

# Session 14: Promotion (Communications)

- **Types of communication**
- **Consideration sets**
- **Funnel measures for communication**
- **Analytics examples**
- **Creative development examples**
- **Summary**



# Swatch hints

- 1. Marketing assets. What is the “Swiss” brand worth?**
- 2. Wedding cake. How will the market evolve?**
- 3. Swiss strategy. Fashion! Reframe. But why?**
- 4. Key elements. 4P’s are interrelated. Think strategically.**
- 5. Competitive advantages. Marketing and ...**



# Communications is a mix of analytic and creative.

## Analytic

	Media Spend (Ex 5)	Percent (calculated)	CPApplication (Ex 5)	Completed Apps (from Ex 5)
Google	\$288K	56%	\$77	52%
MSN	\$37K	7%	\$56	9%
SuperPages	\$70	~ 0%	\$4	0.2%
Yahoo	\$177K	34%	\$73	34%
Unified Marketplace	\$14K	3%	\$48	4%
Total	\$516K	100%	\$73	100%

## Creative



The Ultimate Driving Machine



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# Generic types of communication

- **Passive customer search** – TV advertising, banner advertising
- **Active customer search** – classifieds, retail visits, natural search  
(aka inbound marketing, definition 1)
- **Full engagement and trust** – strategic partners, unbiased information,  
co-creation of content
- **Listening to the customer** – VOC, surveys, user-generated content  
(aka inbound marketing, definition 2)



