Marketing of Media Product

Rough Draft

April 2011

Table of Contents

I.1. Marketing- General
   1. What is Marketing?

I.2 The Marketing Function: Structure & Organization
   1. Marketing Structure & Organization

I.3 How Does the Marketing of Media Products and Services Differ from Regular Marketing of Other Products?
   1. Special Aspects of Media Marketing
I.4 The Attention Budget

1. Excess Supply
2. The Information Processing Capacity
3. Limits to Human Information Handling and Processing
4. Strategies to Gain Attention

II.1 Product Design

II.2 Demand Analysis

1. Demand Forecasting Methods
2. Process

II.3 Product Positioning Requires Competitor Analysis

III. Brand Creation

III.1 Branding for Media Firms

1. Branding Strategies

III.2 The Creation of “Lock-in”

IV. Pricing

1. Pricing Strategy Goals

V. Promotion
1. Marketing Plan

2. Timing

3. Release Sequencing

**V.1 Generate Word of Mouth**

1. Viral or “Buzz Marketing”

**V.2 Publicity and Public Relations for Media Products**

**V.3 Using the Star Power for Promotion**

**V.4 Influencing the Influencers: Promotion on Opinion Leaders & Critics**

**V.5 Product placement**

1. Product Placement on Video Games

**VI.1 Promotion: Advertising**

**VI.2 Advertising Agencies**

**VI.3 Advertising: the Budget**

1. Independent Film Marketing
VI.4 How Much to Spend on Advertising?

1. Resources Available
2. Methods of determining budget

VI.5 Media Mix

1. Allocation of Advertising within a Medium

VII.1 Marketing and the Product Life Cycle

1. Implications of Product Cycle for Marketing Management
2. Promotion or Advertisers
3. Promotion to Retailers and Intermediaries
4. Sales

VII.2 Telemarketing Sales

VII.3 The Impact of New Information Technologies on Marketing

VII.4 Customized Advertising

1. The Internet as a marketing tool
2. Google Adsense
3. Search Engine Marketing
VIII. The Regulation of Marketing

VIII.1 Self-Regulation of Advertising

VIII.2 Government Regulation of Advertising

IX.1 Analyzing Marketing Performance

1. Advertising Analysis

2. Sales Analysis

IX.3. Market Cost Analysis

IX.4. Marketing Audit

X. Outlook

Discussion Questions

Section A: MARKETING IN MEDIA

For years, the sky was the limit for the information sector. Information became cheap, global, and plentiful. Information products became faster, smaller and more widespread. Information industries became convergent, competitive and innovative.

But after 2000, and again after 2008, the media world experienced a series of calamities: the dotcom bubble, the telecom crisis, the music bust, the e-publishing
stagnation, the PC sales drop, the wireless and PC saturation, the advertising recession, the semiconductor boom-and-bust, the newspaper implosion, and the IT venture capital slump.

In this stressful environment, how do media firms respond? The situation is, indeed a major challenge for strategists, technologists, and content creators. But also it is a challenge for media marketers who are called upon to keep their companies afloat by generating interest and revenues. It is therefore not surprising that the importance of media marketing has increased. For example, Universal Studio appointed in 2006 two marketers to top jobs even though neither executive had a background in movie-production Marc Shmuger and David Linde were named chairman and co-chairman. Of course, marketing has always been important in media. A Hollywood saying goes: “There are no bad movies, only bad marketing campaigns.”

One must distinguish the two meanings of “Media Marketing”.

Media Marketing is 1. the marketing of products generally, using media. For example, the promotion of corn flakes or automobiles on television or the Internet. Or, media marketing is, 2. the marketing of media products themselves

We will focus on the second meaning, the marketing of media products and services, but will also discuss media as advertising vehicles for other industries.

---

5 Kelly, Kate, “Two Veterans Win Top Jobs At Universal,” Wall Street Journal March 17, 2006

6 Find source
In the marketing of media there are two dimensions. One can market media to audiences, or to advertisers. One target (the audience) is dependent on the content of the product; the other (advertisers) depends upon the nature of the audience that the medium reaches.

The topic of this chapter is the “Marketing of Media Products”. Closely related chapters are:

- “Pricing of Information Products”
- “Demand Estimation of Media”
- “Distribution Networks”
- “Strategy”

—

Section A: Marketing in Media

1.1. Marketing- General

1. What is Marketing?

There is no common agreement on the definition of the term “Marketing”. But despite often elaborate definitions, the basics are simple. Marketing is the process of creating a market for a firm’s products.
It is somewhat difficult to distinguish Marketing from Distribution, and they are often confused with each other or used interchangeably

- **Marketing** is the creation of a market for the product.
- **Distribution** is the delivery of the product to that market.

Firms can engage in neither, both, or one of these functions. It might choose to outsource its marketing or distribution tasks, both or neither.

**Scenario 1: Marketing but no Distribution**

- Magazines often subcontract distribution to specialist companies but do the marketing themselves.

**Scenario 2: Distribution but no Marketing**

- Magazines let other firms (such as Publishers’ Clearing House) do much of the marketing of subscriptions, while they engage in distribution, like “Diving” magazine

**Scenario 3: Both Marketing and Distribution**

- Most newspapers do both marketing and distribution by running their own trucks to wholesalers or retailers, as well as market the newspaper to audience and advertisers

**Scenario 4: Neither marketing nor distribution**
Most independent film production companies neither market nor distribute their products.

Marketing vs. Sales

A second distinction is that of marketing and sales.

- *Marketing* is the strategic and planning function, the creation of public awareness and interest, and the

- The *sales* function executes the strategy through deals with customers and outlets

Marketing has existed since a seller tried to generate sales for his handiwork, in the mists of history. Advertising, a main component of marketing, existed in ancient Greece, Rome, and Egypt. By the 1600s, advertisements were regularly printed in handbills and newspapers.8

---

An advertisement for Martin Luther’s German Bible, circa 1534.\textsuperscript{10}

\textsuperscript{10} Sources: http://www.ritchies.net/Luther's%20German%20Bible.jpg
The basic approaches of marketing are strategic and tactical marketing.\textsuperscript{12}

In strategic marketing, possible markets are identified, assessed, shares targeted, and approaches selected, prices set, promotion strategies and budgets allocated, and results evaluated.\textsuperscript{13} Tactical marketing, in contrast, executes this strategy, refines the product lines, updates the needs of served markets, and refines pricing.\textsuperscript{16}

Generally, higher ranking managers are responsible for an increasingly large scope of marketing strategy, the “big picture”, while the sales management devises the more specific sales plan and implements it.

\textsuperscript{11} http://farm1.static.flickr.com/157/350902504_34c46ee042.jpg?v=0
\textsuperscript{12} No source
The Chief Marketing Officer reports to the CEO, and typically oversees the vice presidents of Sales and Marketing.

The CMO’s main responsibilities are to:

- manage and coordinate marketing operations.
- create a budget, plan and manage
- integrate marketing decisions and activities with the business strategy
CMOs live dangerously. The average CMO tenure in the US is 22.9 months, in contrast to the 53.8 months of the average CEO. CMO’s last less because they often take the blame if revenues are disappointing. On a more positive note, they tend to be relatively mobile across firms and industries.

The Marketing VP oversee marketing research, promotion, and products and geographic marketing.

---


Marketing Structure #1: Geography- Oriented

In the past, marketing was often organized by geography (i.e. “California, East Coast; Asia”). Later, marketing departments became composed of brand managers who were focused on a particular product and its success. Increasingly, marketers focus on customer relationships or types of customers. Account managers were established as the single point of contact with major accounts, selling the entire range of products and services, and across regions.

An example of a customer-oriented marketing structure is IBM’s customer marketing structure. IBM’s relationship managers track large, individual clients. They are aware of the share of each customer’s business that IBM is getting and how much additional business is possible with each client. 25

This 3-dimensional marketing often led to a matrix structure, with geography, plus a product line, plus a customer type.

---

An Example for a marketing organization: The marketing team for Apple’s iPod,
The Senior VP of Marketing is involved in all aspects of marketing a product. He has knowledge and experience in both the technical and marketing areas (“talks both languages”).

The VP of Strategic Marketing employs consultants and research firms; she is responsible for the research and development of the product, focused on the product’s benefits, and on market and customer research.

The VP of Technical Marketing is involved in new products, the product roadmap, and rollout stages. He works with engineers in R&D.

The VP of Product Marketing supervises individual product teams that launch a new product.

In book publishing, the marketing operations may resemble the following structure. Each of the lower–level managers is responsible for one category of outlets or channels.

---

Generally, higher ranking managers are responsible for an increasingly large scope of marketing strategy, the “big picture”, while the sales management devises the more specific sales plan and implements it.

Sales and marketing activities are closely coordinated, with a feedback loop from salespeople based on their experience with customers. Marketers, in turn, use the information to improve products and marketing plans.

**Case Discussion Conde Nast: Fly and Sky**

Throughout this chapter we will follow the marketing strategy of the major media company Condé Nast for a new magazine project, “Fly & Sky,” a hypothetical publication.

---

31 No source
Conde Nast is owned by Advance Publications, a privately held company controlled by the Newhouse family. In 2006, Advance Publications took in $6 billion in revenue and had 29,200 employees.

Advance Publications has a wide diversification of media including newspapers, cable channels and magazines. It owns 87 cable TV systems with 2 million households, 12 TV stations, 40 City business journals and the free newspaper insert Parade Magazine, which has a circulation of 22 million. Advance owns Condé Nast (founded in 1909 and acquired in 1959), and Fairchild Publications (founded in 1892 and acquired in 1991 from Disney). These two magazine groups were consolidated in 2005.


Advance has a diverse line of products and oversees publications which appeal to both sexes. It is very strong in women’s titles but wants to strengthen men’s lines such as GQ, Hemmings.
Motor News, Details, Golf Digest, Men's Vogue, Golf World, Cargo, and DNR. It is now considering the launch of Fly and Sky in order to increase its male readership.

The focus of the magazine will be aviation and it will target men aged 22-55.

Its goal will be to duplicate the success of Condé Nast’s Hemmings Motor News.

Hemmings Motor News is an 800 page(!) monthly magazine heralded as the “bible” of car collectors with its guides, almanacs, extensive classifieds section, and website. Its headquarters has been in Bennington, VT since 1954. Hemmings reaches 210,000 subscribers plus 50,000 readers at newsstands, selling at $6 per copy. Advance also publishes several other car-related magazines including, Hemmings Muscle Machines, Classic Car, Sport and Exotic Car, The Collectible Vehicle Value Guide and Special Interest Autos. The Hemmings Motor News website includes the classified ads, product directories, car clubs, a parts locator, t-shirts, memorabilia and access to customer service.

What marketing efforts should Condé Nast undertake to make its new magazine, Fly & Sky, similarly successful?

I.3 How Does the Marketing of Media Products and Services Differ from Regular Marketing of Other Products?

There are many similarities of marketing of media to general marketing but there are some special aspects. The excess supply of information lead to a price
deflation near marginal cost levels. The low or zero marginal costs result in a charged price that does not cover the full cost of production. In a typical market, product revenue is generated by sales. In the media industry, this is not the case. Media products are often given away rather than sold to identifiable users. Broadcast TV, free and online newspapers, and website information are examples.

There is often a simultaneous “dual” marketing that involves content being pitched to audiences for their attention and audiences subsequently pitched to advertisers. Low marginal costs and high fixed cost provide strong economics of scale. They create incentives for investment in marketing campaigns ahead of the market in order to build market share. In addition, many marketing activates, such as advertising or PR, have scale elements themselves and hence favor large firms. To advertise nationwide rather than locally is less expensive, especially if transaction costs are factored in. Where supply is growing exponentially, the demand is growing much more slowly, due to limitations of attention, time, and budget. On top of it, it is frequently difficult to exclude unauthorized use—i.e. piracy. Together these factors push prices downwards.

Changing Distribution technology creates numerous new distribution channels and fragmentation of markets. The product cycle is often short which results in a brief marketing window. For films there is often only 1-2 weeks time to mobilize millions to attend.
Content is fragmenting, often moving away from the mass audience to a “long tail”. This creates thin and specialized audiences.\textsuperscript{35} As a film marketer noted, “if we release twenty-eight films, we need to create twenty-eight different audiences and twenty-eight different marketing campaign.”\textsuperscript{36}

Fragmented audiences also mean greater marketing efforts are needed. In 1965, 80% of women aged 18 to 34 could be effectively reached with three TV ads. However, by 2000, 97 ads were needed.\textsuperscript{37}

There is especially high uncertainty and instability of demand. Users often do not know, articulate, or communicate their preferences well for content. Many products are "Experience goods” which are hard to sample in advance by consumers.

There is a skewed distribution of success. The top five products in many media segments can generate between one- and two-thirds of revenues, although they may represent a tiny fraction of the total number of products released.\textsuperscript{38} Success is becoming increasingly rare. Compared to 1998, fewer than half the new releases

make it to the bestsellers lists, reach the top of audience rankings, or win a platinum disc.\textsuperscript{39}

In US network TV, only about a quarter of new primetime shows survive beyond their debut season, whereas in the mid-1980s, about a third managed at least a second season.\textsuperscript{40}

The commercial lifespan of a media product is time-sensitive. There is some minimum scale for efficiently promoting and exhibiting a new film and there is a limit on the number of films that can be pitched in the market at one time.\textsuperscript{41}

Another consequence of price deflation to prices below average cost is that there are incentives for customer “lock-in”. Many sales efforts are for long-term subscription arrangements, such as for phone, mobile wireless, cable and pay-TV, satellite TV, ISPs, magazines and newspapers, and others.

There are also strong “network effects”. Preferences of users are often shaped by the usage of others. The demand for some products depends on the supply of other products. For example, DVD players depend on the supply of DVD discs which


depends on number of DVD player buyers. Network effects are often fad and hit driven.

For these reasons and other reasons, marketing is particularly important in the media and information field, and it is particularly difficult.

**I.4 The Attention Budget**

1. *Excess Supply*

Perhaps the most significant special aspect of marketing of media to audiences is a huge excess supply. There are a significant and growing number of competing products in the media market. For the U.S alone:

- In the U.S, 275,232 new book titles were published in 2008\(^\text{42}\)
- In Britain, 133,224 books in 2009.\(^\text{43}\)
- In China, 136,226 new titles\(^\text{45}\)

In the U.S, 25,000 different magazines appear regularly. There are over 600 full time simultaneous TV channels. In Europe there is a similar number though distributed over more languages. Each year millions of new of online sites are...


created, tens of thousands of songs written and copyrighted. And, of course, there
is a huge inventory of existing content, the output of millennia of civilization

The more efficient distribution technology is, the faster this overabundance process
advances. It is the challenge of marketers to deal with the dilemma of having an
abundance of product as opposed to a shortage.

In 1960, mass media supplied about 3 million words per day (including unwatched
TV, unread papers, unheard radio, etc.) to an average American household. By
1980, this figure had increased by 267% to 11 million words. By 2000, it had risen
to 75 million words.

An estimate of the annual growth rates of business information is 12%; 8% for
scientific information; and 5% for entertainment. All the growth numbers are
accelerating.

2. The Human Information Processing Capacity

There is competition for the consumer’s time/attention budget, not only their
financial budget. The communications process consists of three major and
interactive stages:

– Production of information
– Distribution
– Consumption
The production and distribution of information is only useful and subsequently successful when it can be consumed by an end user.

These three elements have to exist in some relation to each other. In the past, the three stages of information grew slowly and more or less in tandem. More recently, the parallel trends diverged. Production grew rapidly. Distribution accelerated even more enormously. But consumption grew only slowly due to human limitations. This has had some serious implications.

The bottleneck is not production of information, and certainly not distribution, but rather its consumption. The quickly growing content production and distribution meet attention that is hardly growing.

There are Limits to Human Information Handling and Processing. A classic study found that an average person cannot function well with more than seven pieces of information in their mind at a single time\(^53\) (Miller, 1956). Other research has shown that a person will, on average, have difficulty integrating information if facts arrive faster than one every three minutes, in a sustained way. (Dennis, 1996)

Sustainable reading speeds, which include the comprehension of information and its absorption, are about 50 bits/sec. The speed of speaking and listening comprehension are somewhat slower, and is universal. The universality of these

---

53 Miller, George A. “The Magical Number Seven, Plus or Minus Two Some Limits on Our Capacity for Processing Information.” *Psychological Review by the American Psychological Association* 101, No. 2, 343-352
ceilings indicates that the constraints exist within the process of mentally coding and decoding.

The human processing capacity exhibits a single-peaked performance curve (Taylor, 1984). When there are either light and heavy loads, processing is low. Boredom and information overload create a low cognitive rate.

The peak processing capacity exists at a happy medium between being given too little and too much information. This defines the best range for content, and similarly, for marketing messages.

In this cornucopia of content, what are the strategies to gain attention?

There are several. First, one could pay for attention consumers could be paid directly for reading advertisements or for providing their demographics; however, most efforts to structure such a direct payment system have failed for now. For
example, the dot-com company Cybergold tried to unsuccessfully pay consumers through money, coupons, or other benefits to watch online ads.

What has happened is to “pay” consumers by providing them with desirable entertainment content for free in exchange for slices of their attention. This is the base of much of advertising in media.

A second method to increase information consumption is to add time allocation to such consumption. This means either reducing time for other activities or, including sleep, or by slipping information into previously information-free situation, such as billboards, TV screens on subway station,

The third way would be to change the way information gets presented, packing more content and sensory impact per time unit.

There has been a shift to a dense form of presentation with more visual and symbolic information. Television advertisements are an example for dense information, providing a high amount of messages and stimuli in a brief time span.

Eyes are able to get visual information at the megabit rate of broadband while written information gets absorbed at the much slower rate (about 300 words/min., or 200 bits per second). Ears are even slower at about 200 words/min or about 150 bits per second.
Consequently, there is a great future potential for media that can provide parallel information tracks, inter-weaving pictures, text, sound, and in the future possibly even smell, taste, and touch.

The faster way to increase information consumption is by making it more efficient through various information screening techniques. The compression of information involves editing down masses of facts. The principle in information abundance may be that the value-added is the information subtracted.

For media, the second way to gain attention for one's content and usage is to increase the marketing effort. This is what media always do. They take a multitude of facts and sentiments and narrow them down to their important core, and organize them coherently.

The graph below illustrates the rise of average marketing costs for Hollywood feature films from 1991 to 2001. In about one decade, it rose from about $12 million to $31 million.
The most fundamental problem for marketing media is the rising competition for attention; there is increased creation and production of information. Competing for scarce attention, including marketing information about media products. This leads to rising costs for seeking attention for media products. The result is a squeeze: a price deflation for media products, and a cost inflation for the marketing of these products.

