role of communication

2. **Funnel measures (aka hierarchy of effects)** – managing communication strategy

3. **Memory schema revisited** – the creative process
Recall memory schema theory

- Spokesperson
- Past experiences
- Memorable Advertisement

- Performance colors
- "For those special activities"
- Visual image of athlete achieving greatness

- Gatorade
- Need an effective...
- Enhance Performance

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Owning a schema is strategic.

- Brita –
- Snapple – owned quirky

**Barrier to entry (hint for Swatch)**
- second in has to spend more than first in for same effect
  - if
    - first in spends substantially
    - first in keeps margins under control
  - then
    - second in cannot get as high a margin (doesn’t own schema)
    - second in cannot advertise enough to steal schema
Schema can vary by culture.
These advertisements were controversial!
Some cultural issues

Colors are cultural too

- Pepsi
  - changed colors from deep “Regal” blue to light “Ice” blue in SE Asia.
  - lost share because of “death” associations

- IKEA
  - changed its color preferences
  - subdued Scandinavian colors to bold Latino colors (in Southeast US)
  - gained share because it listened to its customers
Summary

- Consumers are both passive (outbound) and active (inbound, def. 1)
- Communication goes both ways – outbound and inbound (def. 2)
- Managing communications is science and art
  - Analytics
    - funnel measures
    - experiments
    - econometrics
  - Consumer behavior
    - consideration set
    - schema theory