# Some of the many means to communicate with customers.

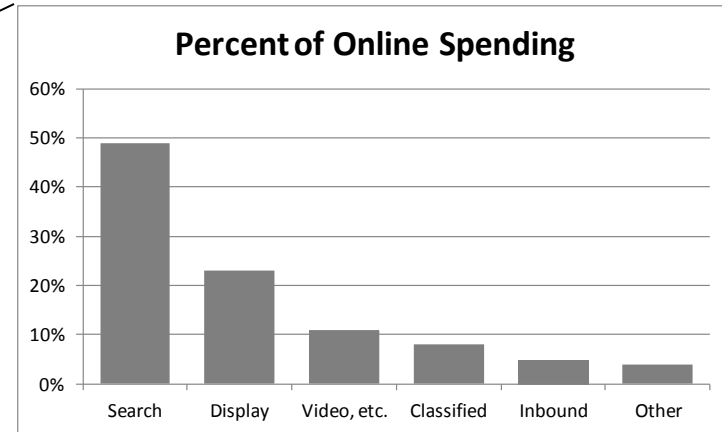
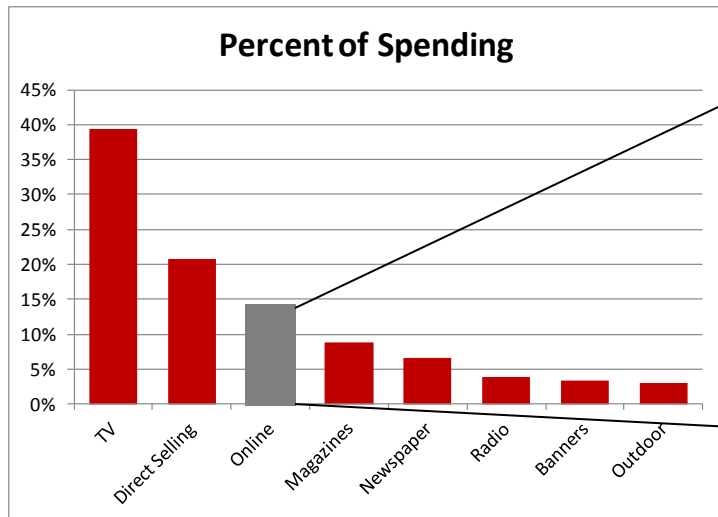
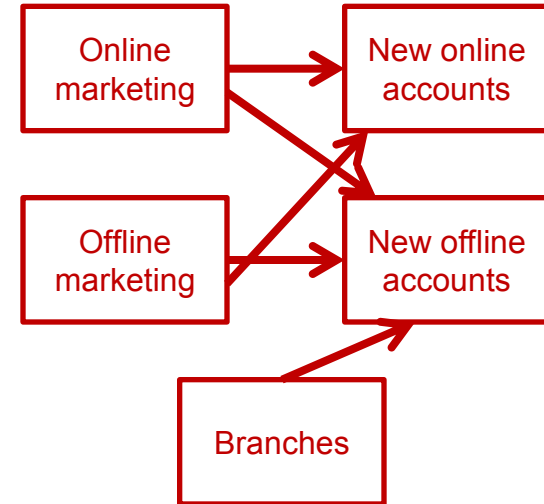
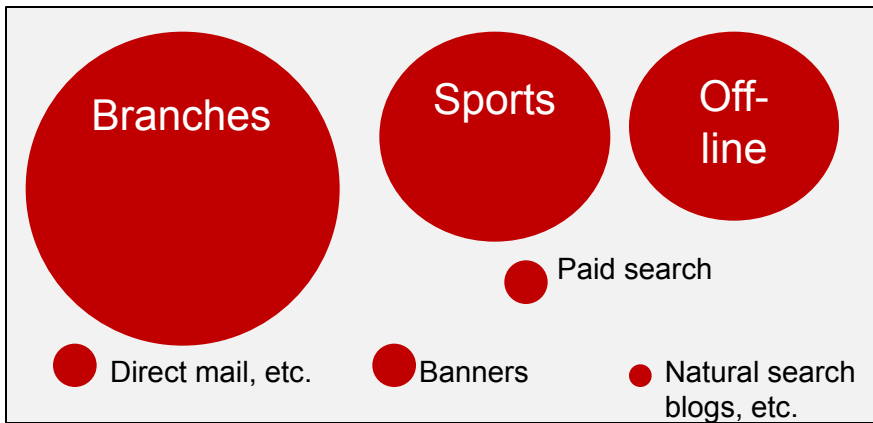
<b>Advertising</b>	<b>Sales Promotion</b>	<b>Public Relations</b>	<b>Personal Selling</b>	<b>Web &amp; Other</b>	<b>Direct Marketing</b>
Print adv. Broadcast adv Packaging Inserts Movies Brochures Poster Directories Billboards Display signs Point of purchase Logos Symbols Trade dress Product placement Store windows Product placement Classified	Premiums Gifts Sampling Fairs Trade shows Exhibits Demonstration Coupons Rebates Trade-ins Tie-in Loyalty Bundling Free-standing inserts Groupon Sports marketing Sponsorships	Press kits Speeches Seminars Annual Reports Charity Sponsorships Publications Community relations Lobbying In-house magazine Events	Sales presentations Sales meetings Incentive programs Samples Fairs Tradeshows Test-drives	Banner adv. Natural search Key words Sponsored links Embedded Pop-up Pop-under Trust-based Advisors Morphing websites Blogs Twitter Facebook Twitter, etc. Forums User groups	Catalogs Mini-catalogs Mailings Telemarketing Email

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



# Rough estimates of spending

## BBVA (MR > MC)



# Three tools to help manage communications

1. **Consideration set** – the role of communication
2. **Funnel measures** – managing communication strategy
3. **Memory schema revisited** – the creative process

# Consideration sets

- **Unaided awareness**
- **Aided awareness**
- **Consideration**





# Consideration sets are rational

	Consumer	Managerial Action
<b><i>Search if:</i></b>	<ul style="list-style-type: none"><li>+ Benefit of choice from n+1 brands</li> <li>- Benefit of choice from n brands</li></ul> <p><i>exceeds</i></p> <p>Search cost</p>	<div style="border: 2px solid red; padding: 10px;"><p>Perceived quality, product design, differentiation</p><p>Competitors' actions</p> <p>Easy to find</p></div>

