Introduction to Advertising

Advertising Practices

MKTG 3809

Advertising Practices

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These materials have been adapted from the following OER resources:

Launch! Advertising and Promotion in Real Time by Solomon et al. 2009: <https://open.umn.edu/opentextbooks/textbooks/launch-advertising-and-promotion-in-real-time>

Principles of Marketing by Lumen Learning <https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016/>

Introduction to Marketing by USG Ecore <https://go.view.usg.edu/d2l/home/2366486>

# MODULE 3 - Your budget – what you can afford

Budget decisions are affected by conditions both internal and external to the client. One key external influence is the overall economic condition of the country and how this affects the client’s industry. Even the most inspired advertising may not motivate consumers to open their wallets in troubled Times.

Clients use a variety of methods to determine their advertising budgets. One basic distinction is between top-down and bottom-up methods. Top-down approaches are easier; they basically use last year’s expenditures as a starting point. However, they also are more simplistic and may be self-defeating because they wind up allocating more money to promote products that are doing well at the expense of products that are doing poorly—when just the opposite adjustment may make more sense. Bottom-up approaches start by specifying the particular objectives a firm has for a brand and then estimating how much it will cost to meet those objectives. Budget-setting is more complicated than just tallying up what it costs to make and place advertising; the client also has to consider the resources an agency will need to conduct research, develop an advertising strategy, and measure how well the strategy worked so it can tweak the approach in the future if necessary.

Figure 3 Budgeting Methods

## Top-Down Budgeting

In top-down budgeting, top management sets the overall amount the company will spend on promotional activities for the year. This total amount is then allocated among all of the advertising, PR, and other promotional programs. How does top management arrive at the annual promotional budget? Typically, they use a **percentage-of-sales method**, in which the budget is based on the amount the company spent on advertising in the previous year and the sales in that year.

### Percentage-of-Sales Method

The percentage-of-sales method is the ratio of the firm’s past annual promotional budget divided by past sales to arrive at the percentage of sales. That percentage of sales is then applied to the expected sales in the coming year to arrive at the budget for that year. For example, if the company spent $20 million on advertising last year and had $100 million in sales, the percentage of sales would be 20 percent. If the company expects to achieve $120 million in sales the following year, then 20 percent of $120 million is $24 million, which would be the budget for advertising that year.

Figure 3.1.1 Percentage-of-Sales Method

Description: http://images.flatworldknowledge.com/solomon/solomon-fig07_002.jpg

Annual sales = $149,000,000
Advertising budget at 3% of sales
$ 149,000,000
x.03
=$4,4700,000

Wall Street analysts sometimes look at changes in the ad-to-sales ratio as a sign of the health of a company. For example, Procter & Gamble’s ad-to-sales-ratio slipped from 10.7 percent in 2004 to 9.9 percent in 2006. Those declines came as P&G faced growing margin pressure from rising commodity costs. Some analysts see strong ad spending as an investment in growth or a sign that a company is having no trouble meeting its earnings targets, so they want to see an ad-to-sales ratio that is consistent or increasing[[1]](#footnote-1). Ad-to-sales ratio for most product categories averages around 3%[[2]](#footnote-2).

### Industry Averages Method

Some companies use industry averages (published by trade associations) as a guide to set their promotional budget. Ad-to-sales ratios vary widely depending on the industry. For example, health services companies had one of the highest ad-to-sales ratios for 2006, at 18.7 percent. Other industries with high ad-to-sales ratios are transportation services (14.2 percent), motion pictures and videotape productions (13.7 percent), food (11.9 percent), newspapers (11.1 percent), and broadcast television stations (10.7 percent). In contrast, computer and office equipment had an ad-to-sales ratio of 1.2 percent, while computers and software wholesale had only a 0.2 percent ad-to-sales ratio[[3]](#footnote-3).