These two trends create a price/cost squeeze that is the fundamental problem for media marketing. The squeeze is partly alleviated by the greater need for all other industries to gain attention, i.e. a growing advertising volume, which benefits those media companies that are platforms for such advertising. Such advertising, however, is declining in price in terms of per unit cost, due to the increased supply to advertisement placement opportunities.

The field of marketing studies is full of easy-to-recall catchphrases and terminology. Among these are the “4 P’s” of marketing. These are:

- Product
• Positioning (or Placement)
• Price
• Promotion

We will discuss these concepts sequentially as applied to the media and communications sector.

II.1 Product Design

Product innovation is essential. It leads a firm out of commoditization space, which enables higher prices. However, it carries a higher risk, a potentially large development cost and a higher chance for consumer disfavor.

Originality is one dimension of a new product. It may make a product “cool”. But originality must also deal with the comfort of familiarity. New products appeal to a broader market if they are familiar in style, appearance or operation to previous products. Having to learn new operating procedures, genres, character relations, and functions prevents many consumers from choosing a new product. In a competitive environment, product creation moves from a one-way flow from the produce/creator to the user, into an interactive process. This has led to an increasing integration of marketing and product design, with marketers closest to

56 http://www.saga.vn/Saga_Gallery/Quantri/marketing/mixmarketing.gif
the public pulse. There have been “MTS-circles” (marketing-technical-sales) where, for example, engineers and designers accompany sales and marketing people on their customer visits in order to study the users of their products and understand their needs.

Consumers are being involved in the product design through surveys, focus groups, and test marketing. More recently, interactive feedback, such as product reviews and beta testing, have been increasingly used.60

In film, the involvement of consumer panels is frequent. For example, the film Fatal Attraction was test-screened for four different endings.61 Similarly, TV franchise formats, such as Who Wants to Be a Millionaire were designed for and tested on international audiences.

To design the most appealing content products, media companies have increasingly turned to an almost engineering approach in which popularity factors of performers, plots, and style are put together in carefully designed products, tested out, and then produced and marketed. Bands recruit members to satisfy the desired fan base. Reality shows craft their formats and participants.

60 http://www.medigent.com/assets/Images/subpages/photos/management.jpg


66 http://www.trifectaly.com/heidiblog/nsync.jpg
Product design of content may include also its physical manifestations. The external design of a content product grabs attention. A nicely designed DVD also provides a reason to buy and own the movie rather than to download a pirate copy.  

The integration of product creation and markets has limits, however. Newspaper publishers came up with the concept of the “Total Newspaper” newspaper attempts to coordinate editorial and business departments coordinating in order to market the newspaper. This meant considering deniability to advertisers, and audience research perspectives, both sensitive subjects Many journalists firmly believe that integrating marketing into the editorial side is bad for newspapers’ and magazines’ quality and credibility.

There is a fine line between pushing innovation too far for consumer acceptance and being a “me-too” product.

In the word of Peter Chernin, President of News Corp, “All the benefits of size, whether it’s leverage, synergy or scope, are fundamentally the enemies of creativity.” The more structured the process of content creation is, the higher the risk of stifling creativity. It is therefore necessary to balance company perspective and individual creativity.

III Statistical Tools for Product Selection

---

67 Consumers Vs Marketing - The DVD War  http://www1.epinions.com/content_4286750852
68 Dennis Derrick, “Media Management in the Age of Giants,” Iowa State Press
Given the great uncertainties about media product design, content product
designers will look for some statistical tools to improve the odds for success.  
Such models, generate forecasts of box-office performance based on past
performances of actors, directors, and plots, and offers diagnostic insights into the
drivers of box-office performance, including marketing strategies that may help in
selection, design, and marketing approaches. However, to date these models have
not worked very well. Some, and must assume, are not available from vendors but
are proprietary to the studios, but if they really marked the success rates for new
films would be more impressive.

For other products and services, the method of conjoint analysis is often used in
planning the design of a product. Conjoint analysis is a statistical technique for
analyzing customers’ responses to new products and to new features of existing
products. It decomposes customers’ preferences for products into “part-worth”
(or utilities) associated with each level of each attribute of the product.

---

70 Erasmus Universiteit Rotterdam, December 1997
Marketing Engineering.” Decision Pro. Last accessed on 11 June 2008 at
Analysis%20Technical%20Note.pdf
Marketing Engineering.” Decision Pro. Last accessed on 11 June 2008 at
Analysis%20Technical%20Note.pdf
“‘We don’t believe in market research for a new product unknown to the public…so we never do any. We are the experts’” (Akio Morita: legendary cofounder of Sony).  

This approach did not work for Betamax. It missed the importance to the consumer of full-feature length over picture quality. A survey or a focus group could have made Sony aware of this.

There are computer packages like ACA (Adaptive Conjoint Analysis) that generate an optimal set of trade off questions and interpret results.

For a discussion of the Conjoint analysis, see the chapter “Demand Analysis”

Positioning

The second of the 4 Ps of marketing is positioning. The positioning of a product into the market is an essential factor for demand. Positioning is the way one wants customers to think about one’s brand versus the competition. To position a product one must understand market and customers. The challenge for media companies is to predict consumer preferences that consumers themselves often do not yet know.  


76 Lamb, Hair, Mc Daniel, Marketing, 1996, South-Western College Publishing, Cincinnati, Ohio, page 330
Measurement for Media.” we discussed demand forecasting methods. They include:

- Test marketing
- Expert surveys
- Retailer surveys
- Historical analogy
- Surveys/sampling
- Focus groups
- Psycho-physiological tests
- Automated sample metering
- Recording of sales
- Lab experiments
- Econometric and conjoint estimations

In film, for example, one can learn a great deal about the makeup of the audience by conducting exit polls (like those in elections) to evaluate socio-demographics of the audience. From those data, marketing departments can determine the effectiveness of advertising campaigns. If the people who show up at the theater

---

If a film continues to generate large audiences after the early advertising ends, it has high “playability” meaning that moviegoers are recommending it to other moviegoers. On the other hand, when films have large opening audiences which decline rapidly, they have high marketability but low playability. This actually shows the effectiveness of the marketing-- a good marketing with a bad movie.  

II.3 Product Positioning Requires Competitor Analysis

Competitor Analysis is being discussed in the chapter “Strategy.” It is only briefly touched on here.

---

In order to position one’s product, one must understand the appeal and identity of one’s competitors.

1. The Identity of Competitors

One tool for positioning is the radar chart. The radar chart is a chart and/or plot that consists of a sequence of equi-angular spokes, called radii, with each spoke representing one of the variables. The data length of a spoke is proportional to the magnitude of the variable for the data point relative to the maximum magnitude of the variable across all data points.

We can use the radar chart to compare relative advantage or disadvantage of different products. If in radar chart, two companies’ product characteristic mostly overlapped, they would be competitors.
The graph represents the total numbers of readers of a magazine who belong to a specific segment of the population. We can compare the size of one group with another using this type of chart. It is also useful comparing the charts for a product over a period of time to see how the user base is changing.

Another useful tool for comparisons are competitor strength grids. In such a table, each cell specifies the strength of each property.

\[\text{Source: No source}\]
We can use this chart to compare the strength of each property of different product or companies.

**Competitor Strength Grids**

Identifying competitors is easier said than done. For example, who is Porsche’s main rival? Ferrari, Lamborghini? Of course. But according to Porsche’s CEO, a major rival is Rolex! Both companies compete for the disposable income of high-income, prestige-seeking, middle aged males.

For a TV channel, maximizing audiences depends on positioning it in the market. In the graph below, (the Hotelling model) the first entrant will position itself at the
peak of the distribution of preferences, in the center. These preferences are ordered here according to intellectuals program. “Quality” pitch, with undemanding programs on the right. He will have the audience at that point, with audience interest waning as one moves to the left and right toward programs less favored by those whose preferences at P.

A second and third content providers Y and Z will position themselves relative to X so as to also maximize their audiences (as sales), too.

**Market Niche Positioning**

Newscorp described to advertisers its core demographic: “Generation Fox”: young adults. News Corp promoted itself as a one-stop-shop purchase for the 12-24 year old demographic. The goal was to outdo Viacom’s MTV Cable network,

---

85 No source
CBS/Time Warner’s CW, aiming at the same audience. News Corp. emphasized its breadth of youth-oriented properties -- social networking sites like MySpace.com, gaming sites, network TV, syndication shows, cable networks, and Mobizzo, the global phone-content company from Fox Mobile Entertainment. Generation Fox utilizes viral marketing and communications to develop a host of next generation media services in-house, beginning with MySpace, with Fox Interactive Media spearheading the effort. Disney’s ESPN aimed to position itself not as yet another sports network, but as a round-up, “the game behind the game,” positioning and marketing itself as “entertainment”, rather than sports.

CBS’s Entertainment Tonight declined in ratings and estimated a lack of loyalty from its viewers. 71% of viewers said they would be “not very” or “somewhat” disappointed if the show was cancelled. ET’s competition includes the Today Show, Good Morning America, CNN’s Hollywood Minute, and Hollywood Insider. CBS’ plan of action was to shift from “news” to “inside” by stressing the word “inside”, signifying gossip and exclusive access. To help with this appearance, CBS retitled show segments like Inside Movies and Inside TV.

---

86 Atkinson, Claire, “‘Generation Fox takes on Viacom,” Advertising Age, April 17, 2006. p. 41
87 Atkinson, Claire, “‘Generation Fox takes on Viacom,” Advertising Age, April 17, 2006. p. 41
Nintendo attempted to reach the female market for its Wii game console. The objective was to position the Wii as a console that would remain in the living room instead of a teenage boy’s bedroom. In Japan, Nintendo merged viral marketing with Tupperware parties. So-called alpha moms were invited to play video games with their friends. Even if they were not dedicated video game players, they could be influential within their community. To reach these women, getting a simplified and wireless controller to the hands of these alpha-moms was a key element of Nintendo’s market strategy.

III. Brand Creation

The brand of a product is its identity for a positioning among consumers. Branding creates differentiation to combat commoditization. It provides a weapon to counter retailer power and it simplifies consumer choice. Brands communicate quickly, project credibility and strike an emotional chord. They motivate the respondent, create user loyalty and permit pricing at a premium.

Brands are especially important for media products where users do not have much information and search costs are high. Take consumer electronics. These

---

93 Beth Snyder Bulk, Video Games Unveil Feminine Side, Advertising Age, oct 2006
94 Dawn C. Chmielewski, Nintendo reaches out to a relatively untrapped segment of potential users in an effort to promote its new console, LA Times, Dec 2006
markets are crowded with similar products and are often near commodity.95 Companies thus try to create brand to communicate unique benefits and position of the products.96 The alternative is to be the low-cost producer in an undifferentiated market.

Consumer electronics therefore place an emphasis on advertising the corporate brand rather than the product, of which there is a large number and which is constantly changing.97 Sharp, for example, has been repositioning itself from a budget product brand to become a premium electronics brand on the high end.98 Similarly, Philips tried to reinvent itself when it was not a technology leader, to a user-friendliness, one of “sense and simplicity.”99

For newspapers, the ultimate marketing tool for newspaper is credibility.100 Research shows that the more people trust the newspaper, the greater the strength of its circulation.

---

96 Best Global Brand 2006- A Ranking by Brand Value. Interbrand/Businessweek
100 Source Philip Meyer and Yuan Zhang……, 2002
Branding involves the name, logo, color, distinctive look, etc. of a product. All of these components matter and help to promote the brand identity. Many TV channels keep a logo on screen, whether the commercial CNN or non-profit BBC, so viewers can quickly identify the channel.

CNN positioned itself as a knowledge provider, summed up by the phrase “Be the first to know” – repeated both off (mobile, web and radio) and on the air.¹⁰¹

An increasing number of brands appear in multiple media. TV and cable networks have substantive (not just promotional) sites on the Internet (for example, BBC.com). Likewise, TV networks have multiple cable channels (NBC, MSNBC, CNBC) and some magazines have TV channels, such as Playboy. CNN ensures that its marketing message is consistent in all platforms, from the screen, to poster, to press. CNN’s branding is incorporated in its set design, music, graphics and the on-air look of the channel. The network’s logo is an important element in its strategy.¹⁰⁴

Brands can be extended through licensing and merchandising. An example is the Nickelodeon market which includes toys and theme parks.¹⁰⁵

Anchor programs are the flagship of the network. For a time, A&E’s brand centered around the show “Biography.” Comedy Central’s brand image makers

¹⁰⁵ Howard J. Blumenthal and Oliver R. Goodenough; This Business of Television: Pg. 401, 1998
were the shows “South Park”, “The Daily Show with Jon Stewart.”, and “The Colbert Report”\textsuperscript{106}

The branding task is easier for specialty channels like Nickelodeon and MTV. Traditional TV Networks have a task to create one identity as they sell an array of dissimilar products directed at different audiences, such as: news, sports casts, sitcoms, movies & cartoons.\textsuperscript{107}

National Broadcast networks also do not control the affiliated TV stations which may have a different brand strategy (“Fun 4”). In the U.S. National networks increasingly require local TV affiliated stations to call themselves by the network name and use the network logo (i.e. NBC10).\textsuperscript{108} NBC’s own in-house marketing agency, NBC Agency, offers services regarding advertising and promotion to all NBC entities such as CNBC and the affiliated stations.

SBC launched a huge marketing campaign in 2005 after the merger with Bell South and the old AT&T in order to rebrand the company as the new AT&T.\textsuperscript{109} An example was a huge billboard on the New Year’s Eve in Times Square, and an online advertising “roadblock” on numerous websites at the same time, and TV spots at huge events like the Soccer World Cup, and the Superbowl.\textsuperscript{110}

\begin{thebibliography}{9}
\bibitem{106} Howard J. Blumenthal and Oliver R. Goodenough; \textit{This Business of Television}: Pg. 400, 1998
\bibitem{107} Howard J. Blumenthal and Oliver R. Goodenough; \textit{This Business of Television}: Pg. 399, 1998
\bibitem{108} Howard J. Blumenthal and Oliver R. Goodenough; \textit{This Business of Television}: Pg. 400, 1998
\bibitem{109} Integrated Marketing SUCCESS STORIES, B 2 B 2006
\bibitem{110} Integrated Marketing SUCCESS STORIES, B 2 B 2006
\end{thebibliography}
One major function of brands is to help central management establish control norms over a heterogeneous organization. Brands are a major expression of corporate culture and strategy. Some people hold the view that “centralized brand” is important—firms must have a consistent branding architecture across countries and product lines. This leads to a push for “brand” consistency, which means that the same color, logo and image, and positioning for a brand are necessary.

Yet, a single brand aiming to project well be a heterogeneous mix of demand populations may not be effective. Differently positioned sub-brands around the world could be often effective in marketing power than a centralized brand.

Different companies pursue different approaches., NewsCorp, and Bertelsmann (in the US) have weak overall brands but strong sub-brands. Nobody in America really knows Bertelsmann, but most book readers know Random House. In contrast, the Disney Company has a strong overall brand but often weak sub-brands like “Buena Vista.” Viacom’s networks, MTV and Nickelodeon, are highly recognizable brands. Similarly Paramount Pictures, Blockbuster Video and CBS have strong brands (when owned by Viacom), but Viacom itself is not well known. The media brand Vivendi, a strong brand in France, stresses its field, not itself. It generates the image of serving a basic human need rather than offering flimsy light entertainment. Its theme had been “Entertainment. It’s vital”. ¹¹¹ Vivendi’s ads

¹¹¹ “Money Digest”. The Hollywood Reporter, November 28, 2006
highlight the significance of entertainment in daily living, equating the need for
entertainment with the need for food and water.

Companies often try to change their corporate image through advertising,
trying to create a positive image for the firm, boosts employee morale, and help
companies establish an identity with investors. But those image-building
companies are often confusing to consumers, since they do not clearly promote a
particular product but rather an image.

Well-known personalities are brands, too, and often work hard to build them. It
often takes a major marketing investment to build a star brand.

Companies often seek to benefit from a celebrity’s brand. One means are
celebrity endorsers such as athletes and movie stars. T-Mobile used Jamie Lee
Curtis as its spokesperson, using her sassy and down-to-earth image. When
Deutsche Telecom rebranded Voicestream as T-Mobile (its global brand) and
sought a younger image, Catherine Zeta-Jones—a younger film star but with a
significant tabloid trail—became the new spokesperson. A study analyzing the
announcements of celebrity endorsement contracts found that the impact of these
announcements on stock returns was positive, suggesting that celebrity

---

113 Ouwersloot, Hans, “Brand Personality Creation through Advertising,” Maxx Working Paper Series, February 2,
2001. p. 3
endorsement contracts are viewed as a worthwhile investment by the market. In the U.S after 2009, regulations on testimonials and endorsements require that ads must disclose connections between advertisers and endorsers.

How Does the Internet Affect Media Branding?

The Internet has affected media branding in 3 stages.

Stage 1: “The Internet Destroys Brands”. Brands were seen as Industrial Age legacies, with the internet, marking the end of mass marketing. With the start of price comparison shopping, brands were believed to be obsolete. But soon, the pendulum swung in the opposite direction.

Stage 2: “Brands are Essential on the Internet.” As the websites soon numbered in the millions, it was observed that most Internet users visited the same sites again and again. Dot.coms soon spent as much as 90% of their capital on advertising and the marketing of their brand in order to achieve a larger market share.

Stage 3: “The Internet Enables Brand Customization”. With the internet-based interaction with customers it became easier to move from mass-brands to customized sub-brands. This enabled a system of ‘meta-brands,’ with sub-brands tailored to sub-markets responding to customers and changing circumstances.


***I can’t actually find this article, I was only able to find the complete citation above because I found another article which referenced it…may want a different statistic.
In the 1950s, societies were more homogeneous—advertising on major networks reached and appealed to a broader audience. In the 1980s, the US and other societies recognized heterogeneity. A single product and marketing approach aimed at projecting to a heterogeneous population may be less effective than several sub-products; technology enables customization.

Through the internet, firms know their customers better than before. They can observe the behavior of millions of customers and produce customized ads and marketing strategies.

Customization creates privacy problems as it requires the marketer to know details about the potential buyers. As has been said: “It’s a fine line that separates good customer good service from stalking”.

### III.2 The Creation of “Lock-in”

One of the key elements for helping profitability is the reduction of a buyer’s ability to switch to another product or service. This is known as “lock-in.” Locking in customers for long term contracts, for example, is a means of increasing stability in revenue.

For cell phone satellite TV operators facing competition, customer retention and low churn are critical success factors. It is therefore a goal of marketing to create circumstances that reduce the ease of exit.