# Consideration decisions are based on “must-have” rules



- **“Must-have” features**
  - sporty
  - well-handling
  - stylish
  - and under \$50,000
- **Screen quickly and only search those that pass screen**

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# Managerial actions enhance consideration (examples)

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

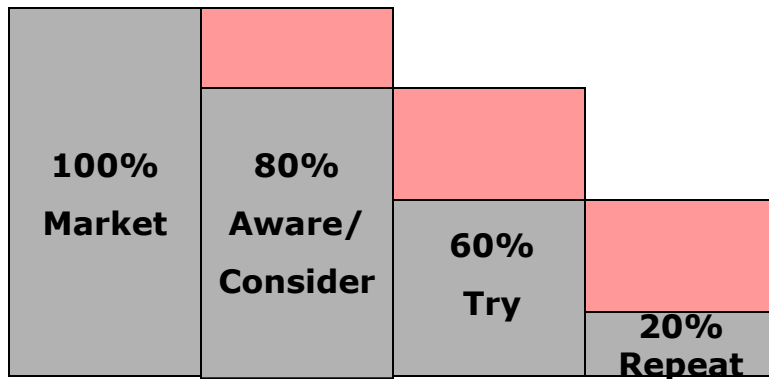


# 2<sup>nd</sup> tool: communications funnel

1. Consideration set – the role of communication
2. Funnel measures – managing communication strategy
3. Memory schema revisited – the creative process

# Stylized funnel example

*In offline communication, the funnel often has other names, such as the “hierarchy of effects” or AIDA (awareness, interest, decision, action) model, but the concept is the same and the funnel for online communication.*



# Example funnel for advertising

*exposure*



*awareness*



*knowledge*



*preference*



*trial*



*loyal*

← offline funnel  
("Hierarchy of Effects")

online funnel  
(recall BBVA) →

Advertising CPM, Display = \$2.06 CPM, Search = \$44.75 CPM



Click-thru impressions, Display = 0.045%, Search = 4.1%



Start application, Display = 13.3%, Search = 8.6%



Complete Application, D = 38.9%, S = 17.5%



Approved, 80%



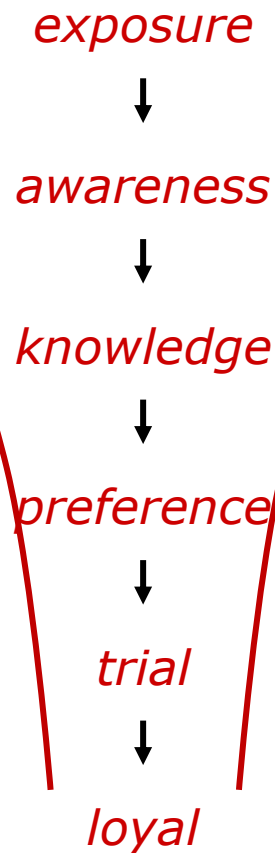
Fund account in time, 67%



Remain Active, 55%



# Example funnel for advertising



Funnel	Action	Measures
exposure	budget, media	CPM, GRPs
awareness	message, “copy”	seen, noted, read, recall
knowledge	content, relevance	benefits, consideration
preference	strategic position	preference, purchase intention
trial	availability	trial, penetration
loyal	reinforce quality	repeat, frequency