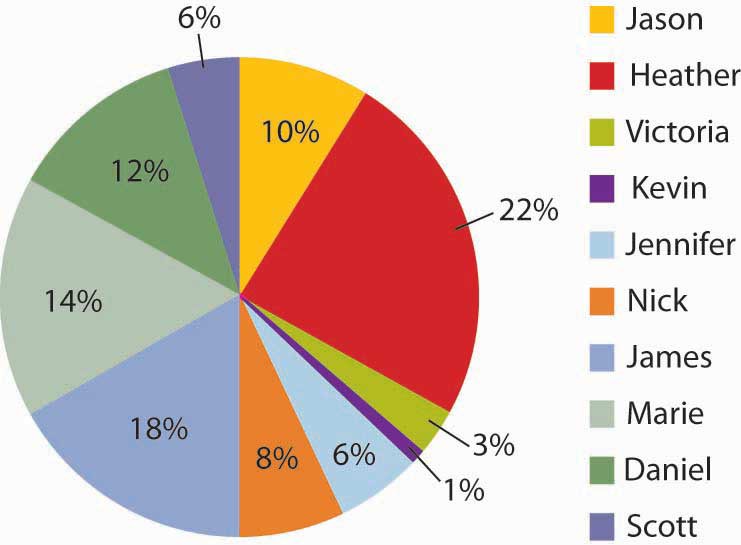
Sometimes a dramatic increase in ad spending by one competitor in an industry spurs others to follow suit. For example, in 2007 German insurance giant Allianz more than quadrupled its annual global advertising budget to 225 million euros after competitor Zurich Financial Services launched a large-scale global awareness campaign[[4]](#footnote-4). Similarly, the auto insurance industry saw overall ad spending jump more than 32 percent in just two years when GEICO increased its ad spending 75 percent in 2004; this spurred competitors to increase their ad budgets as well. Progressive Insurance spent $265 million in 2006, up from $201 million in 2004, and State Farm likewise plans to increase spending, which topped $270 million in measured media in 2006[[5]](#footnote-5).

Spending on certain segments of the promotional budget, such as on coupons, is very much driven by competitor spending levels. Consumer packaged goods companies like P&G and Unilever claim not to like couponing schemes as a promotional activity. Indeed, P&G looked into eliminating coupons in 1997 due to declining newspaper circulation and usage. But companies are tied to using coupon promotions. If one company alone decides to forgo couponing, they face losing cost-conscious consumers to the competition. If companies try to work together to scale back on couponing, they might be accused of violating antitrust regulations. As a result, spending on the media side of couponing was up 26 percent in 2006, reaching $1.8 billion, even though consumer use of coupons was down 13 percent during the same time period[[6]](#footnote-6).

#### How Loud Are You?

Share of voice (SOV) is the relative fraction of ad inventory a single advertiser uses within a defined market over a specified time period. It measures how you are doing relative to competitors and relative to all the ads within your given space. It tells you the total percentage that you possess of the particular niche, market, or audience that you are targeting. The obvious way for a client to attain high SOV is to buy a lot of ad space. Another way is to have competitors that don’t advertise very much; remember SOV is a measure of relative activity.

Figure 3.1.2.1 Share of Voice



*The share of voice concept can be demonstrated by the participation in a class. The students who* participate the most relative to other students have a larger share of voice in the class. The same happens in advertising.

Online, Google uses a similar metric it calls Impression Share to represent the percentage of times your ads were actually shown in relation to the total number of chances your ads could have been shown, based on your keyword and campaign settings[[7]](#footnote-7).

How much share of voice can you afford? How much would it cost to buy every minute of commercial time in the Super Bowl? You can’t afford to buy it all, but you can buy some fraction of it.

Attaining high SOV usually means spending more than your competitors. If your analysis suggests that your competitors spend $5 million on media buys, then you need to spend $5 million just to match them and achieve a 50% SOV. If the competition has cut back on spending (such as during an economic downturn), then you might maintain your current level of ad spending and still garner a high SOV. If your company has many competitors or bigger competitors, you may find it impossible to outspend them to achieve a high SOV.

### Pros and Cons of Top-Down Methods

The advantages of top-down approaches are their speed and straightforwardness. The disadvantage is that the methods look to the past as a guide, rather than to future goals. Just because a company spent $40 million on advertising the previous year doesn’t mean that figure is right for next year. Also, budgets tied to sales figures mean that a company’s promotional budget will decrease if sales decrease—but in fact increasing the promotional budget may be precisely what is needed in order to remedy declining sales.

## Bottom-Up Techniques

Alternatively, some companies begin the budgeting process each year with a clean slate. They use bottom-up budgeting techniques, in which they first identify promotional goals (regardless of past performance) and allocate enough money to achieve those goals.