---

120 [article no longer exists](http://channel6000.com/news/stories/news-981004-202141.html)
Marketing strategies to create lock-in include:

- Establish long-term relation with user
- Raise customer’s investment in relationship
- Loyalty programs
- Brand-specific user training
- Creation of community and network effects
- Long-term Contractual commitments in return for upfront benefits
- Focus on buyers with high switching costs

Other lock-in strategies are that the seller must get the customers to invest in the supplier’s technology by participating in customization. Customers would thereby raise their own switching costs. Another mechanism for lock-in is the creation of a user community. A strong sense of community is a brand’s major asset for customers. Through such a community a lock-in is once again created, since leaving a community loses network externals to the user.

One example is iVillage, a collection of communities for women. These communities attract and retain a base of highly loyal users. They have products such as the Parent Baby Namefinder, the Interactive Pregnancy Calendar and Better Health. iVillage created loyalty over competitors such as Women.com Networks, CondéNet, Oxygen Media, and Martha Stewart Living Omnimedia.
Other community lock-in for phone service T-Mobile “myFaves”121 (and other companies’ similar efforts) in which one can make free calls to a small number of other T-Mobile subscribers, thus incenting every subscriber to recruit his friends and family to join T-Mobile.

T-Mobile research found that 65% of cell phone calls go to the same 5 people.122

Magazines similarly offer much more than information and entertainment by generating a sense of belonging by readers. Michael Harvey of Top Gear says that few audiences are as loyal as those of magazines.123

But such efforts of organizing consumer community can also backfire. In some cases, product chat lines can take on a life of its own and turn against its creator. Some websites are organized for the avowed purpose of opposing a company, a product, or a star.

**IV. Pricing**

The third classic element of Marketing of the “4 P’s”, is pricing.

---


51
Pricing is the setting of prices by seller and is an expression of a business’ strategy and its marketing plan. Pricing issues are discussed in the chapter “Pricing of Information Products.” Only a few points follow here.

Strategy goals of pricing are:

- To win or keep customers
- To gain profitability
- To gain market share

How do firms normally set prices?

1. *Market pricing* – matching competitor’s prices
2. *Cost-based pricing*, relating price to the cost of producing the item.
3. *Value pricing* based on a customer’s willingness to pay.

Value based pricing usually means price differentiation among customers, because each values the product differently. Such price discrimination is prevalent in the media. Books are sold as expensive hardcover volume first, then they become cheap paperback. The price difference is much larger than the cost difference. Films also have a release sequence, from relatively expensive theaters down the ladder to free, advertising supported broadcast TV.

Another pricing decision is whether to institute a usage-based pricing or a flat-rate pricing usage based charges by the minute of use, or for each movie watched or
music track downloaded. In contrast, a flat-rate plan provides “all-you-can-eat” service.

4. “Strategic pricing” aims to achieve a strategic goals such as market share or establishing brand identity. To gain market share, a firm would price low (“penetration pricing”) and marketing would then stress the low price. Conversely, a firm might use a premium price, setting a high price to create a superior image of quality.

V. Promotion

The fourth of the classic “4 P’s” of Marketing, is promotion.

For marketers, the main obstacle is grabbing people’s attention so they will consider a product’s value.

This involves generating word of mouth, public relations and publicity, advertising, and direct marketing. As one film studio executive noted, “movie marketing campaigns are like election campaigns.” A film’s marketing effort starts when a project is green-lighted. The marketing department creates a task

---

128 No source

Launching computer games is similar. The launch date is hyped, and previews are shown on TV. Loyal customers are targeted. Publicity campaigns with celebrities are used. In some cases, video game makers promote games in TV specials. They produce, like Microsoft and MTV produced a special about the Xbox 360 that aired on MTV.

Different categories of media products require different types of promotion.

1. \textit{True Talent Products} are based on artists with unique appeal that cannot be readily duplicated, such as Elvis Presley, or Mick Jagger. True talent products call for strong early promotion and subsequent maintenance of word-of-mouth.\footnote{131}{Aris, Annet, “Value-Creating Management of Media Companies: Chapter 5”, McKinsey & Company, Inc., 2003}

2. \textit{Marketing-driven media products} include interchangeable stars like Britney Spears or Christina Aguilera, light entertainment TV formats such as Big Brother, Survivor, Britain’s Got Talent, or Pop Idol and marketing-intensive magazine titles such as “Us”\footnote{132}{Aris, Annet, “Value-Creating Management of Media Companies: Chapter 5”, McKinsey & Company, Inc., 2003} These projects call for sustained promotional efforts. Once the star value drops, the promotion is dropped drastically.

3. \textit{Bread & Butter Products and artists} are important but low profile. They can achieve considerable cumulated volume such as advisory books (e.g., Dale
Carnegie) or mystery novels (Sue Grafton), cook books (Julia Child). They receive a modest but sustained marketing effort.

4. Niche products appeal to a specialized audience. There is an increasing importance of a highly fragmented long “tail” of offerings. Chris Anderson, the chief editor of the technology magazine *Wired*, wrote in, “The Long Tail” 134 As storage and distribution gets cheaper with the digitization of content, channel, and even products with a very small audience can be sold profitably. 135 Marketing here calls for sustained low-intensity, high-targeted promotion. A high-intensity campaign is likely to be unaffordable.

**Timing**

Timing is essential for a profitable movie release. Movie audiences peak around Christmas time, Thanksgiving and summer (mainly a US phenomenon). Foreign release of films can be delayed for reasons relating to the foreign environment (for example, French movie theaters are slower in the summer, but very busy in October). 136

The goal is to obtain peak attention during peak periods, by moving to a non-peak but uncrowded period, so as to avoid head-on fights when one’s product is weaker.

---


136 Martine, Danan. “Marketing the Hollywood Blockbuster in France” *Adweek Magazines’ Technology Marketing:* Fall 1995; 23; 3; Research Library pg. 131
For books, the spring release anticipates the strong selling window of July through September (light summer reading, self-bought). The fall release anticipates Christmas sales and is heavier in non-fiction and specialty books as presents to others.

The basic principles for release sequence strategy are:

First, distribute the film to the market that generates the highest marginal revenue over the least amount of time. Then, “cascade” in the order of marginal-revenue contribution.\(^{137}\)

---

\(^{137}\) Source: Lieberman, Al: The Entertainment marketing revolution. Prentice Hall, 2002
Prior to 1975, Hollywood used a “platformed” method of releasing its movies. This meant movies were originally released in select theaters and then added in more theaters the following weeks and months.\footnote{www.newyorker.com/talk/content/?030804ta_talk_surowiecki} Deciding to forgo the traditional mold, Universal Studios released \textit{Jaws} on more than 400 screens nationwide, the biggest release up to that point. It also had one of the biggest nationwide advertising campaigns.\footnote{www.newyorker.com/talk/content/?030804ta_talk_surowiecki} This strategy remains and blockbusters are released simultaneously on more than 2,000 screens in the US alone.

Most studios spend the bulk of their marketing budgets during the weeks prior to a film’s opening because of the audience. Most movies made half their box office revenues in the first three weeks.\footnote{www.newyorker.com/talk/content/?030804ta_talk_surowiecki} Due to piracy, as well as increased revenues from post-theatrical distribution, and marketing spillovers, the release sequence is being compressed. The average period between the premiere of a movie and the release of its DVD shrank by 10 days in 2006 alone. In 2003-2008, the average time fell by an entire month to three months and 25 days.\footnote{Claudia Eller, \textit{Wait time on DVD releases shrinks}, Los Angeles Times, March 2007 http://www.latimes.com/entertainment/news/homeentertainment/la-fi-dvd12mar12,1,569415.story?coll=la-headlines-business-enter} The film \textit{Bubble} directed by Academy Award winning director, Steven Soderbergh, abandoned the traditional release window model and was released simultaneously in theaters, cable TV, and DVD\footnote{Bylund, Anders. “First Simultaneous Release Movie Opening Tonight.” 12, Jan. 2006}
The promotional push for home videos works similarly. Mass merchants like Wal-Mart and Target advertise a new DVD heavily for a short period, in order to drive traffic to the stores. They often offer new DVDs for a low price during its first seven days in stores, so half of the total sales take place during that first week.\footnote{Thomas K. Arnold, By the numbers http://www.hollywoodreporter.com/hr/search/article_display.jsp?vnu_content_id=1000603668} It is common to agree to cross-promotional partnerships with large retail chains to plug major new DVD releases in the Sunday newspaper inserts to offer discounted prices to get buyers into their stores.

DVD standalone campaigns can be very expensive: the Spiderman campaign cost $100 million in 2002 ($40 mil for TV, radio, print ads, billboard and mall advertising).\footnote{Source: Mega marketing campaigns up ante in home DVD segment, DSN Retailing Today 2002} DVDs usually piggyback on the remaining awareness of expensive theatrical marketing campaigns. This creates incentives to release DVDs sooner.\footnote{Claudia Eller, Wait time on DVD releases shrinks, Los Angeles Times, March 2007 http://www.latimes.com/entertainment/news/homeentertainment/la-fi-dvd12mar12,1,569415.story?coll=la-headlines-business-enter}

\textbf{V.1 Word of Mouth, Buzz and Viral Marketing}

A quality product can generate its own promotion through public consumption and approval. Companies can stimulate word of mouth through various low budget
techniques. Many researchers have concluded that interpersonal sources of information are the most influencing factor in movie promotion.

**Example: A. VoIP Promotion: Vonage vs. Skype**

Vonage, the Internet phone company had $269.2 million in sales in 2005 and a market share of 21.7% in the U.S. in 2006. It spent $243.4 million on advertisements in 2005, which means that almost all of its revenues went into marketing campaigns. In 2006, Vonage spent $360 to $380 million on marketing, an increase of 50% over 2005. These are huge numbers.

Skype, the second largest VoIP provider in the U.S. with a market share of 14.4% in 2006, has a very different approach than Vonage. Skype mainly uses viral marketing. Vonage earned $27 a month per line in 2005 while spending $221.35 on marketing per line a month in 2005, which is a loss of a factor over 8.

In contrast, Skype does not have a high marketing budget; instead it uses word of mouth marketing and offers free VoIP service to encourage users to invite
their friends. Skype markets its services using blogs and forums which targets lead users instead of the mass market which is a cheaper advertising scheme.

Buzz marketing is the practice of gathering volunteers informally or by actively recruiting individuals who are perceived to be trendsetters. It can generate buzz through exciting website features such as movie trailers. The idea is that consumers start talking about the brand, product and show because the message is perceived as exciting and fascinating. Some examples are The Lord of the Rings trailer, which was downloaded 1.7 million times on the first day it went live.

The Harry Potter series incites users to stand in line nearly all night to buy copies of the novel. One technique of buzz marketing is to release bits of information or insights into the novel, which Rowling did with the 6th installment of Harry Potter when she released the names of three chapters in the book, setting off frenzy about the new plot.

---

156 A Tale of Two Marketers, CRMToday 2006
157 A Tale of Two Marketers, CRMToday 2006
Immediately translating the novels into different languages and international release increases world-wide hype, as in the case of *Harry Potter*.  

When the PSP and PS3 game consoles from Sony were launched, their releases were timed for PR purposes. The new devices were shown to eager buyers in line which attracted media coverage.  

Another strategy is to offer products for free or at a large discount to influential users and popular buyers to create externalities. Companies also actively recruit individuals who are perceived as trendsetters. The concept is that each user becomes a salesperson, with or without their knowledge.  

According to a 2006 survey by *Advertising Age*, American people engage in 3.5 billion WOM conversations each day: 2.5 billion are face-to-face conversations 630 million are over the telephone and 245 million online conversations daily Advantages of Word of Mouth are that it is “Live”, honest and not canned.  

For books, one of the most efficient marketing tactics is to create hype through word of mouth. If people talk about a book before it comes out, readers will be eager to buy it.

---


165 [http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6W45-4PF1C0D-8&_user=18704&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&acct=C0000002018&version=1&urlVersion=0&userid=18704&md5=fb90e94ead7b2a6ba67c6093b1bd3d67](http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6W45-4PF1C0D-8&_user=18704&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&acct=C0000002018&version=1&urlVersion=0&userid=18704&md5=fb90e94ead7b2a6ba67c6093b1bd3d67)

166 Robert E. Moor. “From genericide to viral marketing: on ‘brand’.” [www.sciencedirect.com](http://www.sciencedirect.com), May 2003


TV is by far the most influential advertising vehicle for musicals.

Even so, Broadway musical audiences are more influenced by word of mouth than by advertisements. Straight-play audiences are more swayed by reviews. Off-Broadway audiences are nearly 1/3 less influenced by advertising than Broadway audiences.

Google’s Gmail offered memberships to only a select number of people which generated massive word or mouth marketing. This created an online community for return consumers.

Viral marketing has been used in the recent past for effective promotion of movies. For example, Fox posted the first 4 minutes of “Borat” on YouTube. It received a million views within two weeks and helped the movie earn $26.38 million at the box office on opening weekend.

Buzz can also be negative. Kryptonite bicycle locks sales nosedived after a blogger posted a video clip of how to pick the expensive lock with a Bic ballpoint pen in 10 seconds.

---

170 http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6W45-4PF1C0D-8&_user=18704&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&_acct=C000002018&_version=1&_userid=18704&md5=fb90e94ead7b2a6ba67c6093b1bd3d67
Most major marketing or advertising agencies have viral marketing capabilities.

One example of a viral marketing firm is BzzAgent which facilitates WOM marketing.

Microsoft launched a cryptic web site at origenxbox360.com. The site is composed of a single page of flash showing a tree, a green bunny, and a numerical countdown in the background. Another example was Ourcolony.net where information was released concerning the Xbox 360.

The Ring II movie campaign is another example of viral marketing.

www.she-is-here.com, is a roleplay website where characters discuss their experiences with the cursed video.

For music marketing, social networking sites are good because they are cheap, interactive, and authentic.

Labels use peer-to-peer platforms that are known for piracy to spread their advertisements, Coke and Jay-Z infiltrate promotions into file-sharing systems.

On MySpace.com, users can become “friends” with bands. They can communicate directly with bands, or perhaps with staffers hired to communicate on behalf of the bands. Users can share audio and video files.

E. Trust

175 http://en.wikipedia.org/wiki/Viral_marketing#Notable_examples_of_viral_marketing
176 Record Labels Turn Piracy Into a Marketing Opportunity, Wall Street Journal 2006
177 I Screen, You Screen, The New York Times 2005
In consumer electronics, consumers are reluctant to trust manufacturers and tend to turn to friends and relatives before making purchase decisions. A new strategy employed by companies is to concentrate on developing trusted relationships with previous customers to maximize brand loyalty and refer business.178

One marketing strategy in companies electronics marketing is guerilla marketing, Celebrities and trend setters are invited to gatherings where they can try new cell phones. The aim is to encourage press coverage and increase the word-of-mouth effect. Another method of guerilla marketing is to send street teams to trendy clubs where they distribute discount cards to trendy people which can be cashed in at the store.179

Nintendo, for example, hired several types of “ambassadors,” loyal gamers to teach others how to use the Wii. One such ambassador was the “alpha mom” with the influence to spread the word in her neighborhood.181

Blogs, as a result of their accessibility and ease of understanding and increasing readership, are ideal for creating “buzz”. Blogs are attributed with qualities, such as authenticity, transparency, honesty, and openness which are more difficult for corporations to achieve.182

---

178 Burke, Kevin. As Consumer Attitudes Shift, So Must Marketing Strategies. Study Suggests Rethinking the Customer Experience. Audioholics.
179 Motorola Looks for More Buzz Per Buck, Adweek 2004
181 Dawn C. Chmielewski, Nintendo reaches out to a relatively untapped segment of potential users in an effort to promote its new console, Los Angeles Times, Dec 06
Though the inventive marketing tactics of viral marketing tend to be received well by consumers, dishonesty erodes brand trust. For example, in 2006, Sony hired a marketing agency to create the website: www.alliwantforchristmasisapsp.com, designed to create buzz for its new product, the PSP. The website gave the impression to have been created by a boy who wanted a PSP for his birthday. But suspicious users found out that the website was registered with a marketing agency. They exposed the heart-string tug as a Sony marketing ploy and caused a PR debacle for the company.

Sony Ericsson paid 60 actors to pretend to be tourists asking New Yorkers to take photos of them using their new Ericsson camera phones and then demonstrating the features.

These kind of fake reality of some viral marketing campaigns led the Federal Trade Commission in Washington to require a statement that all viral marketing representatives must disclose their identities when operating.

**V.2 Publicity and Public Relations for Media Products**

---

184 In 2006, Sony hired a marketing agency to create the website: www.alliwantforchristmasisapsp.com, designed to create buzz for its new product, the PSP.
Public Relations are communications techniques to help an organization create a good reputation for itself and its goals. Publicity, a subset of PR, is the generation of news stories about a person, product, or service that appears in the media. In the late 19th century, the aim of public relations were limited to the objective of getting newspapers to mention the product. Freelance press agents were paid by the number of “mentions.” They provided newspaper reporters with information. Savvy promoters, such as the legendary P.T. Barnaum, would stage pseudo-events to attract news stories. By the early 20th century, public relations became more ambitious with the goal of shaping public opinion.

The Elements of PR are:

- Press relations
- Product Publicity
- Corporate communications
- Lobbying

---

194 Lamb, Hair, Mcdaniel, Marketing, South-Western Collge Publishing, 1996
• Counseling

The target audiences are, in particular, the media, potential customers, employees and investors, educators, civic organizations, and government officials.

Because of a film’s short shelf life it is important to create awareness even before release and advertising. ¹⁹⁵ This is done by generating free publicity for films.¹⁹⁶ In the “golden age” of film, the studios created publicity departments, who used three major tools.

1. The studios produced their own newsreels, and inserted image-enhancing clips of the TV starts..¹⁹⁷
2. The studios controlled major fan magazines, and used them for flattering stories about their stars.
3. The studios established symbiotic relationships with the leading gossip columnists whose columns were fill of items that kept stars in a public and favorable light..¹⁹⁸

These techniques, with updates, are widely followed. Celebrity stories are placed in magazines and cable channels and shows like *Entertainment Weekly*, *People*, *TV Guide*, the E! Channel, MTV which are owned by the same major media companies, succeeding the newsreels as vehicles for celebrity news. Studio publicists collaborate with journalists. It has always been easier to generate publicity about stars than about a film. To get a story on a film celebrity, reporters often have to negotiate access through the studio, and must often agree to make references to the film in production. Magazines also seek cover photographs of stars to boost their acceleration, and the studios will provide photo opportunities with a publication timing that fits the publicity campaign.\(^{200}\)

A PR staff is assigned to the production to control actors’ contacts with the media and contain negative stories. Crew and cast must sign NDA nondisclosure agreements to limit their uncontrolled interactions with reporters.\(^{202}\) Studios will also generate “back stories” purporting to be news.