# Funnel analytics

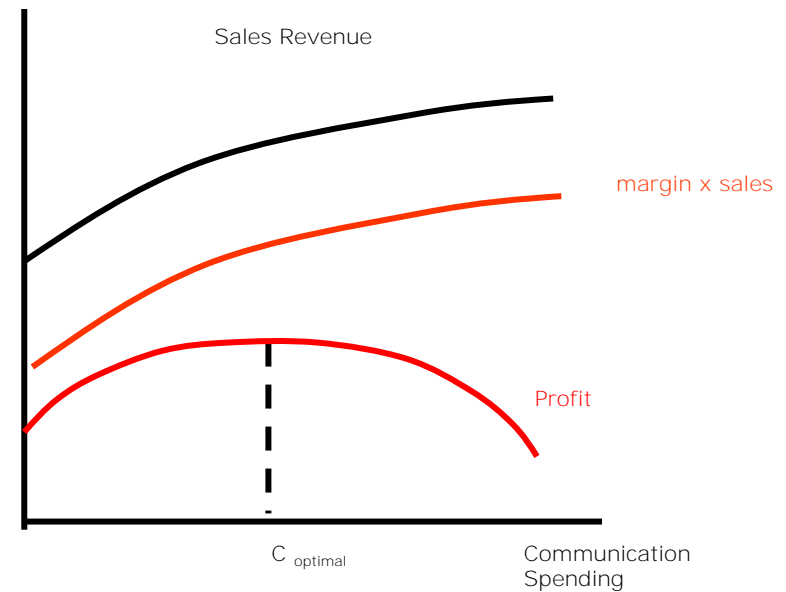
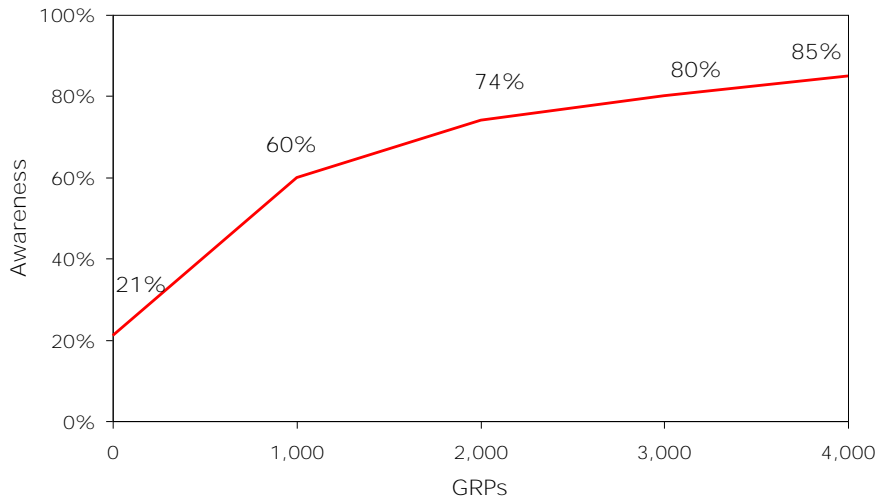
- **Funnel measures (online and offline)**
  - “response curves” such as awareness vs. GRPs
  - profit = revenue – costs →  $MR > MC$
- **Experiments within the funnel (online and offline)**
  - test vs. control (A-B testing)
  - more complex experimental designs
- **Econometrics (online and offline)**
  - advertising dynamics
  - control for other variables