### Objective-Task Method

The objective-task method is the most common technique of bottom-up budgeting. Companies that use this method first set the objective or task they want the promotion to achieve. Next, they estimate the budget they will need to accomplish that objective or task. Finally, top management reviews and approves the budget recommendation.

For example, champagne maker Moët & Chandon set its objective “to grow the whole market” in the United States[[8]](#footnote-8). That is, Moët will use advertising to increase consumption of champagne throughout the year, not just over the holidays. Moët based its objective on research that compared champagne consumption in the United States to that in other countries. “The average U.S consumer drinks half a glass of champagne a year, the average British consumer drinks half a bottle and the average French consumer drinks three bottles. There’s clearly room for growth,” said Stuart Foster, director of business development at Moët-Hennessy USA[[9]](#footnote-9). Moët more than tripled its U.S. ad spending in 2006 to $9.5 million from $2.8 million. Reflecting the objective, the company ran its advertising in the summer rather than just around the holidays.

Other objectives advertisers can set include acquiring new customers, retaining existing customers, or building the brand. The objective to acquire new customers often requires a bigger budget than the advertising the firm needs to retain existing customers.

### Stage-Based Spending

Some companies use the product life cycle method, in which they allocate more money during the introduction stage of a new product than in later stages when the product is established. The need to spend heavily to promote new products is especially strong for pharmaceutical companies when they introduce new drugs. Pharmaceutical companies need to get physicians to talk about their drugs and prescribe them.

In contrast, companies such as baby food manufacturers need to invest in strong promotion on a continual basis, because they get a new set of customers every year. “We provide strong consumer promotion support to drive trial, particularly in our baby segments, where we have a new group of consumers entering the market each year,” said Randy Sloan, executive vice president and general manager at Del Pharmaceuticals, which is the number one advertiser in teething pain relief, children’s toothpaste, and adult oral pain products[[10]](#footnote-10).

## Budget Allocation and Timing

### Media Strategy and Planning

Choosing the right media mix means understanding the primary advantages and disadvantages of each media format (which you will study in the next module). Media planning is the process of selecting which media vehicle to use, as well as when and where. Before we talk about how we mix and match media to meet our campaign objectives, let’s review the options and discuss some of the pros and cons of each.

Media planning is the process of choosing one or more media vehicles to reach the target audience and achieve the message objectives. This means deciding *which* media vehicle to use, *when* to use the media vehicle, and *where* to use the media vehicle.

Planning decisions include audience selection and where, when, and how frequent the exposure should be. Thus, the first task for a media planner is to find out when and where people in the target market are most likely to be exposed to the communication. This is the aperture, the best “window” to reach the target market.

### Market Coverage

**Media vehicle** choice is driven by market coverage, which is the extent to which a given media vehicle reaches the target audience. For example, local newspapers, radio stations, billboards, and direct mail campaigns are cost effective when they target a population that lives in a specific region, whereas national newspapers, TV, and online are better for nationwide campaigns. Specialized magazines and online media are particularly useful for target consumers who have specific interests. Online media also offers the advantage of real-time tracking—you know instantly whether consumers are clicking through to your site and how much time they spend at the site.

**Market coverage** tells advertisers what a specific vehicle can do for them, but that doesn’t mean that any one vehicle can do the whole job. Often, a media plan requires multiple media to achieve the advertiser’s goals. The media schedule outlines the planner’s best estimate of which media will be most effective to attain the advertising objective(s) and which specific media vehicles will do the most effective job.

When she creates the media schedule, the planner considers factors such as the match between the demographic and psychographic profile of a target audience and the people a media vehicle reaches, the advertising patterns of competitors, and the capability of a medium to adequately convey the desired information. The planner must also consider factors such as the compatibility of the product with editorial content. For example, viewers might not respond well to a lighthearted ad for a new snack food during a somber documentary on world hunger.

When she analyzes media, the planner assesses **advertising exposure**, the degree to which the target market will see an advertising message in a specific medium. Media planners speak in terms of **impressions**, the number of people who will be exposed to a message that appears in one or more media vehicles. For example, if fifty million people watch *American Idol* on Fox, then each time an advertiser runs an ad during that program, it gets fifty million impressions (clue: that’s a lot). If the advertiser’s spot runs three times during the program, the impression count would be 150 million (even though some of these impressions would represent repeated exposure to the same viewers).