For the film *Mission Impossible*, a “back story” was devised through a short “documentary” entitled *Mission Incredible* about the physical damage done to the


star Tom Cruise. This was entirely fictitious. There were six stunt doubles for Cruise. But it made for a good story and was shown on MTV and other cable channels owned by Paramount’s corporate parent, Viacom.

Another PR tool is award ceremonies, both for the work or performers nominated and for their previous work. Films shown at festivals like those in Cannes, Deauville, Venice, or Berlin are covered by print and TV journalists. In 2007, for example, 5 of the films nominated for an Oscar as Best Picture had increases in ticket sales right after nominations, and the distribution expanded to additional theaters. “The Departed” rose from 127 to 1453 theaters. For “Little Miss Sunshine,” during the week of nominations, DVD sales rose by 60% - 200%.

V.3 Using the Star Power for Promotion

A product promoted by familiar people sells more readily, and big names sell therefore any media more effectively than other marketing efforts. Celebrity appearances on TV are an example of this. Most book marketing depends on the publicity of authors on TV and in the press, with morning shows such as “Good Morning, America” or “The Today Show.” TV talk shows affect

---

207 Martine, Danan. “Marketing the Hollywood Blockbuster in France” Adweek Magazines' Technology Marketing; Fall 1995; 23; 3; Research Library pg. 131
211 Patrick Enright, How studios manipulate 'Oscar bump', MSNBC.com, February 2007
212 Patrick Enright, How studios manipulate 'Oscar bump', MSNBC.com, February 2007
the composition of book sales and their publishing through their favoring of attractive authors, provocative subjects, and simple conclusion/advice. There is a symbiotic relationship between the broadcasters’ need for material and the authors’ need for exposure.\textsuperscript{217}

Media mix modeling became a product after 2005. Drawing on databases and mathematical model helps calculate the most effective advertising schedules and effective distribution of the advertising budget.\textsuperscript{218} A media mix model can be used to plan advertising campaigns across a range of media and to create schedules of mixed media.\textsuperscript{219} The optimal advertising mix requires a complex model to optimize exposure to target audience. The model incorporates information about the audiences of each advertising vehicle, such as the audience size.

Music tours by artists are an effective way to promote new albums; studies show a measureable sales increase in regions of tour locations afterwards.\textsuperscript{220} Music artists or book authors signing in stores (called “in-stores” and “book tours” creates press coverage. Book promotion, for example, include author’s tours, book launch parties, autograph signing events, TV and radio appearances, display

\textsuperscript{219}http://www.telmar.com/ZA/?page_id=418
\textsuperscript{220}This Business of Music, M. William Krasilovsky and Sidney Shemel, 2000, Pg. 26
materials for stores, reviewer copies, and articles on internet sites. Film studios arrange hundreds of screen- 
ing for film critics, distribute electronic press kits to television stations and arrange for stars to appear on magazine covers, in entertainment-news reports and on television talk shows.

If the media company has a share of an artist’s or writer’s future earnings, it raises its incentive to invest in the artist’s reputation and promote him or her more strongly. On the other hand, such artistes will use their studio or publisher-financed publicity to demand higher fees for their next project, which would lower incentive to invest in the reputation of their star. Therefore, a media company needs to nail down its future terms with a performer before investing in their reputation.

Another approach is to make part or all of promotion costs to be recoupable from the artist’s royalties. This happens in music deals.

V.4 Influencing the Influencers: Opinion Leaders & Critics

Critics become part of the company strategy to generate demand, Some newspaper critics have a significant impact. For Broadway shows, the New York Times critics can make or break a show, especially since the TV media often follow and amplify. Companies will typically distribute free copies of music or books to

---

233 Source: Journal of Management, March 1, 2001
reviewers, radio stations or TV stations. Getting a positive review in the NY Times or the NY Review of Books enhances a book’s sales. Once in a best-seller list, the process becomes self-sustaining through “buzz” sales. Only a small portion of new titles are reviewed. The New York Times reviews approximately 1000 books a year, or 2% of new titles.

In other cases, to overcome expected negative reviews, studios engage in a quick and wide distribution, backed by a strong marketing push. The idea is to get people to see the film before the impact of negative reviews set in. Media companies have to deal with the reality that reviewers are fickle and often personality-driven.

When Harold Pinter’s play, The Birthday Party, opened in London in 1958, it received a lukewarm review from the London Times: “Mr. Pinter’s effects are never more than puzzling, and after a little while we tend to give up the puzzle in despair…” Partly as a result, the show closed. The same play was revived six years later with an enthusiastic review in the same newspapers. “The Birthday Party is the Ur-text of modern British drama: if John Osborne fired new authors

---

234 This Business of Music, M. William Krasilovsky and Sidney Shemel, 2000, Pg. 21 & 24
235 Journal of Management, March 1, 2001
237 The [London] Times 1958, p.3; reported in Bennet 1990, p.43
30 http://www.btpl.org/Online_Databases/Online_Databases_-_Alphabetica/logo-london-times.gif
into writing, Pinter showed them how to write”\textsuperscript{239}. This time, the play had a long run and had a big success.\textsuperscript{240}

Are critics powerful when it comes to popular culture?

There are two rival perspectives on the role of critics:

1. The critics as \textit{opinion leaders}, who influence audience demand.

2. The critics as \textit{predictors} of audience opinion\textsuperscript{241} because their tastes are similar to audiences of the TV stations or newspapers that they work for

One study found that the percentage of positive and negative reviews is a statistically insignificant predictor of box office performance for \textit{early} weeks (weeks 1-4). It is, however, a statistically significant predictor of box office performance for later weeks, and for cumulative box office sales. One would think that the opinion leaders should have the greatest influence be during the time immediately following the review. But that is found to not be the case,

By this study, critics are leading indicators rather than opinion leaders.\textsuperscript{242}

\textsuperscript{239} The [London] \textit{Times} 1964, p.18; as reported in Bennet 1990, p.43
\textsuperscript{240} http://www.btpl.org/Online_Databases/Online_Databases_-_Alphabetica/logo-london-times.gif
\textsuperscript{241} Jehoshua Eliasberg; Steven M. Shugan, Film Critics: Influencers or Predictors Journal of Marketing (Apr 1997)
\textsuperscript{242} William Adams, Charles Lubbers. “Promotion of Theatrical Movies,” Kansas State University
To create advance news stories and favorable reviews, the studios often fly entertainment reporters on junkets to special locations and offered brief “revolving door” interviews with stars or directors.\(^{244}\)

This makes sense if one believes in the “powerful critic” perspective. By wining & dining critics, introducing them to stars, and allowing them to get their names in film and book advertisements and freezing out uncooperative critics would then make sense. Thus, if critics are only early predictors rather than opinion leaders, these costly efforts have a low return.

**V.5 Product placement**

The *Devil Wears Prada*, starring Meryl Streep was a successful film, with product placement right in its title. The project was a fashion marketers dream. Prada supplied many of the bags and shoes shown, as did other fashion industry companies.

But there are also disadvantages of product placement for the companies sponsoring products. Product release is difficult to coordinate with the film release timing, especially across the globe. Ericsson used product placement for a new cell phone. However, the product was not ready when the film was released.\(^{246}\) In other cases, the film lags the product’s release by months or years. Television

---


\(^{246}\) Source: Products as Movie Stars, Technology Marketing Intelligence 2000
shows products that are typically placed into characters’ homes or apartments. A family may eat Cheerios for breakfast or a detective may be working from a prominently displayed Dell monitor.

Product placement has moved from film and TV to videogames, as a new ways to reach young males who are increasingly abandoning television (and therefore TV commercials). In-game ads integrate the brand into the game. They work with the game developers to figure out where the best places are to put advertising. They insert code into those places, and once a consumer is playing the game online, it starts to communicate to the advertiser’s server.

German sports shoemaker Adidas integrated ads into Power Challenge, an online video soccer game played simultaneously on the Web. Adidas’s logo is present in the virtual players’ uniforms and throughout the stadium. But some game developers fear alienating fans for minimal ad revenue.

Product placement is a popular way to promote electronics. For example, Nokia had gadgets in Matrix and the X-Files.

**VI.1 Promotion: Advertising**

---


David Lipke, *Big game hunters (...) No wonder marketers like Nike, Adidas and Under Armour are eager to tap into this new national past time*, DNR, February 2007
Advertising is a crucial component for the media industry. It is the vehicle through which consumers are made aware or are reminded about the presence of a product in the market, and of its advantages.

Advertising plays two major roles for media:

1. Advertising is the economic foundation of many types of media
2. Media products are being promoted through advertising

Advertising goes back to antiquity. Promotional news, posters and spoken announcements existed in ancient Greece, Rome, and Egypt. By the 1600s, advertisements were regularly printed in newspapers. 255

The Industrial Revolution accelerated advertising by creating mass products and national brands. 257 Advertisements in the 19th century typically were simply written descriptions of the products. Until about 1925, advertising was product-oriented. 258 259

---

259 Ad for a cure for baldness, Eau Malleron from 1878
Eventually, advertising became *customer-oriented*. It focused less on the product’s value and more on what the product can do to improve the customer’s life.  

The *radio* became the main vehicle for such “lifestyle advertising” in the 1930s and 1940s.  

This accelerated during the 1950’s with the rapid growth in TV advertising.

---


77
Despite all the money spent on it, it is surprisingly unclear how advertising works best. John Wanamaker, head of the eponymous department store chain memorably said, “half the money I spend on advertising is wasted; the trouble is I don't know which half.”

There is a plethora of explanations, from Postmodern Theory (advertising resonates with cultural “stories”) and Semiotic Theory (ads have symbolic meanings to consumers).

Who are the largest advertisers? In the US, it was the household brand company Procter & Gamble Media companies (if one includes the telecom sector), were 6 of the top 10 companies.

1. Procter & Gamble $772.6 million
2. AT&T $576.4 million
3. General Motors $533.7 million
4. Verizon $517.2 million

---


78
5. Pfizer $396.4 million
6. News Corp $366.8 million
7. Johnson & Johnson $344.1 million
8. Time Warner $304.3 million
9. Disney $267.6 million
10. General Electric $264.6 million

But actually, the heaviest advertisers are not consumer products or telecom companies, but rather TV networks and station groups advertising for their own media products. Networks constantly run spots promoting their shows and the network as a whole. Cross plugs, promos for the next show, multiple spots, and promos for shows scheduled sequentially are common, as well as prime advertisements for the following day’s programs.

The value of such advertising, was estimated as $17.1 billion for 2005, and it constituted 10.8% of all TV advertising value (which was $157.6 billion). This would mean about $3-4B of “in kind” advertising spent per major network and its affiliated stations.

Cable and TV channels promote themselves also on other channels (media companies, newspapers or websites) as regular advertisers, which is not counted in the figure of $12 billion above. Initially, broadcast networks were reluctant to run

---

http://www.mediabuyerplanner.com/entry/51403/top-10-advertisers-top-10-categories-boost-spending-in-q1/

TNS Media Intelligence, *The Industry Forecast*, AdWatch 2005
ads for shows featuring programming from rival networks, or to pay rivals for advertising time, but they do so increasingly. However, promotions that provide specific time and date of rival programs are typically still rejected by rival networks.\textsuperscript{276}

Also not counted here is the value of self-promoting plugs on the TV shows themselves. For example, the local New York CBS channel ran an in-depth story about David Letterman, who runs the late night talk show on CBS. Or, the cast of the CBS TV news magazine 60 Minutes made an appearance on the sit-com \textit{Murphy Brown} on the same network.\textsuperscript{277}

Aside from TV networks, the top advertisers in a great many countries are another category of communications companies, namely cell phone operators. Looking at countries randomly, one observes, for example, that in Tanzania, the cell phone operators were the number 1, 2, 4, and 8 advertisers. In Tunisia the cell phone companies were the number 1, 2 advertisers. In Pakistan, number 2, 3, 5, 6, and 8. In Portugal, number 1, 3, 9, and 10.

\textbf{Advertising Agencies}

Standing between the media company and the advertisers is typically the advertising agency. While a few large companies do not use outside advertising

\footnotesize\textsuperscript{277} Robin Andersen; \textit{Consumer Culture and TV PRogramming}: Pg. 41, 1991
agencies and have in-house ad departments, for example Calvin Klein, Radio Shack, and Benetton. But the use of agencies is more typical.

Advertising agencies provide *marketing services*: Conducting research, composing a media plan, and executing it. They also provide *Account and creative services*: planning, creating, and producing advertisements.

**Agency Organization**

![Agency Organization Chart]

Nearly 14,000 ad agencies exist in America alone. But 10 agencies handle about 30% of total U.S. advertising volume. 18 of the top 25 US agencies are headquartered in New York, and constitute “Madison Avenue.”

---


Top 5 Global Ad Agencies by worldwide revenue (in 2009)\textsuperscript{290}

1. WPP (UK) \hspace{1cm} Worldwide revenue $13.60 billion
2. Omnicom (US) \hspace{1cm} Worldwide revenue $11.72 billion
3. Publicis (France) \hspace{1cm} Worldwide revenue $6.29 billion
4. Interpublic (US) \hspace{1cm} Worldwide revenue $6.03 billion
5. Dentsu (Japan) \hspace{1cm} Worldwide revenue $3.11 billion

Agencies typically work on commission, usually 15\% of ad billings, which give them some incentive to recommend high media expenditures and create a disincentive to use non-commissionable sales promotions through discounts.\textsuperscript{292}

If Omnicom bills at 15\% of advertising volume and its advertising-based revenues are $4.6 billion, it places advertising of about $30 billion in various media.

Negotiated commissions can set a different rate, e.g., 10\%, or a cost-plus agreement or a performance-based compensation. “Superagencies” provide clients with integrated advertising and marketing communications services worldwide.


\textsuperscript{290} http://adage.com/agencyfamilytrees2010/#405

This requires scale. Thus there is a consolidation of major agencies.\textsuperscript{294} But to preserve the creative advantages of smaller size and specialization, the superagencies own many smaller agencies.

Worldwide agencies have advantages like the ability to exploit good ideas on a global basis, maintain a consistent international brand and/or company image, and offer simplification of coordination and control. But there are also drawbacks to global advertising. For example, marketing a standardized media product the exact same way all over the world can turn off consumers, alienate employees, and blind a company to diversities in customer needs.\textsuperscript{295}

Most firms prefer the \textit{full-service agency}; approximately 75\% of all companies employ this type of agency.\textsuperscript{296} However there is a growing popularity, especially among large advertisers, of unbundling the traditional tasks of the full-service agency.\textsuperscript{297} First, an advertiser gives agency requirements for an ad campaign. The agency then creates a strategy, produces the commercial, and buys time.\textsuperscript{298}

With the boom of the internet, interactive ad agencies emerged, specializing in online marketing services, such as web design or internet advertising, and reaching internet users. Some are owned by the major ad agency groups.

The table below lists the leading interactive ad agencies in the US.  

Interactive ad agency Razorfish was bought by Microsoft in 2007 and sold to Publicis in 2009. Other examples include Sapient, Digitas* (Public’s), Wunderman* (WPP), Rapp Collins Worldwide* (Omnicom), and OgilvyInteractive* (WPP).

These interactive agencies often implement search engine marketing (SEM) to attract customers for its clients. The largest SEM vendor is Google AdWords. Agencies create ads for their client and choose keywords related to the company, and the ads may appear on the right side of the screen when people search on Google using those words. For example, if you search for “Australia” on Google, ads for Australian vacation packages appear as “sponsored links”. Businesses pay per each click of the ad.

VI.4 How Much to Spend on Advertising?

---

One of the most important decisions a firm has to make is how large its advertising budget should be. This question is different from the one how to use this budget most efficiently.

A company must avoid over-spending which can hurt profits, or under-spending, thereby potentially weakening the product.\textsuperscript{306}

The approaches to determining an advertising budget include:\textsuperscript{307}

- Resources available
- Percentage of sales
- Competitive parity
- Objectives/tasks
- Quantitative models
- Marginal analysis
- Return on investment
- Value of customer

Let’s take a closer look at each approach.

1. \textbf{Resources Available}

The advertising budget is whatever the firm can afford in a given year. This makes the budget size fickle. In a good year, money would be wasted; in a bad year, the low advertising budget would exacerbate problems.\textsuperscript{308}

\textsuperscript{306} Farrar, Strauss & Giroux, “The Money Shot” Reed Martin 2004
\textsuperscript{307} Cravens, Hills, Woodruff. \textit{Marketing Management}. 1987, Pages 514-520
2. Percentage of Sales

This approach maybe safe in financial terms, but letting the level of sales determine advertising dollars reverses the cause-and-effect relationship between advertising and sales. It considers advertising as an expense rather than an investment.\textsuperscript{309} And the approach can be inflexible: maybe the percentage should be raised when sales are low.\textsuperscript{310}

Medaverse, a start-up game development company followed this approach. With only six employees and a tight budget, it was not be able to spend too much on advertising.\textsuperscript{311}

Most important advertising-related decisions for small to mid-sized companies involve whether or not to buy access to the ABC’s. Hypothetically, after taking out variable costs and fixed costs, Medaverse can allocate a certain percentage of its revenues to its advertising budget. If that percentage is 20% of sales,

\begin{itemize}
  \item Advertising budget = y\% \times \text{Previous/forecast year’s sales}
  \item Example: 20\% \times 900,000 = 180,000 (the advertising budget)
\end{itemize}

\textsuperscript{308} Cravens, Hills, Woodruff. Marketing Management. 1987, Pages 514-520
\textsuperscript{310} Cravens, Hills, Woodruff. Marketing Management. 1987, Pages 514-520
\textsuperscript{311} Hall, Kenji. “Opening up the Wii”. BusinessWeek. 17 April 2008. Last accessed on 11 June 2008 at http://www.businessweek.com/magazine/content/08_17/b4081070887317.htm?chan=search
Medaverse can subsequently decrease its percentage of ad spending as the product matures.

A typical overall marketing budget for a general trade publisher is about 20% of revenues. For smaller educational or academic publishers, the marketing budget would be lower and between 6-10%. Specific promotional budgets are often based on a book’s anticipated revenue.

For commercial theater, the placement and frequency of advertising is essential. Such advertising will tend to include the name of a celebrity performer, critics’ quotes, and awards. One analysis found that for commercial Broadway theater, advertising accounts for about a fourth of a production’s budget costs (23.5%, or $469,000). For commercial off-Broadway theater, it was 27.6% or $165,000. And it was 26.1% for non-profit, off-Broadway, $57,300)

**Competitive Parity**

Firms match each others’ advertising budgets. But there are market intelligence firms that record firms’ advertising presence in various media and extrapolate spending from such data.