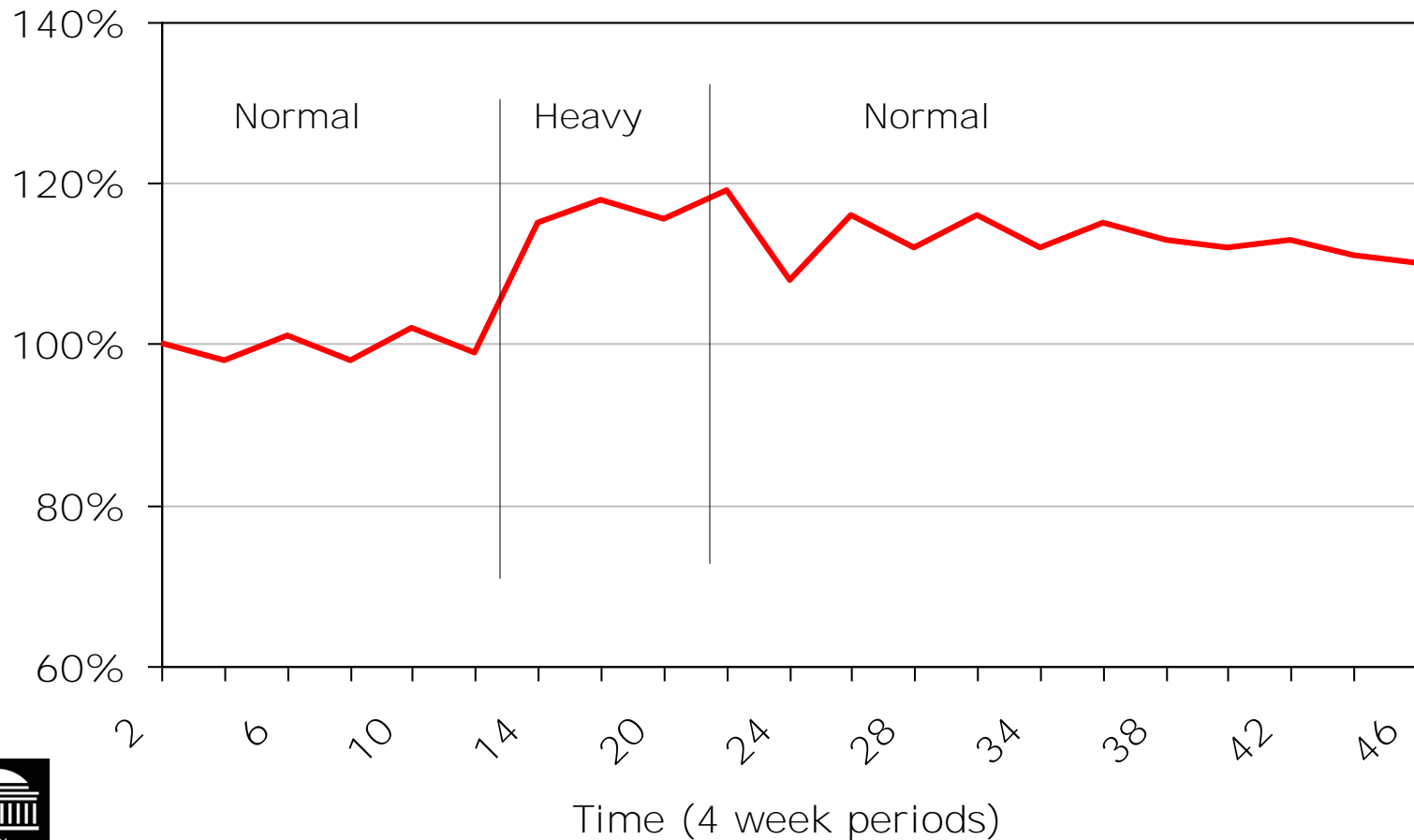
# Can quantify funnel measures

# Can optimize funnel measures



# “Heavy-up” advertising experiment

Sales Rate (100% = normal)



# Example experiments within funnel

- **Crayola outbound electronic marketing**
- **General Motors trust-based strategies**
- **Conde Nast magazine covers (attract active search)**



# Crayola: Designing Emails

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



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*Crayola is a division of Binney & Smith and Hallmark.*

*Goal is to drive educators to Crayola.com.*

# Experimental design

Variable	Levels
Subject	Crayola.com Survey
	Help Us Help You
Salutation	Hi [user name]😊
	Greetings!
	[user name]
Call to action	As Crayola.com grows ...
	Because you are an educator ...
Promotion	\$100 product drawing
	\$25 Amazon.com gift certificate drawing
	No offer
Closing	Crayola.com
	EducatorEditor@Crayola.com