**Reach** refers to the percentage of the target audience that is exposed to any of the media vehicles in the media plan during a specified time period. Choosing the media vehicle with highest reach means that more people will be exposed to the campaign. For example, if a media plan targets the roughly five million women who are eighteen to twenty-five years old, then a reach of fifty means that 50 percent, or 2.5 million, of the target audience will see at least one of the media vehicles in the media plan. Reach only counts viewers once. If a person sees the same ad multiple times in one medium, or even if they see the ad in different media, it still counts as only one person for the purposes of calculating reach.

A related term, **frequency**, refers to the average number of times that target consumers are exposed to the media plan. Frequency is important if the advertiser believes that consumers need multiple exposures to the campaign before buying the product or taking action. Achieving both broad reach and high frequency is very expensive—doubling the reach and doubling the frequency at the same time requires buying more than four times as many media impressions.

Say that a media planner wants to be sure her advertising for the Rockstar energy drink effectively reaches college students. She learns that 10 percent of the target market reads at least a few issues of *Wired* each year (that’s *reach*). She may also determine that these students on average are likely to see two of the ten ads that Rockstar will run in *Wired* during the year (that’s *frequency*). Now, she calculates the magazine’s **gross rating points** (GRPs) by multiplying reach times frequency, which in this case allows her to compare the effectiveness of *Wired* to that of alternative media vehicles. By using this same formula, the planner could then compare this GRP number to that of another magazine or to the GRP she would get if she placed an ad on TV or sponsored a Maroon 5 concert tour on college campuses.

Although some media vehicles deliver superior **exposure**, they may not be cost efficient. More people will see a commercial aired during the Super Bowl than during a 3:00 a.m. rerun of an old Will Ferrell movie. But the advertiser could run late-night commercials every night for a year for the cost of one thirty-second Super Bowl spot. To compare the relative cost effectiveness of different media and of spots run on different vehicles in the same medium, media planners use a measure they call **cost per thousand** (CPM). This measure reflects the cost to deliver a message to one thousand people. CPM allows advertisers to compare the relative cost effectiveness of different media vehicles that have different exposure rates.

Table 3.3.2. Cost Per Thousand Example

|  |  |
| --- | --- |
| Cost per thousand (CPM) Calculation CPM =  *ad cost × 1,000 circulation* | |
| Cost of 4-color ad in *Sports Illustrated* = $320,000 Circulation of *Sports Illustrated* = 3,150,000 | CPM for *Sports Illustrated* ad =  *$320,000 × 1000* = **$101.59**  *3,150,000*  To reach 1,000 *Sports Illustrated* readers |

A media vehicle’s popularity with consumers determines how much advertisers must pay to put their message there. Television networks are concerned about the size of their audiences because their advertising rates are determined by how many viewers their programming attracts. Similarly, magazines and newspapers try to boost **circulation** i.e. the number of individuals who receive the copies of a publication distributed through various channels e.g. subscription, store purchase (that explains all the free issues you get) so they can charge higher rates to their advertising clients.

### The Media Mix

Often one vehicle can’t accomplish all the goals of the campaign. For instance, no single vehicle might have the market coverage needed for the desired reach. Or it may be too expensive to achieve the desired frequency. Furthermore, some media vehicles lack the needed reach, are too expensive for the desired frequency, or are not effective for some aspects of the campaign. TV is expensive but lets the advertiser tell a good story about a new product. Magazines and print can reach specific demographics and deliver persuasive information. Billboards and other out-of-home vehicles are cheap and provide the reach and frequency to strengthen brand awareness and remind consumers of the product.

New media can stimulate buzz that spreads the message further. A recent report based on data from three thousand panelists in six major markets found that multiplatform advertising increases reach over individual platform advertising in a nonadditive way; in other words, the whole is greater than the sum of the parts. When consumers are exposed to the same ad message on multiple platforms, the campaign’s effectiveness gets a bigger boost in awareness or intention to buy[[11]](#footnote-11).