Companies therefore often subscribe to services such as “Competitive Media Reporting,” which estimate the top 1000 companies’ advertising in 10 media and

---

314 [Columbia J-school report on theater (arts in NYC)]
in total. Smaller companies often use a clipping service, which clips competitors’ ads from local print media, allowing the company to work backward to determine the cumulative costs of the ads.

For example, Time Warner Cable and the satellite broadcaster Direct TV battle for subscribers. But does the parity approach make sense? Should they spend the same? TW Cable is the established firm and its reputation is already established with its customers, who were most households. All it had to do to was to keep its customers from defecting. In contrast, satellite’s reputation was still developing, and most of new customers had to be persuaded to switch away from cable. Therefore, Direct TV must be offensive while TW Cable can be defensive focus on maintaining on its customers and upsell them to costlier packages. This will require a lower advertising budget. On the other hand, in rural areas unserved by cable DirecTV has a much easier time. Lastly, TW Cable operates only in certain regions whereas DirecTV is nationwide. Its advertising must therefore be much more targeted geographically. Considering all of these factors, one can see why the parity can end up inconclusive.

Advertising Film

---

In the film business until the mid-1980s, film promotion used to be basically publicity-driven. Starting from the 1980s, it was based mostly on television ads, and specialized cable channel, a much more expensive method.\(^{318}\) After 1998, the internet became another major platform for promotion. The internet is growing in importance but its budget cost is much lower. An ad agency is selected to design and produce television commercials.\(^{319}\) The studio selects and tests the most appealing images from the film.\(^{321}\)

As films open nationally on over 2000 screens or more studios use short, intensive bursts of TV advertising try to generate awareness and interest. Such campaigns cost around $10-20 million. By the 1990s a film’s advertising budget reached about one half of its production costs. For the 25 major Hollywood movies of 2005, advertising expenses averaged to be 28% of the box office gross.\(^{324}\) And this does not include the expenses associated with premieres, publicity events, and personal appearances of stars or promotion of the media companies’ own TV channels.\(^{325}\)


\(^{324}\) http://www.hollywoodreporter.com/thr/film/feature_display.jsp?vnu_content_id=1002464344

\(^{325}\) http://www.hollywoodreporter.com/thr/film/feature_display.jsp?vnu_content_id=1002464344
National saturation advertisement is used to prevent unfavorable word of mouth, before potential audiences find out about the negatives. In 1998, Godzilla increased its advertising budget to $50 million and opened the film on a record 7,363 screens despite -- or because of -- its scathing reviews.\footnote{Source: Caves, Richard E. Creative Industries: Contracts Between Art and Commerce. Cambridge: Harvard University Press, 2000}

This ratio is even higher for small independent firms. Opening an independent film in the U.S. requires a budget that is rarely under $1 million. Many such films do not even cost $1 million to make, and will not earn that much at the box office.\footnote{Reed Martin, The Money Shot, Farrar, Strauss & Giroux, New York 2004}

Because the largest and most committed audiences for independent films live in New York and Los Angeles, these cities are essential for any independent release. But they are also the two most expensive media markets.\footnote{Farrar, Strauss & Giroux, “The Money Shot” Reed Martin 2004} A five city run (New York, Los Angeles, Boston, San Francisco, Chicago, and Dallas) for one-week, could cost $850,000, without TV – $500,000 in newspaper ads and $350,000 in trailers and prints.\footnote{Farrar, Strauss & Giroux, “The Money Shot” Reed Martin 2004} A quarter page ad in The New York Times alone costs approximately $20,000 for just one day.\footnote{Farrar, Strauss & Giroux, “The Money Shot” Reed Martin 2004}

To save money on advertising, independent film producers focus on free publicity, including appearances on talk shows, public events, press, previews, and awards to
generate free media coverage and exposure. But even this has costs that add up rapidly.

The cost of an independent film’s poster promotion for a five-city release can cost $45,000. A publicist adds another $30,000 plus in each city.

There are expense for press screenings, public appearance tours by actors, film festival premieres. The premiere party costs around $10,000-$20,000. Hotel rooms and airfare for actors on publicity tours can reach up to $40,000.

If even minor TV advertising in the 5 cities is added for the independent film, it will cost an extra $500,000.

Another method for independent film promotion is to hold special screenings and web marketing. One film had 400 word-of-mouth screenings. The cost was $800 per screening, which added $320,000 to the marketing budget.

The major studios generally budget to foreign marketing only a fraction of the amount they budget for the United States and Canada. For example, Disney spent $42 million on advertising and publicity for Gone in 60 Seconds in North America, but $25 million combined for the rest of the world. Of this, over one quarter went ($6.5 mil) to Japan, $3.1 mil to Germany, $2.5 mil to the UK and about $1

---

345 Farrar, Strauss & Giroux, “The Money Shot” Reed Martin 2004
346 Farrar, Strauss & Giroux, “The Money Shot” Reed Martin 2004
347 Farrar, Strauss & Giroux, “The Money Shot” Reed Martin 2004
mil to five other countries. About half to seven other countries, and a quarter to rest of the world.\textsuperscript{350}

**Meeting Objectives**

The fourth approach is to consider the firm’s realistic objectives and then identify the budget required to attain these goals.\textsuperscript{354} These objectives define communications tasks. These tasks should be concrete and measurable, with a target audience, a benchmark starting point, the degree of change sought, and the time period for accomplishing the objectives.\textsuperscript{355}

For example, the objectives can be defined as generating, over a time period of six months,

- Objective 1: Create awareness among 90\% of the target audience
- Objective 2: Create interest in the brand among 70\% of target audience
- Objective 3: Create positive feelings about the brand among 40\% and preference among 25\% of the target audience\textsuperscript{385}

Examples for the objectives approach: the promotion of a new film

1. *Establish desired target:*


• Identify a potential target market of 50 mil people (ie. 17% of U.S. population)

• Set target audience at 8% of the largest market = 4 mil people

2. Estimate the number of advertising impressions needed to persuade each 1% of target population:
   • E.g., assume that each single exposure to a TV advertising will persuade 2% of the target audience (2 advertising exposures to get 4%, etc)
   • This means, for an 8% audience, 4 exposures of the target population of 50 mil

3. Determine numbers of “Gross Rating Points” that need to be bought. (As discussed in the chapter on Demand Analysis, a GRP is the aggregate percentages of population reached.
   • 4 exposures × 17 % of US pop. = 68 GRP

4. Determine the needed advertising budget.

A CPM (cost per thousand views) on national TV is about $0.13.

   The Cost of 1 GRP nationally = CPM * \text{target audience} \div 1000

   1 \text{GRP} = \$0.13 \times 50 \text{mil} \times 1/1000 = \$650,000
   68 \text{GRP} = \$44.2 \text{mil}
Would that advertising expenditure be worth its cost?

The distributor’s objective is

- 4 mil audiences × $5.00 per ticket sold at box office (the distributor’s share)
  - Expected revenues: = $20mil.
  - This is less than the cost advertising of the campaign, which is $44.2 mil. Plus, other distribution costs are generated by the extra audience.

Therefore, the revenues from after-markets would have to be substantial to overcome the gap.

It might be more profitable to do only minimal advertising and get only 2% of target population at a much lower cost. Or to target the advertising better.

**Quantitative Model**

How much to spend then? One should model the optimal advertising budget to find the point where marginal expenditure equals marginal revenue. This model depends on the marginal productivity of advertising.

This approach is the more sophisticated version of the objective and task approach. Firms formulate quantitative models to estimate consumer behavior.

---

Some examples of these models are:
- Butters (1977)
- Deneckere and Peck (1995)
- Burdett, Shi, and Wright (2001)
The models use statistical techniques such as multiple regression analysis to determine the relative contribution of the advertising budget to sales.\(^{388}\)

While these models add behavioral and economic parameters, most make a lot of assumptions, and are difficult to apply in real world situations.\(^{390}\) Most models assume that a company’s advertising attracts customers probabilistically. Models also typically assume that consumers choose only one of the companies based on the ads viewed, and at only the advertised price.\(^{391}\)

The Marketing Engineering (ME) approach relies on the design and construction of decision models in the form of marketing management support systems (MMSS).\(^{392}\)

A simple model might look like this:

\[ S = a + bA + cX \]

or, similarly the exponential \( S = ae^{bX} \), where

- **S**: sales
- **A**: advertising expenses
- **X**: other factors

---


\(^{390}\) [http://ideas.repec.org/p/wpa/wuwpio/0511008.html](http://ideas.repec.org/p/wpa/wuwpio/0511008.html)

\(^{391}\) [http://ideas.repec.org/p/wpa/wuwpio/0511008.html](http://ideas.repec.org/p/wpa/wuwpio/0511008.html)

a, b, and c and \( \alpha, \beta, \chi \) are constants.

The exponent factor of \( \beta = \frac{1}{2} \) means that the extra impact of advertising declines; additional spending is more powerful at the beginning, but has diminishing returns as it grows. The model can be more complex, with additional control variable, lagged timing, etc., but the basic concept remains: the relationship of advertising on sales.

\[
Y = a + bX
\]

\( Y \) (Sales Level)

\( b \)

slope of the sales line

\( X \) (Advertising)

\( a \)

(Sales level when advertising = 0)

**Figure 12.4  Interpreting the Coefficients of a Linear Response Model**

**Marginal Analysis Approach**

The preceding model might lead to the conclusion that one should be willing to spend on advertising roughly as much as one makes on sales after other expenses, \( S = A \). But that would be incorrect. What counts is the marginal impact of an
advertising dollar on sales $\Delta A = \Delta S$. A marginal analysis approach helps determine the advertising budget by calculating advertising’s marginal contribution to profit. The problem with this approach is that it is difficult to isolate other influences on sales and identify exactly how much the advertising efforts have contributed to the marginal revenue value used in the analysis. However, if one has developed and estimated the equations above and determined its coefficients $a$, $b$, and $c$, (or $\alpha$, $\beta$, and $\chi$) all one needs to do is to take the first derivative with respect to $A$ (advertising). This will be equal to 1 at the point where further advertising will cost more than it gains.

$$\frac{d Sales}{d Advertising} = \frac{b}{2 Advertising^{\frac{1}{2}}} - 1$$

And the optimal advertising will be at $= \frac{b^2}{4}$

This example was based on the simple equation above. Usually one has not enough data points for an estimation of this type, it, and must resort to some numbers based on experience and past history.

A numeric example follows

<table>
<thead>
<tr>
<th>Advertising</th>
<th>Marginal Net</th>
<th>Marginal Total</th>
<th>Marginal</th>
</tr>
</thead>
</table>

---

Firms would continue to spend advertising/promotional dollars as long as the marginal revenues created by these expenditures exceeded the incremental advertising/promotional costs. In the table above, optimal advertising expenditure is calculated by comparing the marginal revenue (4th column) with marginal cost (2nd column). Advertising adds to profit until a budget level of $650,000 is reached.

### 7. The Return on Investment (ROI) Approach

---

This approach involves expanding the impact of advertising into financial valuation. Advertising can be considered an investment, like plants and equipment. A dollar invested today in advertising has a long-term impact, which can be valued by the Net Present Value method and the related ROI. In practice, however, it is difficult to calculate the returns on advertising in the short term, let alone the future effort.\textsuperscript{398}

Valuing Customers

In 1999, AT&T paid almost $4,200 per subscriber to buy the cable companies TCI and MediaOne. In 1999 Deutsche Telekom spent $6,000 per customer to buy Britain’s One 2 One mobile wireless company. One tool companies use to evaluate the profitability of such undertakings is establishing a customer’s “Lifetime Value.”\textsuperscript{399}

The “Lifetime Value” of a customer is the present value of all future profits that a company can potentially generate from a customer. It is similar to DCF (Discounted Cash Flow), differing in that it accounts for customer retention or loyalty.

\[ LV = \frac{\text{Annual gross margin per customer}}{(1+\text{discount rate-retention rate})} - \text{acquisition cost} \]


\textsuperscript{399} http://www.gonuts4free.com/finall/pda/images/logo_deutsche_telecom.gif
\[ LV = M - \frac{R}{1 + I - R} - AC \]

LV : Lifetime Value  
M = Margin  
I = Discount Rate  
R = Retention Rate  
AC = Acquisition Cost

If one assumes constant margins:

\[ \frac{R}{1+I-R} \]

Or, a growth in margins (positive or negative):

\[ \frac{R}{1+I-R(1+g)} \quad \text{where } g = \text{Growth rate} \]

Therefore, the maximum investment in customer acquisition is:

\[ \frac{M \times R}{1 + I - R} \]

This maximum investment in customer acquisition is:

- Higher with higher retention rate R
- Higher with margin M and growth rate g
- Lower with a lower discount rate (e.g., with lower risk)

**Customer Life Expectancy and Retention**

---

\(^{400}\) Roger Best, Market-Based Management
Customer Lifetime Value

Roger Best, Market-Based Management

Customer Life (N)
given rate of customer retention

\[ N = \frac{1}{1 - CR} \]

Customer Retention (CR)
given average customer life

\[ CR = 1 - \frac{1}{N} \]

Customer Lifetime Value

Roger Best, Market-Based Management
This method can be used to estimate optimal advertising per mobile phone subscriber gained. First one needs to identify the cost of customer acquisition

Sales and Marketing Expenses (per new subscriber)

<table>
<thead>
<tr>
<th>Expense</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissions</td>
<td>$175</td>
</tr>
<tr>
<td>Handset Subsidy</td>
<td>$75</td>
</tr>
<tr>
<td>Advertising</td>
<td>$175</td>
</tr>
<tr>
<td>Other</td>
<td>$10</td>
</tr>
<tr>
<td>Total Subscriber Acquisition Cost</td>
<td>$435</td>
</tr>
</tbody>
</table>

Average Life (months) 30 mo (2.5 years)

Amortized Monthly Subscriber Acquisition Cost $15

Second, one needs to subtract the other marketing expenses, and keep only advertising expenses variable. The amortized monthly subscriber acquired cost is $6.

Third; one needs to measure or assume the impact of advertising on subscriptions. Let us assume that each of $10 in advertising raises the average retention rate by 1 month, Monthly profit per subscriber is, let us assume, $10, not counting acquisition.

---

403 Deloitte & Touche, “The PCS / Wireless Marketplace”
Fourth, one needs to determine the revenue value of the new subscriber. The CLV model may underestimate the value of newly acquired customers, because it excludes the network effects like word-of-mouth for new customers. A new customer also generates still more customers. But this can be readily incorporated into the model.

Marketers sometimes spend all of their dollars just on winning the customer and view follow-on promotions and loyalty programs as a waste of money. Yet, customer churn is a main cost element and source of revenue loss.

**VI.5 Media Mix**

The preceding section dealt with determining the overall budget. The next question is how to allocate that budget; firms must decide how to divide their funds among different media (TV, radio, print, web, etc), and then within each medium (which radio station, television station, etc).

---


405 Ed Finegold, *Nothing Left to Analyze but the Customers Themselves*, Billing World and OSS Today, October 2006

406 Ed Finegold, *Nothing Left to Analyze but the Customers Themselves*, Billing World and OSS Today, October 2006
1. Allocation of Advertising within a Medium

For example, if a company is trying to determine which magazine to choose for aerobic ads, it may consider the following options:

Magazines Purchased by People who do Aerobics\(^{409}\)

<table>
<thead>
<tr>
<th>Magazine</th>
<th>Total Circulation</th>
<th>Aerobatics Users</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redbook</td>
<td>10,533</td>
<td>1,074</td>
<td>10.2</td>
</tr>
<tr>
<td>Road &amp; Track</td>
<td>3,838</td>
<td>133</td>
<td>3.5</td>
</tr>
<tr>
<td>Rolling Stone</td>
<td>6,154</td>
<td>496</td>
<td>8.1</td>
</tr>
<tr>
<td>Scientific American</td>
<td>1,835</td>
<td>137</td>
<td>7.5</td>
</tr>
<tr>
<td>Self</td>
<td>2,957</td>
<td>954</td>
<td>20.1</td>
</tr>
<tr>
<td>Ses. St. Mag.</td>
<td>3,606</td>
<td>444</td>
<td>12.3</td>
</tr>
<tr>
<td>Seventeen</td>
<td>3,532</td>
<td>259</td>
<td>7.3</td>
</tr>
<tr>
<td>Shape</td>
<td>1,664</td>
<td>252</td>
<td></td>
</tr>
<tr>
<td>Sports Afield</td>
<td>3,370</td>
<td>91</td>
<td>2.7</td>
</tr>
</tbody>
</table>

\(^{409}\) No source
Shape, Self, and Vanity Fair magazines seem to be good selections for aerobics ads, whereas Road and Track, Sports Afield, or Sports Illustrated would achieve less desired exposure.\(^{410}\) Of course, it depends on the price of an ad per thousand. Even if the magazine Redbook reaches a 25% higher share of aerobics users than magazine Scientific America, but if it does so at a price that is twice as high, it is not a good idea. On the other hand, suppose that ads in Redbook are twice as effective in generating sales – then it would be definitely the better media buy.

Another factor is regional choice; some regions generate stronger national buzz. Due to this factor, film distributors advertise more heavily in certain regions’ newspapers, such as New York and LA, $274 million and $127 million respectively in film ads.\(^{411}\) This is more than three times for the next 5 markets combined.

**B. Allocation among Media:**

**Media Mix**


\(^{411}\)
A. Demand for Ad Space

Different media types vary in effectiveness based upon: Each platform has its own advantage and drawbacks.

- Sensory involvement and intensity
- Interactivity and ease of response
- Targetability

Outdoor/indoor displays, such as billboards, are good for reinforcing an image, but they can only fit limited information due to lack of space.413

Magazine advertising is a good information vehicle that is creative and can target specific groups. But there is a time lag, with ads often requiring months of lead time.

For time-sensitive information, electronic newsletters are a better vehicle for advertising. TV Networks will advertise shows in magazines that they feel have a strong readership among the potential viewers for the program.

Magazines increased their targeting strength “selective binding,” which permitted the creation of multiple editions of a magazine issue. For example, Farm Journal has thousands of individualized versions.

413 (http://search.corbis.com/default.asp?i=11027651&vID=1&rlID=101)
Newspaper advertising is useful for geographic targeting, and it reaches a broad local audience, but tends to be very costly.\textsuperscript{415} The high price was based on market power for local ads. Over 90\% of daily US papers are the only daily papers published in their markets. National advertising in newspapers declined from 25\% in 1980 to less than 10\% of newspaper revenue at the turn of the century.