# Trust-based strategies

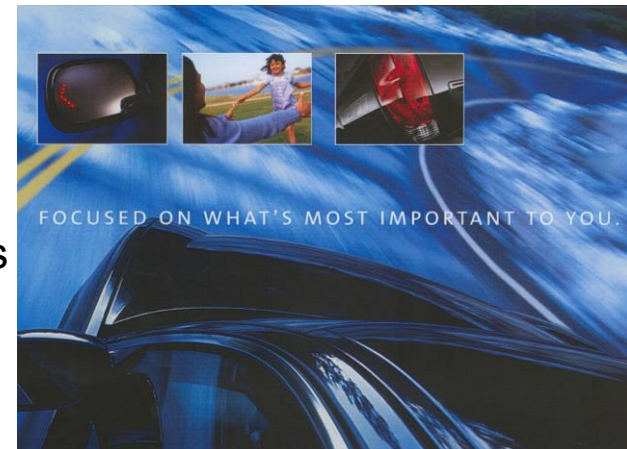
- **Consumers only consider those brands that they trust**
- **Build trust with**
  - competitive information
  - user groups and communities
  - unbiased advisors
  - product that meet needs
  - good after sales service



# Building trust

Competitive Test Drive

Customized CRM Brochures



Online social community

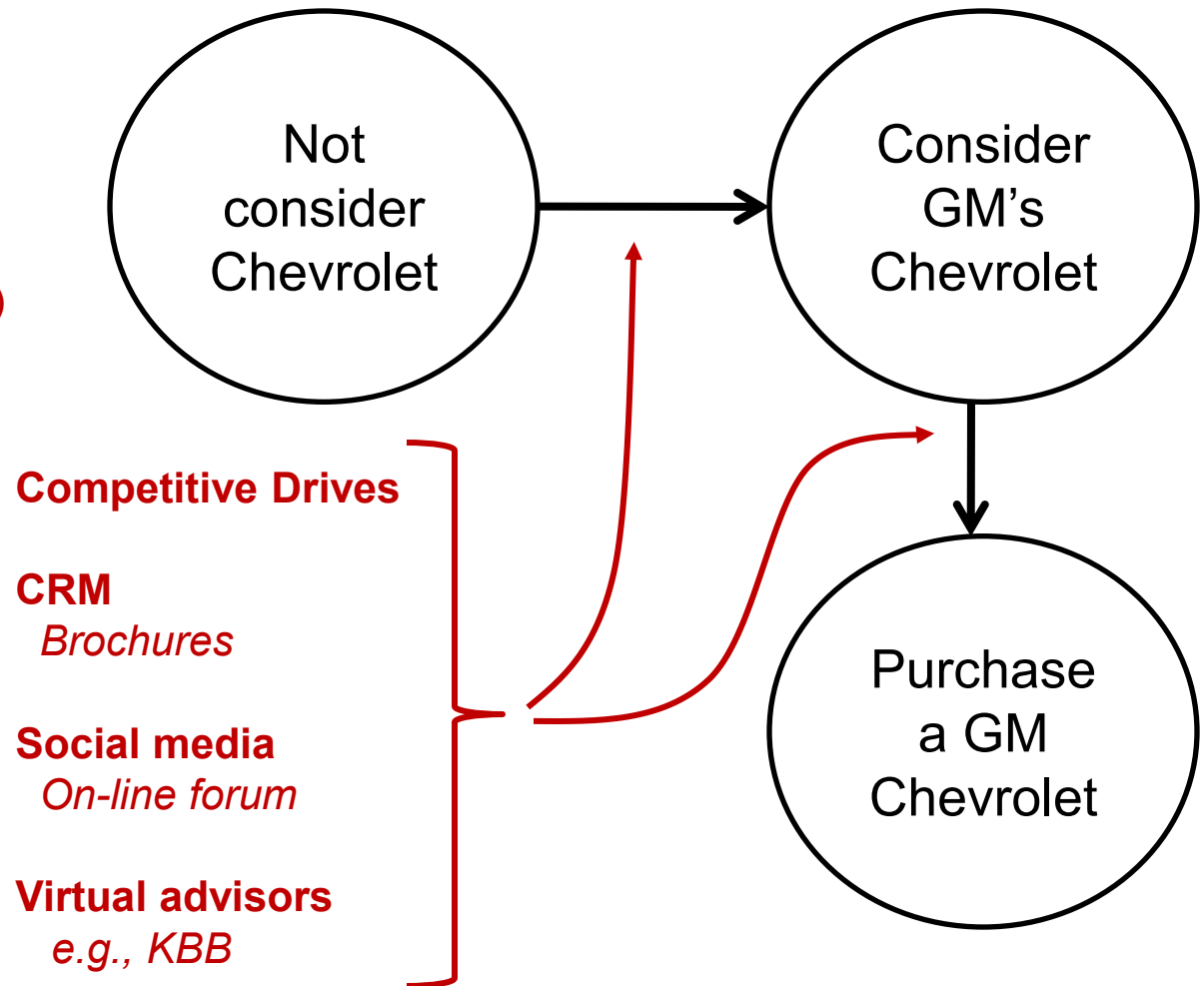
Unbiased online advisor

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# GM invests \$1M to identify best trust-based strategy.

## Experiment

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





# IT'S TIME TO DRIVE!

TEST-DRIVE OVER 70 VEHICLES, INCLUDING 25 COMPETITIVE MAKES, IN A FUN, NO-PRESSURE ENVIRONMENT.



REGISTER HERE

MAIN STREET FOR MOTOR

"I didn't expect something of this scale."



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## Competitive Drives

### CRM

*Brochures*

### Social media

*On-line forum*

### Virtual advisors

*e.g., KBB*

Dependent Measure	Direct Effects Not Mediated		Trust Regression (lagged trust is used in this regression)
	Consider	Purchase if Consider	
Constant	-1.492*	-2.567*	.714
Lagged Consider	2.537*		
Lagged Trust Hat			.857*
Competitive Test Drives	.579*	.938†	.371*
Customized Brochures	.079	.477	.127*
Competitive Forum	-.023	-.103	-.056
Competitive Advisor	.144	.122	.016
Prior Ownership AAM	.399*	.137	.000
Prior Own Other American	.304*	-.005	.011
Prior Ownership Japanese	-.577*	-.188	-.023
Period 3	.313	.200	-.243*
Period 4	.419†	.264	-.282*
Period 5	.523*	-.238	-.119*
Period 6	.722*	.185	-.238*
Prior Ownership of AAM crossed with			
Competitive Test Drives			
Customized Brochures			
Competitive Forum			
Competitive Advisor			
Two or more treatments			
Log likelihood	-820.6	-218.2	adjusted-R <sup>2</sup>
U <sup>2</sup> (aka pseudo-R <sup>2</sup> )	25.3%	56.2%	.748

\* Significant at the 0.05 level. † Significant at the 0.10 level. Sex and age coefficients not shown (not significant). Trust regression Interactions not significant.



# One more (fun) example from Conde Nast

How do you choose  
the cover of Vogue?