With not a lot of money to spend, the California Avocado Commission (CAC) created an integrated campaign to “reach the consumer wherever he or she might be—in the car, at work, at home, in the grocery store and at restaurants—with the ‘Irresistible California Avocado’ message,” said Jan DeLyser, CAC’s vice president of marketing. “All of the elements worked together to build brand awareness and

strengthen demand for California Avocados.” The CAC used a combination of radio spot advertising, outdoor advertising, online banner ads, trade communications, public relations, POS (point-of-sale) materials, and a dedicated Web site.

To encourage retailers to put up an in-store display, CAC provided them with the POS materials. Retailers could then enter their display in a retailer-only challenge. Every qualified entry automatically received a

$20 Amazon.com gift card, and five randomly selected grand prize winners were awarded an Apple 30GB iPod. Dozens of stores participated.

Results: the campaign generated millions of impressions and over a hundred thousand consumer entries to its game show–style “California Avocado Irresistible Challenge” to win a 2007 Toyota Prius[[12]](#footnote-12).

As media vehicles proliferate and consumers divide their time between TV, magazines, outdoor activities, computer games, etc., advertisers feel the need to diversify their media mixes. “You are going to see us more and more fragmented in our spending,” said Jim Stengel, P&G’s (recently retired) chief marketing officer. “We are spending a lot more on interactive and a lot more on mobile as that makes its way around the world. The trend of the past five years will continue, which is that TV advertising will go down as a percentage of our spending, and we will continue to move money to where the consumers are. The interesting news in all of this is that consumers are spending more time with media than ever. If the content is good, consumers will spend an awful lot of time with media.”[[13]](#footnote-13)

Media planning is the process of choosing one or more media vehicles to reach the target audience and achieve the message objectives. In most cases the best plan combines several media platforms to ensure that the message breaks through advertising clutter. Media planners assess the characteristics of different media including their cost and effectiveness to decide upon an optimal mix. They use standard measures such as reach and frequency to compare apples and oranges (e.g., TV and billboards), though the increasing use of new media makes this comparison more difficult because industry standards have not yet evolved.

### Media Scheduling

For some companies, the timing is smooth. As we saw with the Moët champagne example, the company will spend its budget throughout the year. Many other businesses step up their advertising in the weeks leading up to the Christmas holiday season. Others, such as beach apparel makers or home improvement companies whose work is done in warm weather, may concentrate their spending during a particular time of year.

Keep in mind that the budget needs to pay for more than just creating the ads and buying the media to run them. Consider a beachwear campaign for an apparel maker as an example. Although most of the campaign budget is spent in the second quarter on media buys to hit consumers with swimsuit ads as they gear up for summer, the ad agency has to allocate some of the money to laying the groundwork for this campaign. It will need to spend some money in the earlier part of the year to pay for market research, ad development, and testing. After the ads run, the last of the budget might go to assess the campaign’s effectiveness.

There are three main media scheduling strategies:

* **Continuity** – ads are run in a continuous manner with the same intensity over the scheduled time period. This is the most expensive strategy and thus limits the number of media allocations but its advantage is that it covers the entire buying cycle and provides customers with constant reminders.
* **Flighting** – over the course of the campaign, ads are run with intermittent periods of heavy advertising and no advertising. This is a more cost-efficient strategy thus allowing for the use of multiple media. However, the company is risking that during the times where their ads are not scheduled, customers will be exposed to competitive messages, which might result in the lack of retention, lower brand awareness or interest.
* **Pulsing** – combines the continuity and flighting strategy over the course of the campaign, ads are continuously run but with varying intensity at different times. Advertisers maintain an ongoing low level of advertising to remind the consumers of the brand, interspersing heavy advertising around particular times of the year. This campaign lets companies capitalize on the advantages of the former two strategies, however, it would not be suitable for seasonal or cyclical products.

Media costs will vary depending on the time of the year, week, day, etc. We also need to take into account the production costs. Ad space costs money, so advertisers think carefully about the size of ads. Larger or longer ads cost more but provide more in terms of space to tell a story and exposure to catch the consumer’s eye. A double-page magazine ad is more noticeable than a half-page ad. Short or small ads allow more frequency, more reach, or a longer campaign—an advertiser can afford to buy many more impressions in many more media vehicles with a small ad. Historically, TV advertisers only bought sixty-second spots. But allocating the budget to thirty-second or fifteen-second spots improves the advertiser’s reach. The company can reach more people and get a better reach frequency at a lower cost. Shorter spots may direct viewers to a Web site where they can get additional information. Still, sometimes longer ads are better. In radio, advertisers have found that longer ads work better than short ones: spots of forty-five seconds or more were more effective than shorter spots[[14]](#footnote-14). Media planners rely upon three basic scheduling patterns:

### Budget allocation

In addition to deciding how much to spend, companies need to know where they will be spending the money.