Classified ads up make up a major share of advertising for newspapers. But websites such as Craigslist, or free-distribution newspapers have made significant inroads into the newspaper ad revenues.\textsuperscript{417}

Newspapers use local business ads as their main economic base, but these too, have been eroding with the growth of national retail chains such as Walmart or Home Depot which have “permanent sales” or use national TV and Cable TV to advertise, rather than local papers like the mom and pop stores.

The Newspaper Association of America started a $50 million ad campaign to remind advertisers that newspapers are still the dominant source for consumer information “(5 times more than any other medium)”\textsuperscript{418} The campaign tried to

\begin{flushleft}
\textsuperscript{415} No source
\end{flushleft}

\begin{flushleft}
<http://www.nytimes.com/2006/06/06/business/media/06adco.html>
\end{flushleft}

\begin{flushleft}
\textsuperscript{418} “More Than 700 Newspapers Create Historic Media Roadblock as Newspaper Industry Launches $50 Million Trade Campaign.” PR Newswire US, 20, Mar. 2006
\end{flushleft}

107
show that ads in newspapers, unlike those in other media, are “a destination, not a
distraction.”\textsuperscript{420}

It argued that whereas consumers try to avoid advertising in other media such as
TV and radio by paying through subscription-radio, pay-TV, or to TiVo DVR
service to \textit{avoid} ads, yet newspaper readers actually welcome ads.\textsuperscript{421} The
composition of target audience affects the mix of advertising platforms. Film
studio Miramax, whose movies target an older, more affluent and better educated
audience, used newspapers more than other studios. In contrast, Sony allocated
only a small share (11.5\%) of its 2005 marketing budget to newspapers.\textsuperscript{422}

\textit{Radio} has the benefit of audience and geographic selectivity and can generate a
sense of localism. It has that extra factor of mobility or the ability to reach people
on the move. Radio spots and magazines are cheaper than TV and can offer
companies an affordable alternative to television for films with smaller budgets.\textsuperscript{423}

The drawback, however, that the medium gets often only divided attention, and is
considered intrusive in the home in the evening.

\textsuperscript{422} http://www.hollywoodreporter.com/thr/film/feature_display.jsp?vnu_content_id=1002464344
\textsuperscript{423} Thomas K. Arnold, \textit{By the numbers}
http://www.hollywoodreporter.com/hr/search/article_display.jsp?vnu_content_id=100603668
Television advertising has both national and local reach and effective persuasion, but, like newspapers, is very costly. Different television networks reach varying target groups. Major network at primetime delivers to a wide range of audiences; at daytime, these networks deliver to women typically under 50; news networks deliver older demographics.  

Advertising on national television has significant advantages like giving a product or service validity and prominence. But television audiences have come to expect quality commercials. An average 30-second TV commercial’s production costs are over $300,000. 

The price of placing the ad, besides the size of the audience, on the air for 30-seconds depends on the time that it airs and during which televised program. 

In the fall of 2009, NBC’s Sunday Night Football commanded close to $340,000 for a 30-second spot. An ad on primetime on American Idol, costs up to $700,000 for a 30 second ad. 

On ABC, ads on Grey’s Anatomy, and Desperate Housewives cost $240,462

D. The Mix of Optimal Advertising

---

426 http://www.imediaconnection.com/content/4698.asp
427 http://adage.com/article?article_id=139923
Advertisers will usually diversify the forms of the media in which they advertise. The question arises, what is the optimal mix of media? In 2003, the Hollywood studios still allocated only 1.3% of their marketing spend towards Internet advertising, and 85% on TV and print.\footnote{Forrester Research (2007)}

\footnote{http://www.dmnews.com/online-ad-spending-to-increase-14-in-2011-borrell-associates/article/177430/}

110
The question is what the optimal mix is between the different forms of media. How would one approach this question?

The chart below depicts schematically the productivity of forms of advertisement. Three different media are graphed, Radio, TV, and Billboards. This is accomplished by comparing the revenue generated against the cost of advertising.

The 45 degree diagonal line shows the points where cost of an advertising platform is equal to the revenues obtained.

A simple analytical answer to the question of how to allocate an advertising budget amount media would use the preceding graph and find the points where an extra

---

434 No Source
dollar in spending would generate an extra dollar in revenues ie. where the slope of
the line is equal to 45 degree.

- $C on a newspaper advertising
- $B on TV advertising
- no $ on billboards

This answer assumes no interaction among advertising vehicles, and no overlap of
target segments. If these assumptions do not hold, then the calculation is more
complex and requires cross-elasticity’s of productivity of different media.
Computers have been used to assist in media planning; advanced planning models have been around since at least 1963. Media mix modeling became a product after 2005. Drawing on databases and mathematical model helps calculate the most effective advertising schedules and effective distribution of the advertising budget.\textsuperscript{442} A media mix model can be used to plan advertising campaigns across a range of media and to create schedules of mixed media.\textsuperscript{443} The optimal advertising mix requires a complex model to optimize exposure to target audience. The model incorporates information about the audiences of each advertising vehicle. More recently, programs based on linear programming, simulation, and iteration have been adopted. There are many examples of media mix models\textsuperscript{446} such as ADplus, Adware, Media Control, Media Management Plus, Nielsen SAVIE, Mediabuy Telmar, TVscan. Nielsen Savie allows Nielsen clients to identify specific cable TV operators that reach the client’s target demographics. It contains a schedule maker for building a spot media plan. SAVIE (Strategic Audience Value Identification and Evaluation)
integrates ratings, geographic, demographic and product-usage information on local cable.\textsuperscript{447}

\textit{MediaBuy} is an end-to-end cross media platform that streamlines media buying and selling. Its software is used by media planners (ad agencies) to decide the placement of their client’s radio commercials, allowing them to research, plan, buy and post radio campaigns.\textsuperscript{449}

\textsuperscript{447} Moss Linda. Multichannel News “A.C. Nielsen buys AdExpress Jan 1993
\textsuperscript{449} http://www.bentley.edu/cmt/documents/tapscan.pdf
\textsuperscript{450} No source
\textsuperscript{451} http://www.bentley.edu/cmt/documents/tapscan.pdf
MediaBuy evaluates cost and radio station data to provide information for improvement in efficiency and effectiveness.\textsuperscript{453}

E. Reach vs. Frequency

When choosing between different advertising media, one factor to remember is the trade-off between reach and frequency. Companies must decide whether to have the message be seen or heard by more people (reach) or by fewer people more often (frequency).\textsuperscript{456} Computerized models are often used to calculate the optimal media mixes which will yield the best reach and frequency combination.

The Telmar Webplanner evaluates individual web campaigns, views media expenditures by website type and reviews individual site R/F as well as by type or genre and total schedule.

\textbf{VII.1 Marketing and the Product Life Cycle}

\textsuperscript{452} http://www.bentley.edu/cmt/documents/tapscan.pdf
\textsuperscript{453} http://www.bentley.edu/cmt/documents/tapscan.pdf
The life cycle of media and technology products moves from early introduction, to growth, to maturity, and to decline. This life-cycle can be short and intense. What are the implications of such a product cycle for marketing management?

There are several marketing strategies for each phase.464

Product Life Cycles465

---

attempts to predict how many consumers will eventually adopt the new product and when will they adopt. In the introductory phase of the product, sales rise while profits remain negative. In this early stage, there are few competitors in the market, but costs are high. Marketing costs are particularly high in the beginning because one needs high dealer margins to obtain distribution. There are also high advertising costs because an educational effort is required.\textsuperscript{467} One study, by James O. Peckham estimated that the average share of advertising to sales ratio necessary to launch a new product successfully is approximately 1.5-2.0. This means that a new entrant should be spending at approximately twice the desired market share.\textsuperscript{468} The strategy to gain market leadership is to give away the product to build market share, loyalty. An example is what Google did. Early Internet firms, Yahoo, Netscape, AOL, also practiced this strategy.\textsuperscript{469} As the product takes off, companies target “Early Adopter” customers who have influence because they have money.

In the second stage, the growth phase, the product’s sales, profits, and the number of competitors all increase. Marketing strategies’ focus shifts from primary demand to aggressive brand specific advertising. Distribution is key to establishing a position in the market.

\textsuperscript{467} Lamb, Hair, McDaniel, “Marketing,” Cincinnati, Ohio: South-Western College Publishing. 1996.
\textsuperscript{469} Lamb, Hair, McDaniel, “Marketing,” Cincinnati, Ohio: South-Western College Publishing. 1996.
Next, the product is itemized for the mass market, targeting the “Early Majority” in the third stage. This is the state where customers make the bulk of their purchases and adopt technology only when it has been proven; its style has been established.\(^{470}\)

The next stage, the “Maturity Phase” is generally characterized by slow growth. Profits are stable to decreasing. Consolidation begins, and there is a distinction of segments in the market. Prices stabilize, then decline in this phase. This is the longest phase of the product life cycle. This is a time for stylistic rather than functional modifications. Companies start to invest in heavy consumer promotion to maintain market share. Also, dealer margins shrink, so companies give promotions to dealers to retain loyalty.\(^{471}\)

Some marketing strategies in the maturity phase\(^{472}\):

- Promotion of more frequent use of product
- Find new uses for product
- Pricing below market price
- New distribution channels to reach new markets
- Adding elements to product mix
- Raise network effects


After the product peaks and declines, the last to join are the “Late majority” who are pessimistic about the product’s value, but go along with it because they do not want to lose out.\textsuperscript{473}

The “Decline Phase” is characterized by a long-run drop in sales and declines in profits and the non-essential market. Companies can use niche marketing to target narrow segments of the market, as seen in the case of AOL.\textsuperscript{474}

Some stages are profit taking brands and they will under-spender. Others are investment brands, and their share of advertisers is above their market share, on advertising they are “over-spenders.”\textsuperscript{475}

**The Participants**

Media that carry advertisements have to ‘sell’ themselves to local merchants, national companies and advertising agencies. They have either an in-house or contract sales team.\textsuperscript{476} Media companies have a person in charge of promotion to the advertisers, with a title such as Director or Vice President for Ad Sales, or Media Director. The sales persons are called Account Executives and their job is to persuade “prospects” to buy ad spots. On the buy side of ads advertisers are managers with titles such as Media Director (or Media Buyer, or Media

\textsuperscript{473} Geoffrey A. Moore, Inside the Tornado, 1995, HarperBusiness, New York, page 17
\textsuperscript{474} Lamb, Hair, McDaniel, “Marketing,” Cincinnati, Ohio: South-Western College Publishing. 1996.
\textsuperscript{476} F Leslie Smith, John W Wright II, David H Ostroff. “Sales and Advertising”. *Perspectives on Radio and Television.* University of Florida 4th Ed
Coordinator). On the sell-side, Account executive salaries are usually commission based. Radio and cable reps receive about 15% commission on revenue of ads they sell. For TV, this commission ranges from 7% to 15%. The flat rate before the commission is called a draw.

National advertisers would have to deal with thousands of account executives representing each station, but because this is too costly, stations contract with reps or advertising representatives who are independent firms. Reps may work for several media outlets, and are typically located in major advertising centers. There are also advertising brokers who buy large numbers of spots at discounted prices from stations and resell them.

A different digital placement system is that of Google. Google’s Print Ads helps advertisers find its media platform.

---

The next step involves marketing the media outlet to create awareness. For example, cable channels can advertise in trade magazines like Advertising Age.\textsuperscript{486}

B. Developing a Prospects Database

Developing a database of prospects begins with identifying the media buyer, (or the person who makes the buying decision) for each prospective advertiser. Large companies tend to use ad agencies for this buying activity.\textsuperscript{487}

The process of identifying prospects involves renting a mailing list checking the Yellow Pages and other directories, or using search engines such as Google.\textsuperscript{488}

To make contact with an advertiser’s media buyer, the media company will send out a letter or message introducing the company, its account executive, and some details about its circulation and audience. A follow-up letter would request an appointment, or similar get-together. The account executives then sends out a complete media kit.\textsuperscript{489}

Ad agencies register their client’s budgets with a TV network and register a request for a package of shows.\textsuperscript{490} The network responds with a proposal including the

\textsuperscript{486} Source: Behind-the Scenes as TV Guide Channel Prepares for Upfront, Media Village 2005


\textsuperscript{490} Howard J. Blumenthal and Oliver R. Goodenough; This Business of Television: Pg. 421, 1998
number of slots, programs, and air dates. To be successful, the proposal should coincide with the buyer’s advertising goals. It will include the price of the ads based on the rate card, and other special discount and quantity offers for the client.\(^{491}\)

More recently, eBay allows cable networks to confidentially bid on the advertising placed by agencies,\(^{492}\) through a system of reverse auction. A buyer offers (advertises) for packages of time they want to buy for an RFP. Sellers (media companies) bid on a reverse-auction process, but only the buyers would know who the bidders are. The sellers are then informed of who the winner is.\(^{493}\) A rate card is a document provided by the media company featuring its rate for advertising. It may also detail deadlines, policies, additional fees and artwork requirements.\(^{494}\) In the *New York Times*, whose circulation is 1.13 million, a black-and-white full-page ad costs $132,678, at standard rates. ($148,680 in the Sunday edition).\(^{495}\) The cost per black-and-white column-inch for Sunday costs $1,180 for the *New York Times* and $1.050 for the *Los Angeles Times*.

---


\(^{492}\) http://www.brandweek.com/bw/news/recent_display.jsp?vnu_content_id=1003381510

\(^{493}\) http://www.brandweek.com/bw/news/recent_display.jsp?vnu_content_id=1003381510

\(^{494}\) http://retail.about.com/od/marketingpromotions/ss/ad_rate_card.htm

Some cable channels, such as *The Cartoon Network*, create complete marketing packages that they sell to advertisers that beyond TV advertising, also includes events, promotions, online activity etc. ⁴⁹⁶

The media company must be able to show potential advertisers that their ad dollars are effectively. ⁴⁹⁷ After showing the ads, the media company should also show the audiences reached.

**F. Types of Ads Available**

For newspapers, ad space comes in different sizes, placement, and color arrangements. Size ranges from business card ads to full pages. Newspaper ads are sold by column-inch, with most companies offering quantity discounts. Small classified ads are reserved for the consumer market. Other special forms of newspaper advertising include zoned part-runs, where an ad is included in copies as editions slated for a particular area, or preprints and inserts; advertising that is printed separately and inserted in a newspaper.

For television, many different types of advertising services are offered:

- Sponsorship of program
- Local ads
- National ads

---

⁴⁹⁶ Advertisers toon into kids TV networks, B&T Weekly 2005
• Time Block
• Voice-overs and logos
• Spot Buying of commercial slot
• Upfront Buying\textsuperscript{498}
• Strip sponsorship

Many sports programs are sold on a series basis – an advertiser has a spot in some or all of the games in a season. A Strip Sponsor is an advertiser with 1 or more spots in each game.\textsuperscript{499} Sponsorship and spot buying are frequent in sports programs. Advertisers seek exclusivity within product categories.\textsuperscript{500}

TV network inventory can be sold using two methods:

1. Upfront: to get the best spots, agencies buy specific spots at specific program times.

2. Spot: agencies buy the ‘remains’ from upfront selling. They often get reduced prices.\textsuperscript{503} The networks offer upfront buyers a discount of 15% or more, plus “make-goods” if the audience drops below expected (and billed-for) numbers.

Advertisers do not especially like such make-goods because this may put their ads

\textsuperscript{498} Howard J. Blumenthal and Oliver R. Goodenough. \textit{This Business of Television}: Pg. 416, 1998
\textsuperscript{499} Howard J. Blumenthal and Oliver R. Goodenough. \textit{This Business of Television}: Pg. 423-424, 1998
\textsuperscript{500} http://www.tal.org/~milang/miscpics/sponsor.jpg
\textsuperscript{503} F Leslie Smith, John W Wright II, David H Ostroff. “Sales and Advertising”. \textit{Perspectives on Radio and Television}. University of Florida 4th Ed
on the wrong programs\textsuperscript{504}. But upfront buying assures them the best possible time slots.

For the following Fall season, TV networks already begin selling primetime ad slots (“avails”) in May or even earlier. For network daytime slots, the main buying season starts in late early summer. For network news, the upfront buying season begins in the summer.\textsuperscript{506} Networks sell approximately 65-75\% of prime-time avails upfront at a 15\% discount.\textsuperscript{507} For cable channels, around 35\% of advertisements are pre-sold in the up fronts.\textsuperscript{508}

The big cable channel companies, such as MTV or NBC will close deals with advertisers typically in the upfront. Afterwards smaller channels, such as Court TV or the Weather Channel try to sell their ad space.\textsuperscript{509}

Newspapers offer an “open rate” without discounts. This is the rate for running a single, one-time advertisement, referred to as the non-contract rate.\textsuperscript{510} Against this rate discounts are offered in return for an advertising commitment to a certain number of ads within a specified time period, which is called a Bulk Space Contract.\textsuperscript{511} Like the television industry, online papers are starting to sell upfront

\textsuperscript{504} Howard J. Blumenthal and Oliver R. Goodenough; This Business of Television: Pg. 422, 1998
\textsuperscript{506} Howard J. Blumenthal and Oliver R. Goodenough; This Business of Television: Pg. 421, 1998
\textsuperscript{507} Howard J. Blumenthal and Oliver R. Goodenough; This Business of Television: Pg. 421, 1998
\textsuperscript{508} Stakes rising in Cable TV’s sports battle, Advertising Age 1998; Upfront Preview, Cable World 2005
\textsuperscript{509} Cable Clicks in Upfront, Broadcasting & Cable 2004
\textsuperscript{510} http://retail.about.com/od/marketing/adsalespromotion/ss/ad_rate_card_5.htm
\textsuperscript{511} http://retail.about.com/od/marketing/adsalespromotion/ss/ad_rate_card_5.htm
blocks of their advertisements. Studios can opt to purchase big blocks of online advertisements for the fall in the spring. Fox Searchlight has a long-term contract with the online version of the New York Times in which it keeps the same space but rotates ads.

Prices tend to be negotiable. The network and advertiser negotiate on the Cost-per-thousand households or viewers (CPM) and the list of shows, dates and expected rates. The larger the advertisers’ commitment, the better the terms of the deal. For example, the buyer may receive the option to cancel up to 25% of an order for the first quarter.

The advertiser sends a purchase order that specifies ad size, issues where the ads will run and the price of the ad. For magazines, the media firm does not bill the advertisers or agency until the ad has been published in the magazine.

The account executive then follows to check up on the contract, the performance, and client’s feedback and needs.

The time needed to sell an ad to a new advertiser and see it through may be a year or even longer.