# Getting consideration on the newsstand buying – cover design



**At the newsstand, you have 30 seconds to beat the competition.**

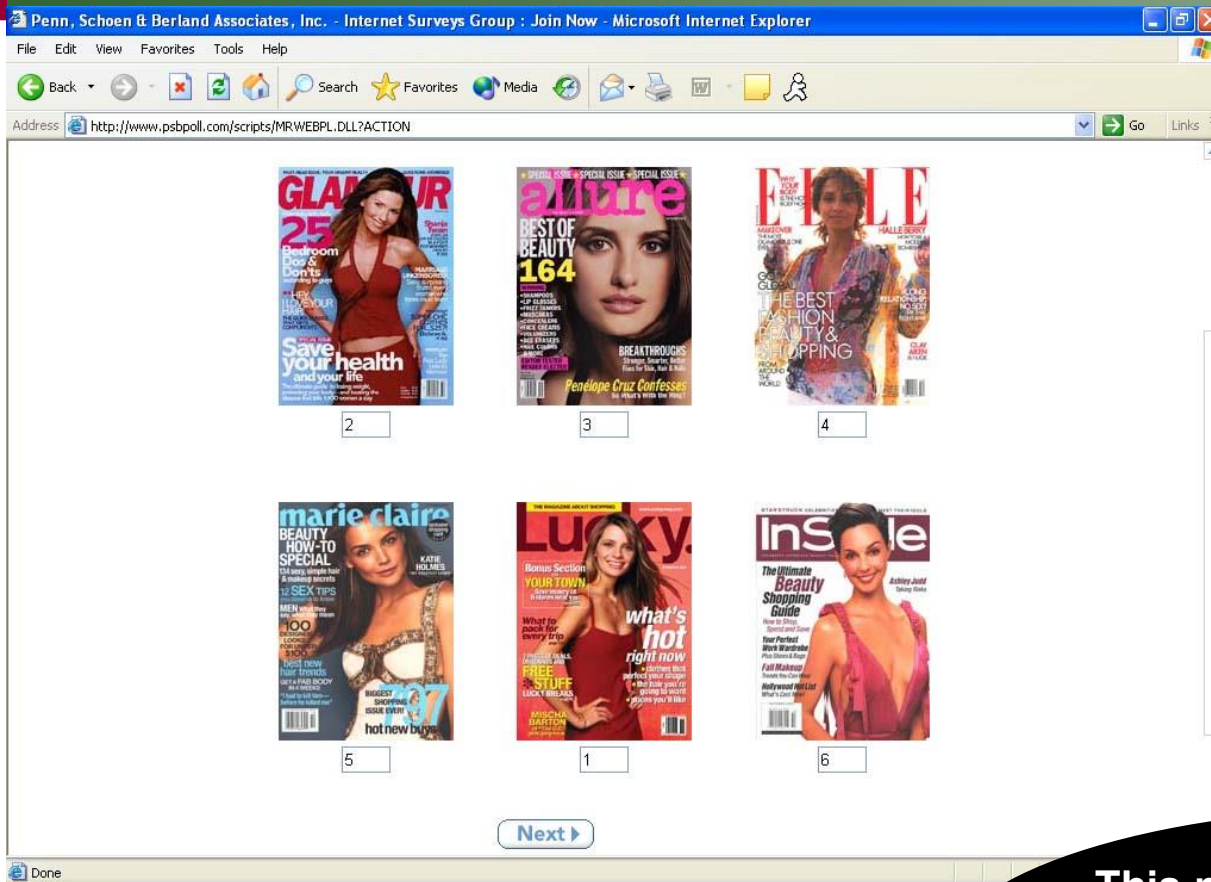
***It's you versus them!***

*People really do judge a magazine by its cover.*

# Magazine cover testing

**Cover tests are specifically designed to answer editors' key questions. In this test, they examine 2 different poses and 2 different cover line layouts.**

# Simulated store (not unlike Bases in Brita case)



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

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

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# Isolate test variables

## Different Poses, Same Background Color and Cover Lines



## Different Photographs, Same Cover Lines

## + Cover Line Pair



# Iterative cover selection process

## Round 1



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# Take a chance

Very  
“Vogue”



Risky  
Option



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# Optimization of visual elements (aids the editor's judgment)

## Visual Optimization



# 3<sup>rd</sup> tool: memory schema

1. Consideration set – the role of communication
2. Funnel measures (aka hierarchy of effects) – managing communication strategy
3. Memory schema revisited – the creative process

# Recall memory schema theory



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# Owning a schema is strategic.

- **Brita –**
- **Snapple – owned quirky**
- **Barrier to entry (hint for Swatch)**
  - second in has to spend more than first in for same effect
  - if
    - first in spends substantially
    - first in keeps margins under control
  - then
    - second in cannot get as high a margin (doesn't own schema)
    - second in cannot advertise enough to steal schema



# Schema can vary by culture.



# These advertisements were controversial!



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# Some cultural issues



(Japan)

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## Colors are cultural too

- Pepsi
  - changed colors from deep “Regal” blue to light “Ice” blue in SE Asia.
  - lost share because of “death” associations
- IKEA
  - changed its color preferences
  - subdued Scandinavian colors to bold Latino colors (in Southeast US)
  - gained share because it listened to its customers

# Summary

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





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