---

518 Howard J. Blumenthal and Oliver R. Goodenough; This Business of Television: Pg. 421, 1998
519 Howard J. Blumenthal and Oliver R. Goodenough; This Business of Television: Pg. 421, 1998
With the internet and ad-service (such as Google), this process can be de-personalized, automatized and take place almost instantly.

3. Promotion to Retailers and Intermediaries

Media companies must often market to various intermediaries. Book publishers deal with wholesalers, book clubs as well as retailers. Film studios deal with, theater chains, TV networks, and cable channels. Music labels deal with retail chains, department stores, and online music download sites. In promoting their products to such intermediaries, media companies engage in what has come to be more generally known as “B2B” marketing.

B2B marketing strategies are different from B2C (business-to-consumer) strategies in a number of ways. For example, B2B marketing often uses personal relationships and connections as a selling tool.\textsuperscript{532} This is not common in B2C because the marketing executives do not have a personal relationship with the large consumer base, nor could they realistically sustain it.\textsuperscript{533} B2B is a repeat business with frequent transactions which tends to keep both sides seeking cooperation and trust. And while this is often also the case for consumer transactions, both sides

have less stake in the relationship and act accordingly. B2B marketing also tends to focus on more complex products and systems, whereas B2C strategies are relatively simple for the general public to understand.  

The channel that takes the initiative in reaching potential customers, involves a few basic steps:

- Finding a prospective buyer
- Learning about what the prospective buyer, its business, competitors, strategy, and needs.
- Establish relationship
- Providing the prospect with a proposal, featuring benefits and costs.
- Engage in negotiations, close the deal.
- Deliver, evaluate, and cement the relationship.

In book marketing, publishers target retailers and bulk buyers through a presence at trade shows and book fairs. Sales reps who are a company’s sales and marketing liaisons with the retail sector, as well as large end users such as libraries and school districts. Book reps receive training and understand the details of the titles they will promote, and attend national sale conferences. They then contact retailers and

others. There are scale economies to induce a sales rep to cover several books from a publisher’s list in a single session with a retailer, but if the list is too long it would reduce effectiveness. The large number of book titles by many publishers can easily reduce marketing focus. Because there are too many titles publishers will only push a few. But which? Some are obvious choices such as new books by a best-selling author or a celebrity. Books whose authors receive a high advance (upfront payment) require more marketing push since the downside to failure is greater, and more serious. Most books however, do not fit the criteria. Therefore, it often makes sense to delay promotional efforts until information comes in about the reactions, and then to invest more heavily in promotion.

Successful college texts are the most profitable line in the book publishing industry. There is less price sensitivity because the cost of a textbook is typically small relative to tuition, and because books are assigned by another category of intermediaries, teachers and professors. But competition is high.

Marketing costs are major expenses for the textbooks and account for 25% of publisher revenues. Yet without such investment, the textbook may fail and lose millions of dollars of upfront development.

---


For music, print reviews and promotions have limited influence on sales. Airplay on radio and cable are the key, even with the internet Record companies therefore focus on promotion to broadcasters. However, this is a major effort, since there are 12,000 commercial radio stations in the US, for each of the major music genres, a much smaller number sets the tone. 544

There is a strong incentive for such influential stations as their disk jockey’s to sell airplay to music companies. This is known as “payola”. Depending on one’s perspective, it is a bribe paid in order to influence a gatekeeper’s choice, or a commercial transaction not different than a publishers paying a book store to place a book in the window. Payola is illegal in the U.S, but there are other ways to reward disc-jockeys and others who make decisions, such as hospitality and gifts. Whether for books, music or consumer electronics, the company will try to get the person who is the interface with consumers to be on its side. For consumer electronics, in-store print/point-of-purchase info had the greatest influence on final purchasing decisions. 545 Consumer electronics companies therefore try to influence retail sales people at big stores so that they recommend their products over those of rivals. Part of marketing campaigns is to therefore often to train the firm’s retail

544 This Business of Music, M. William Krasilovsky and Sidney Shemel, 2000, Pg. 24
staff so that they know products and can explain features to customers.\textsuperscript{546} Another part is to make it more profitable for the sales person or the store to sell the company’s products, but offering bonuses and discounts. Companies will sponsor corporate events for existing or prospective retailers or sales people, offer corporate gifts (with logos as reminders) and other forms of cementing positive relations.

Interactions often take place at trade shows. Companies can create visibility, information, and goodwill. Such presence is inexpensive in comparison to face to face marketing.\textsuperscript{548}

Attendees spend 9.2 hours at a 2-3 day trade show. 86% of these make new contact and 77% will remember the company.\textsuperscript{550} One survey finds that whereas the cost per sale of a regular sales call is $1,140, it is $705 through a trade show.\textsuperscript{551}

4. The Sales Function

The sales function is the process of closing a sale.\textsuperscript{554} The sales department works with, or is part of, the marketing department.\textsuperscript{555} As mentioned, the sales function is more “tactical” and interfacing with buyers, while the marketing function is
broader, and includes strategic and includes long-term plans of creating a market for the firm.

556

**B. Sales Channels**

Sales channels are the way by which organizations reach the marketplace and audience to sell their products.559

Firms often use several sales channels


2. *Inside Sales Force*: Telephone-based sales professionals who conduct business over the telephone.560 Example: account executives for advertising.

3. *Telemarketing groups*: Outbound tele-sales personnel who conduct transactional sales activities. Example: signing up subscribers for broadband or satellite TV service.

---

556 [http://www.managementhelp.org/mrktng/mrktng.htm](http://www.managementhelp.org/mrktng/mrktng.htm)
4. **Inbound Call Centers**: Centers staffed by service representatives who up-sell or cross-sell customers.\(^{561}\) Example: Freephone (“800”) service for prospective customers responding to a TV ad.

5. **E-commerce**: Sales groups: system that allows customers to make online purchases. Example: Video rentals, subscriptions and downloads on Netflix

6. **Indirect Sales Force**: Third parties, such as distributors, resellers, retailers and agents used to reach end customers.\(^{562}\) Example: magazines using companies such as Publishers’ Clearance House to sell subscriptions.

**VII.2 Direct Mail and Telemarketing Sales**

Direct mail marketing has been around for a long time. And while email has made some inroads, direct mail is still big.

In the US direct accounts for 43\% (in 2003) of all mail – 4 pounds per consumer, of which 44\% is discarded unopened. Because of paper, handling, and postage, direct mail is not cheap, with a typical CPM of approximately $500.


List brokers rent companies mailing lists compiled from many sources. The best lists are of those people who have bought similar products before. For example people who are subscribed to similar magazines.\textsuperscript{565}

The effectiveness of direct mail varies. Take books. For general audience books ("tradebooks"), target readers cannot be easily identified, making direct mail a costly and inefficient approach. Readers of scholarly and professional books, on the other hand, can be identified fairly easily and therefore reached by specialized mailing lists.\textsuperscript{566}

For magazines, direct mail can be used for a "dry" test when subscriptions are solicited in advance of the magazine being actually published; A dry test gives a good indication of consumer reaction to basic concept of the magazine.\textsuperscript{567}

For a marketing effort for a magazine, a good performance is when 2\% of mailings result in subscriptions. A mailing to 100,000 potential subscribers that costs about $50,000 and results in 2,000 subscribers, would be considered successful. Costs are then $25 per subscriber gained. Renewals will typically cost less than $1.

Telemarketing is used to promote such media products and services as broadband internet, telecommunications, cable and satellite TV, and magazines and

\begin{footnotes}
\end{footnotes}
newspapers. Telemarketing is rarely used for films, one-shot books, music, and consumer electronics, or for TV series.

Telemarketing can be used when a list of specific target customers is available, or when approaching current clients about service changes or upgrades, or when almost every consumer is a prospect.

Companies often hand over their telemarketing campaigns to contracted telemarketing firms. This allows for short-term commitments and for expert operations. Drawbacks are that companies have less control over the message and its delivery, and it tends to be more expensive for long campaigns.

A single telemarketer can reach 30-50 prospects per hour. A fairly low success rate is acceptable because 3-8% is generally profitable. Success rates increase with quality of leads. Telemarketers are generally young, often taking the position as a second job. Job turnover is high. Quality management is essential, both by telemarketing company and by its clients.

For example, telemarketing agents blithely unauthorized telecom service to their client because they received sign-up bonuses for every new customer. Such slamming led bitter consumer complaints and investigations, and in the end hurt the clients’ reputations. There was also the problem of frequent and annoying calls. Regulation of telemarketing has therefore been increasing, particularly in the form of “Do not call” lists, which prevent many types of calls.
There are 5,000 telemarketing bureaus in the US alone, employing over 340,000 workers, plus additional ad-hoc efforts.\footnote{Telemarketing: Five Industry Centres,” Issues in Labor Statistics. December 2006.}

The city of Omaha, Nebraska, is the center for US telemarketing for several reasons, (low telecom and labor costs, English spoken with a neutral accent, and a central time zone.) With the drop in international phone call prices, the use of offshore tele-marketing operations in India, China, the Philippines, Mexico, and the Caribbean has been growing rapidly.

Companies usually pay in the range of $25 to $60 per hour for telemarketing services, and (depending on extent of commissions) $10 per hour for offshore companies. Commissions range from 1% - 10% of revenues generated.

One telemarketing company, Teletech has over 42,000 employees distributed across 69 call centers in over 16 countries. Teletech’s main headquarters are located in Englewood, CO. Its sales in 2009 were $1.2B. TeleTech handles approximately 3.5 million customer interactions per day, in 16 countries and in 26 languages.\footnote{Pritchett, R. (2010). TeleTech Hiring 250 More Workers in East Bremerton. KitsapSun. http://www.kitsapsun.com/news/2010/jul/19/teletech-hiring-275-more-workers-in-east/#ixzz15Z04OvBv (got the 69 call center stat from)}

\textbf{VII.3 The Impact of New Information Technologies on Marketing}

Features of new information technologies in marketing include:

- Customization and individualization
- Ubiquity
- Immediacy
- Interactivity
- Dynamic pricing
- Micropayments
- Tracking customers
- Data mining
- Feedback loops
- Tracking of Product (RFID)

We will now discuss these elements.

**VII.1 Customized Advertising**

Information technology gives companies the ability to transform classic mass marketing to one of much more micro-targeted approaches. This is known under various names such as “mass customization”, “1:1 marketing”, “individualization” “niche marketing” or “long tail marketing.” The basic idea is form a more direct relationship with a customer, or customer group to customized marketing efforts
The problem with traditional marketing is inefficiency due to difficulties in accounting for results. Customized advertising, such as interactive TV ads, can link ad expenditures directly to results. Marketers can know whether an individual received a communication and how she responded. Marketers can therefore identify the most effective marketing strategies, and analyze specific customers’ preferences. Companies than engage in product differentiation in their advertising by highlighting the unique characteristics of their product that are consistent with the target audience’s preferences. Differentiation in marketing also encourages a shift in production strategy, from generic mass products to tailored products for particular customers. Such product customization strategy may actually be a price differentiation strategy. In television advertising, targeted advertising leads to the uncoupling of the TV ads from the surrounding TV program. The ad is provided through special feeder channels or in other ways. It is supported by software which decides which ad to play to the specific internet or TV user, depending on the geographic area, time of day, expressed interests and needs, demographics, and personal tastes or exhibited in previous program choices.

For example, BSkyB introduced Smart TV in 2011 where each TV set is sent specific ads based on the owner’s age, sex, usage and lifestyle habits.\(^575\)

\(^575\)http://www.lexisnexis.com/us/lnacademic/results/docview/docview.do?docLinkInd=true&risb=21_T8577074912&format=GNBFI&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T8577074915&cisb=22_T8577074914&treeMax=true&treeWidth=0&csi=334988&docNo=1
Such approaches, while increasing the effectiveness of advertising, and often are perceived as useful by viewers, also risks exposure of people’s private information. Companies must find ways to protect their customers’ privacy, or they will face a backlash. People don’t want to be targeted by ads for liquor if they are using an online dating website. There is also a cost issue to the customized branding.

Creating information and interaction is not cheap: it requires skilled people and technology. The Internet generates more human interaction, not less. Therefore, done should not expect the internet to cut the costs of relationship creation. On the contrary, internet technology and marketing requires more people, more effort and more creativity.

Online marketing gives companies the ability to track and measure what types of consumer are being reached. Cookies help online advertisers track user activity, so advertisers know what to advertise to each user.

An example of custom online promotion is Amazon.com which suggests books to the customer based on previous purchases.

---

576 Steinbock, Dan. “Consumer Marketing on the Web”. The Birth of Internet Marketing Communications
Dynamic advertising has been used at sporting events. The television audience may be exposed to banners and billboards that are quite different from those the audience in the stadium sees. Broadcasters superimpose banners over existing graphics in the stadium sees, in order to deliver advertising that is customized, for example for different countries and languages, or based on different sponsors.\textsuperscript{581}

1. The Internet as a marketing tool

Behavioral targeting uses prior behavior and reactions by the viewer to determine the ad with the greatest receptivity.\textsuperscript{589}

IP addresses make it possible to follow the behavior of customers on the internet. For example, NTT DoCoMo, the Japanese mobile phone company uses behavioral targeting technology. NTT DoCoMo sent ads to online users of the newspaper \textit{Financial Times} whose web-surfing behavioral profile matched mobile operators’ target audience profile.\textsuperscript{592} The claimed improvements to DoCoMo due to targeted advertising were:

- Brand awareness “lift” of 41%
- Online ad awareness went up by 193%

\textsuperscript{581} Palmer, Shelly. \textit{Television Disrupted: Emerging Advertising Technologies} National Association of Broadcasters, Focal Press 2006
\textsuperscript{589} http://en.wikipedia.org/wiki/Ad_serving#Ad_targeting_and_optimization
\textsuperscript{592} http://www.lexisnexis.com/us/lacademic/results/docview/docview.do?docLinkInd=true&risb=21_T8576845446&format=GNBF&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T8576845452&cisd=22_T8576845451&treeMax=true&treeWidth=0&csi=138620&docNo=3
• Brand recall increased by 178%.

Google AdSense brought customized advertising into the online mainstream. Google or similar operations could be able to determine which ads the television viewers will watch and tailor the ads provided to the viewer according to the tastes of the consumer.

New types of marketing uses of the internet.

Podcasting. To capture a younger fan base, the actor Al Pacino used video podcasts on the web to promote Oscar Wilde’s Salome, in which he stared.

Similarly, the edgy musical, Rent created podcasts and video clips for cell phone users, and promoted itself on social networks.

Some companies use virtual worlds such as Second Life as a marketing tool.

Sony Music provides samples and retail services for artist’s songs and videos.

Online delivery can be used by group a sample of the content. Random House, for example, made excerpts of novels by Toni Morrison, Calvin Trillin and many others.

---

593 Id.
others available online. A similar resource is the “Insight” search program. Insight is a program by Random House which gives search engines and online retailers access to digitized book content from most titles in the Random House library.\footnote{“Insight Web Service”. Random House Inc. Last Accessed Nov 17\textsuperscript{th} 2010. http://www.randomhouse.biz/webservices/insight/overview}

HarperCollins, has a “Browse Inside” widget program, offering excerpts from novels. This program permits fans to embed sample pages of their favorite books directly onto social networking sites and blogs.\footnote{http://www.cbc.ca/technology/story/2007/02/28/tech-books.html}

\textit{Music Videos as Promotion Tool}. Music videos reduce the need for artistes to go on strenuous concert tours to gain visibility. But it was difficult to get videos placed on a few music video channels. However, with the internet, sites like YouTube created new possibilities for music promotion.\footnote{This Business of Music, M. William Krasilovsky and Sidney Shemel, 2000, Pg. 26}

The Internet as a Market Research Tool: Online market research differs from traditional advertising in that it can give real-time results about effectiveness. The internet is thus also an inexpensive, fas

\vfill


608 This Business of Music, M. William Krasilovsky and Sidney Shemel, 2000, Pg. 26
t-turnaround medium for conducting marketing research.610

Selling Ad Space Online. The company Metabids.com is an advertiser’s auction which involves the advertiser posting the ad budget and the publisher making an offer (bid). The winner is selected at the auction’s close and the bidders are then notified of the results. Metabids.com sends out RFP to publications for advertisers.611 Google promised a minimum of $900 million in advertising revenue by advertisers to News Corp. sites (primarily MySpace) for using Google search technology.612

Getting Advertising on Websites

In the past, small websites or bloggers had few options to attract advertisers unless they had personal contacts, or a large following, it was too complicated and costly to recruit advertisers.614

This changed through Google. Google sells “keywords” to advertisers. These keywords match the terms people type into query boxes when they are

610 Source: www.harrispollonline.com
611 http://www.mediabids.com/about_us/pub/aboutus.jsp
612 Wall Street Journal, March 2007 @ http://proquest.umi.com/pqdweb?index=4&did=1229585181&SrchMode=1&sid=3&Fmt=4&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1173992239&clientId=15403
614 Jefferson Graham, Google's AdSense a bonanza for some Web sites, USA TODAY http://www.usatoday.com/money/advertising/2005-03-10-google-ads-usat_x.htm
For almost every word searched, Google pops up a number of “sponsored links” (paid advertisements) next to and above the search results. Google converted search queries into “highly targeted advertising” opportunities for the “long tail” of products that appeal to specialized tastes.

Google AdSense lets websites earn money by displaying Google-delivered ads on the search results page. AdSense uses pay-per-click and pay-per-impression (on one’s content page) advertising. Businesses fight for the top positions on the first page of Google's results. The place where an advertisement appears depends on how much a business is willing to pay and how much the ad has to do with the specific search. Ad prices fluctuate. For instance, in the days leading up to Mother’s Day, prices for keywords like “Mother’s Day” and “flowers” are likely to increase.

The cost of individual AdWords is not made public. Many of the most expensive AdWords involve lawyers and financial services. Toping the list are key words such as for “school loan consolidation” and “abdominal mesothelioma.” Advertisers also specify whether they want their ad to appear only on Google, or on one of Google's partner websites and blogs. Providing these ads to its partners is

---

615 Jefferson Graham, "Google's AdSense a bonanza for some Web sites," USA TODAY. [http://www.usatoday.com/money/advertising/2005-03-10-google-ads-usat_x.htm](http://www.usatoday.com/money/advertising/2005-03-10-google-ads-usat_x.htm)


618 Nick Clayton, "Business sense: How to turn your clicks to cash," The Guardian, Sep 06
a big business for Google, generating over half of its total revenue. Web sites host Google-mediated ads and then split the ad revenue with Google if someone clicks on the sponsored link. The process frees content creators from having to deal with actual advertisers. 99% of Google’s revenues come from advertising sales, 50% of which come from Google-run advertising on other companies’ web sites.620

Advertisers know exactly which ad the customer clicked on, what the ad looked like, what the text and content were, where it was displayed, how much it cost and how much the customer spent.622 Businesses create ads and choose keywords related to the company, and the ads may appear when people search on Google using those words.623

Google Adsense remains the number one internet marketing application624 and is Google is firmly entrenched after purchasing its largest competitor, DoubleClick for $3.1 billion in 2007.625 Google also places ads in RSS feeds, on mobile websites and into videos, e.g. YouTube.

622 Nick Clayton, Business sense: How to turn your clicks to cash, The Guardian, Sep 06
625 “Usage of advertising networks for websites” Web Technology Surveys. Last accessed November 17, 2010 http://w3techs.com/technologies/overview/advertising/all
In 2010, annualized revenue from adsense alone totaled $8.16 billion, comprising 30% of the total. The Print Ads program allows advertisers to pick specific newspapers and specific sections within these that the newspapers are opening up for print ads. Newspapers are able to reject ads that don’t meet their standards of taste and can determine pricing. Google keeps about 20% of the revenue for internet ads it places. Google Print Ads can undermine the leading role long played by media-buying agencies because it offers advertisers the possibility to deal directly with print publishers.

3. Promoting Websites: Search Engine Marketing

One major way websites try to get a high-traffic volume is to end up high on the search results, because most users click on the top-most options. Search engine marketing, or SEM, is a form of internet marketing that seeks to promote websites by increasing their visibility in search engine result pages.

Websites often resort to professional search engine optimizers (SEOs), who perform a similar role to that of a Public Relations agency. SEOs consider how


627 Rafat Ali, Google To Sells Ads For 50 Major Newspapers: Online Auctions, Nov 06 http://www.paidcontent.org/entry/google-to-sells-ads-for-newspapers/

628 http://en.wikipedia.org/wiki/Search_engine_marketing
search algorithms work and for what people search. Internet marketing strategies increase their effectiveness, underdriving traffic to a website, depending on the site operator’s goals.\footnote{http://www.seoinc.com/}

Search engine optimization takes into account page titles, meta tags, key words and phrases that precede the “body” of a web page in the source code. By the same token, web programmers and publishers specifically include these tags and keywords, because they know Google and other search engines are designed to look for them.

\section*{VIII. The Regulation of Marketing}

\subsection*{VIII.1 Self-Regulation}

Self-regulation of marketing practices can be done by advertisers and agencies, trade associations, and businesses.\footnote{George E. Belch & Michael A. Belch, “Advertising and Promotion: An Integrated Marketing Communications Perspective,” Fourth Edition, 1998, Irwin/McGraw-Hill} Product promotion can easily over-promise, and even a conscientious marketer will face moral dilemmas about how strongly to word or depict a product.\footnote{Marketing Essentials, Kotler, Phillip 1984.} Many media outlets, advertisers and agencies check
and review advertisements before airing or publication to ensure that they are not deceptive or offensive.

Examples of self-regulation of advertising include\(^{632}\):

- The National Association of Broadcasters (USA)
- National Advertising Review Council (USA)
- European Advertising Standards Alliance

In 1971, four associations, the American Advertising Federation (AAF), the American Association of Advertising Agencies (AAAA), the Association of National Advertisers (ANA), and the Council of Better Business Bureau, joined forces to establish the National Advertising Review Board (NARC).\(^ {633}\) The council has two operating arms, the National Advertising Division of the Council of Better Business Bureaus and the National Advertising Review Board. The NAD/NARB has become the US advertising industry’s primary self-regulatory mechanism.\(^ {634}\)


Composed of 85 advertising professionals and public-interest members, the NAD/NARB reviews complaints from consumers and consumer groups, local BBBs, and competitors.\(^{635}\)

If the NAD and the advertiser fail to resolve the controversy, either can appeal to a five person panel from the National Advertising Review Board. If the NARB panel agrees with the NAD and rules against the advertiser, the advertiser must discontinue the advertising. If the advertiser refuses to comply, the NARB refers the matter to the appropriate government agency and indicates the fact in its public record.\(^{636}\) The NARB has no power to order an advertiser to modify or stop running an ad and cannot impose any sanctions, but advertisers who participate in an NAD investigation and NARB appeal rarely refuse to abide by the panel’s decision.\(^{637}\)

In 1996, of the 96 NAD investigations, 16 ad claims were substantiated, 5 were referred to the government and 75 were modified or discontinued.


In 1993, for the first time in its history, the NARB referred a matter to the Federal Trade Commission following an advertiser’s refusal to modify a commercial in accordance with an NARB decision.\(^{638}\)

The Children’s Advertising Review Unit (CARU), which is part of the Council of Better Business Bureau, reviews advertising in all media directed to children under 12 years old and online privacy practices involving children under 13 years of age. The CARU ensures that advertisers comply with its guidelines on information collection and the federal Children’s Online Privacy Protection Act.\(^ {639}\)

Media companies often have “Standards and Practices” departments. The “Standards of Practice of the American Association of Advertising Agencies” is the self-censoring code of the advertising industry.\(^ {640}\) They have special concerns, such as laws regarding the advertising of alcohol. The “Beer Institute Advertising and Marketing Code” is an example of an industry code.\(^ {641}\) Alcohol advertising


\(^{639}\) http://www.us.bbb.org/WWWRoot/SitePage.aspx?site=113&sid=24783d03-2c4b-4b0e-b46f-5fb29117b7c6


must target adult audiences. They must air when adults are watching. These ads must not appeal directly to underage drinkers.642

The effectiveness of self-regulation goes only so far, because it is often hard for companies to inflict painful restrictions on themselves, or to police “free-riders” who will try to profit from other firms’ self restraint on advertising credibility. In often cases, self-regulation often becomes a mechanism by which established firms limit outsiders. For example, the legal and medical professions in America prohibited advertising, until courts faced them to stop these restrictions. Lastly, self regulation operates as a private system does not have the same protections of due process that exists a public system of regulation, at least in theory. Regulation works best when it is done to reduce the chance of government regulation. In that situation, the participants have an incentive to run their operation as public interest spirit.

**VIII.2 Government Regulation of Advertising**

On the U.S. federal level, the Federal Trade Commission is in charge of complaints of unfair competition and false advertisement. Consumer protection agencies exist

---

in most countries and in lower levels of government, such as states, cities and provinces.

The FTC has the power to issue cease-and-desist orders and levy fines on violators. Depending on the situation, the FTC may require corrective advertising.  

The FTC has also jurisdiction over false advertising of foods, drugs, cosmetics, and therapeutic devices. False advertising involves presenting a product in a way that leads consumers to believe the product is something it is not. This is illegal. There are damages for false advertising. The damages are tripled to calculate the fine if the ad is proved to be harmful. Damages also include profits from the offending ad, and attorneys’ fees.

Under its “affirmative disclosure” requirement, The FTC may require advertisers to include certain types of information in their ads so that consumers will be aware of all the consequences, conditions, and limitations associated with the use of a product or service. Fuel mileage claims in car ads fall under affirmative disclosure requirements. Cigarette ads must contain a warning about the health

---

647 http://www.aboutfalseadvertising.com/

152
risks associated with smoking. Affirmative disclosure also deals with specificity on country of origin claims. The FTC has been working with marketers and trade associations to develop a better definition of what the “Made in the USA” label means.

Disclosures for internet ads must be clear and conspicuous, understandable to the intended audience. The volume and cadence of presentation must be clear and of sufficient duration.

Advertisers must have a reasonable basis for ad claims and possess substantiation of any claims made in the ads before dissemination.

5. Types of False Advertising

- Misrepresentation
- Bait and Switch—advertising a product with no intention of selling, then switching to a higher priced item
- False price comparison

---

But “Puffery” is permitted. Advertisers can make exaggerated, boasting, and subjective claims, provided that no reasonable buyer would rely on, such as “the World’s Best Hot Dog.”

Media companies need not verify claims made by advertisers. But they can be held responsible, if they should have known better or acted negligently. To avoid legal problems, media advertisers and agencies must all check the ads.

Companies engaged in false advertising as marketing practices can also be sued competitors. An ad need not be literally false if it deceives. A U.S. district court fined a company, Jartran, a record $20 million in punitive damages on top of the $20 million awarded to U-Haul International to compensate for losses resulting from ads comparing the company’s prices and equipment that were ruled deceptive.

Wilkinson Sword and its advertising agency, Friedman Benjamin Inc., were found guilty of false advertising and ordered to pay $953,000 in damages to the Gillette Company. Wilkinson Sword advertised one of its new razors as “a remarkable breakthrough in shaving technology.” The judge ruled that Wilkinson Sword made

---

false claims about its Ultra Glide razors’ shaving smoothness superiority over Gillette's Atra Plus blades. The judge also ruled that the ad agency Friedman Benjamin Inc. was just as liable as Wilkinson Sword for false advertising.

Although this was not the first ruling to find an ad agency as liable as the manufacturer over a deception, most similar previous cases gave the majority of damage awards to the manufacturer because they usually have more financial resources and a more in-depth knowledge about the misleading product than the ad agency working for them. Suing competitors for false claims was made even easier with passage of the Trademark Law Revision Act of 1998. Given that children cannot easily distinguish between programming and advertising, they are more easily influenced than adult audiences. From 1978-1989, the FTC tried, mostly unsuccessfully, to limit advertising aimed at children. Through the Children’s Television Act (CTA), the FCC established standards regarding the amount of children’s programming to air. It set a limit of

---


10.5 min/hr (weekdays) and 12 min/hr (weekends) of ads during children’s programming.\footnote{658}

All countries have rules governing advertising. In China, laws prohibit commercial ads from displaying any of the following\footnote{659}:

- The national flag, national emblem, or national anthem of the PRC
- The names of government organizations
- Content that may be injurious to social stability, present a danger to individuals or property, or harm public interest.
- Content that may jeopardize social or public order, or violate positive social conventions.
- Content that is obscene, superstitious, or violent.
- Content that discriminates on nationality, race, religion or gender.
- Content that is harmful to the environment and natural resources.
- Content that is deemed to be harmful to the physical and mental health of minors or the disabled.

\footnote{659} http://www.chinaknowledge.com/Marcom/Book-ChinaConsumer.aspx?subchap=4&content=12
Violation of these laws in some cases result in criminal prosecution.

IX Analyzing Marketing Performance

Tools of Analyzing Marketing Performance:

Advertising Analysis

1. Sales Analysis
2. Marketing Cost Analysis
3. Marketing Audit

1. Advertising Analysis

Several tools can be used to measure the effectiveness of TV ads in advance, during a marketing campaign, and afterwards.\textsuperscript{660}

A. Pre-campaign tools

(1) Focus Group
(2) Testing
(3) Over-the-air recall study

\textsuperscript{660} Poltrack, David. “Measuring Television Advertising Effectiveness” Television Marketing
A focus group is a set of people are recruited to participate in a screening of the ad. Advertisers can get useful information through observing the participants.\footnote{Poltrack, David. “Measuring Television Advertising Effectiveness” Television Marketing}

For an over-the-air recall study, participants should have seen the ad at home in a natural setting. The study measures how much of the ad the participants recall.\footnote{Poltrack, David. “Measuring Television Advertising Effectiveness” Television Marketing}

The advantage of focus group and recall testing is that they do not require complete production of the ad. Advertisers usually produce a cheap animated version of the ad for less than $5000 which they use for the test.\footnote{Poltrack, David. “Measuring Television Advertising Effectiveness” Television Marketing}

A more complicated form of in-lab testing includes phyosomatic research, discussed in the chapter on Demand Analysis.

B. Tools During the Marketing Campaign

(1) The test market approach

(2) Measuring results
The test market approach means that after the ad production is complete, the advertiser can test variations of the ad (length of ad, creative elements, etc.) in at least two “matched” markets.\textsuperscript{668}

To measure the results of the test market studies or the regular “full launch campaign”, two methods can be used\textsuperscript{669}:

1. Pre/post attitude and awareness
2. Market audit

Pre/post A&A measures the attitude towards and the awareness of the advertised product before and after ad has been released by using a simple random sample of about 200 people. The elements of a pre/post attitude study include willingness to purchase the product, purchase activity or history of purchases and a market audit. A market audit compares sales data before, during and after the ad campaign.\textsuperscript{670}

The elements of a pre/post awareness study focus on awareness of the brand, awareness of the ad and several types of recall (including descriptive, name-only, media channel, etc).\textsuperscript{671}

Results from pre/post awareness tests are filled into a table. The degree of increased awareness measures the effectiveness of the ad campaign. In attitudinal

\textsuperscript{668} Poltrack, David. “Measuring Television Advertising Effectiveness” \textit{Television Marketing}
\textsuperscript{669} Poltrack, David. “Measuring Television Advertising Effectiveness” \textit{Television Marketing}
\textsuperscript{670} Poltrack, David. “Measuring Television Advertising Effectiveness” \textit{Television Marketing}
\textsuperscript{671} Poltrack, David. “Measuring Television Advertising Effectiveness” \textit{Television Marketing}
change measurement, it is important to select the right attitudes to be measured and the right scale of measurement.672

IX. Sales Analysis

Sales analysis involves evaluating a firm’s marketing success by measuring and evaluating actual sales in relation to sales goals673. It looks at changes in sales volume, and market share.

Methods of Sales Analysis:

2.1 Sales variance analysis
2.2 Micro-sales analysis
2.3 Market share analysis674

Sales variance analysis measures the relative contributions of different factors to gaps in sales performance675 between actual sales are measured and evaluated in relation to sales goals.676

---

672 Poltrack, David. “Measuring Television Advertising Effectiveness” Television Marketing
For example:

- Forecasted sales: 4000 units @ $1 each = $4000
- Actual sales: 3000 units @ $.80 each = $2400
- Total Sales Variance = $1600 = 40% of expected

This example shows that only 60% of the forecasted sales were actually made.  

Variance can occur due to price and/or volume decline, as in the following examples:

- Variance due to price decline: ($1.00 - $.80)(3000) = $600 = 37.5%
- Variance due to volume decline: ($1.00)(4000 - 3000) = $1000 = 62.5%
- Total Variance = $1000 + $600 = $1600

By this case, nearly 2/3 of sales variance was due to failure to achieve volume target.

1. Micro-Sales Analysis

Micro-sales analysis looks at specific products, territories, etc., which failed to reach the expected share of sales.
For example:

- Expected sales = 4000 units
  - 1500 in region 1, 500 in region 2, 2000 in region 3
- Actual sales = 3000 units
  - 1400 in region 1, 525 in region 2, 1075 in region 3\(^{681}\)
  - Territory 1: 7% short of expected
  - Territory 2: 5% surplus
  - Territory 3: 46% short\(^{682}\)

3. Market Share Analysis:

Market share analysis tracks the performance of a company relative to its competitors. This is the overall market share, with sales expressed as a percentage of total industry.\(^{683}\)

The served market share is the sales expressed as a percentage of industry sales in the served market. The relative market share is the sales as a percentage of combined sales of leading competitors.\(^{684}\)

Market share analysis breaks down the data into territory, customer type, and product category. For example, Netflix needs to determine which movies are more popular and where to decrease wait time and improve customer satisfaction. In order to do this, Netflix needs to find out how many customers will want to watch films downloaded to their computers and television sets to guarantee good service.

**IX.3. Market Cost Analysis**

Marketing cost analysis measures the efficiency of the firm’s marketing mix. It measures advertising costs, test market expenses, and sales force expenses. Marketing expenses can be broken down, depending on the company, i.e.: sales force expense, promotion expense, advertising expense, market research, sales administration expense, etc.\(^6\)

1. Cost Monitoring Ratios

Marketing expense to sales ratio can be broken down into its components:

- sales-force to sales
- advertising to sales

---

• market research to sales

2. Sales-Force Efficiency

Indicators of sales-force efficiency include:

– Average cost per sales cost (Time and money)
– Average revenue per call
– Number of new customers per period
– Number of lost customers per period

3. Advertising Efficiency

Indicators of advertising efficiency include:

– Average cost per thousand target buyers reached (by media category and media vehicle
– Consumer opinion on ad
– Number of inquiries generated by ad and the cost per inquiry

---


4. Sales Promotion Efficiency

Indicators of Sales Promotion include:

- Percentage sales sold on deal
- Display cost per dollar
- Percent of coupons received
- Number of inquiries resulting from demonstration

**IX.4. Marketing Audit**

A marketing audit is a comprehensive review of the organization’s marketing activities. These activities include:

- Orientation.
- Planning.
- Target market strategies.
- Distribution decision.
- Product Strategies.
- Promotion Strategies

---

• Pricing Strategies.

X. Outlook

The abundance of products and services enhances a market. When food ceased to be scarce in rich countries, consumption, quality, and variety increased. The same is true for information. Media strategies must deal with abundance that will keep growing rapidly. Price competition is not a strong element for content, since if one company lowers its price, so will the others, given the cost characteristics of information with its low marginal cost. Therefore, product differentiation, including through service quality, is the prime competitive strategy. But it is expensive and difficult to differentiate oneself by consistent and long term originality and quality. Customization moves products out of industrial-style mass media to individualization. But this, too, is expensive and difficult. This leaves marketing as the major approach. Marketing activities will therefore be more important, more complex, more expensive, and require more creativity than ever. Marketing efforts and the associated costs therefore greatly expanded with the abundance of new products and marketing technologies. But these advantages provide an edge for most competitors, too, so advantages of innovation are often temporary.
The requirements for the new generation of media marketing

- Improve the product
- Refine techniques of getting attention
- Refine customization
- Create better links with behavioral sciences to make marketing efforts more effective.

End of Text

**Analytical Tools covered in this Chapter:**

- Diffusion Models
- Conjoint Analysis
- Delphi and Comb analysis
- Econometric Demand estimation
- Design of Surveys
- Conjoint Analysis
The Issues Covered In This Chapter Are:

- Customization
  - Consumer generated information
  - Group collaboration
  - Dynamic pricing
  - Privacy
- Relationship Creation
- PR programs
- Product Design Issues
  - Integration of marketing and product design
- Strategic marketing
- Product Design
- Customization
- Pricing
- Competitor Analysis
- Legal marketing issues
- Strategic marketing
- Product Design
New Info for Inserts

It is with that in mind that radio stations’ directors of promotion have three distinguishable aims:\(^{690}\):

1. Instituting activities that bring in new listeners to the station
   (acquisition)
2. Encouraging long periods of continued listening (maintenance)
3. Ensuring that listeners return at various times in the day (recycling)

For the latter, in particular, one method of promotion is the creation of contests and on-air games.\(^{691}\)

---