Figure 3.3.5. Example of Budget allocation

Description: http://images.flatworldknowledge.com/solomon/solomon-fig07_003.jpg
Media - 65%
Media Commission - 3%
Production - 5%
Promotions & Research - 13%
Agency Fee - 13%
Expenses - 1%

As we saw with the Moët champagne example, the company will spend its budget throughout the year. Many other businesses step up their advertising in the weeks leading up to the Christmas holiday season. Others, such as beach apparel makers or home improvement companies whose work is done in warm weather, may concentrate their spending during a particular time of year.

Keep in mind that the budget needs to pay for more than just creating the ads and buying the media to run them. Consider a beachwear campaign for an apparel maker as an example. Although most of the campaign budget is spent in the second quarter on media buys to hit consumers with swimsuit ads as they gear up for summer, the ad agency has to allocate some of the money to laying the groundwork for this campaign. It will need to spend some money in the earlier part of the year to pay for market research, ad development, and testing. After the ads run, the last of the budget might go to assess the campaign’s effectiveness.

## Campaign Budget Plan Framework

The first step in developing a campaign budget plan is to start with the total budget available to spend on a campaign. This budget figure works as a guardrail or constraint to keep your plans in line with the available resources. Next, think about the promotion mix you have in mind. Will there be advertising? Digital or direct marketing? Any public relations activities? And so forth. List the different methods and key tools you plan to use, and then determine how much of your budget you plan to spend on each.

### Example: Promotional-mix and budget allocation for a local ice-cream shop

The promotional mix and budget allocation for a local ice-cream shops might be as follows:

|  |  |
| --- | --- |
| ****Promotional Mix Elements**** | ****Budget Allocated**** |
| 10%: Direct marketing: email campaigns | $500 |
| 10%: Digital marketing: Web-site messaging update; contest pages, social media | $500 |
| 25%: Advertising: sidewalk sandwich boards, localized digital ads in Facebook | $1,250 |
| 45% Sales promotion: coupons, create-a-flavor contest, sidewalk samples, in-store posters | $2,250 |
| 10%: Public relations: press releases | $500 |
| Total | **$5,000** |

### Example: Detailed promotional-mix and budget allocation for a local ice-cream shop

Once you’ve outlined the promotional mix and how you plan to allocate your budget across different marketing communication methods, it’s a good idea to put together a detailed budget listing the specific elements that require out-of-pocket spending and how much they cost. In preparing the detailed budget, marketers should conduct research by contacting suppliers or comparison shopping online to confirm that they are accurately estimating the ballpark costs for each item. In the detailed budget, it is also useful to list employee labor and the time needed to execute the plan. This gives the managers of the organization better visibility into the total cost of executing the campaign. The following is a useful framework for developing a detailed budget. The detailed budget template for the same local ice-cream shop campaign might be as follows:

Table 3.4.2 Detailed budget template

|  |  |  |
| --- | --- | --- |
| Item | Purpose | Cost Estimate |
| Email-campaign template | Direct marketing: professional design for standard email template for use in multiple campaigns | $500 |
| Web-site contest pages, internal ads | Digital marketing: professional design for Web pages and forms for create-a-flavor contest, sidewalk tasting events, internal site “ads” for contest | $500 |
| Ad design work | Advertising: designer work for sandwich boards, online ads | $250 |
| Facebook ads | Facebook ads targeting local areas | $650 |
| Sandwich boards | Advertising: three sandwich boards for display outside shops | $350 |
| Coupons, contest fliers, in-store posters | Sales promotion: design and production to match other campaign-related materials | $400 |
| Coupon value | Sales promotion: estimated cost of redeemed coupons | $350 |
| Sidewalk sample cost-of-goods | Sales promotion: cost of ingredients, materials, extra labor for executing sidewalk tasting events | $1,500 |
| Press releases | PR firm assistance with press release writing, local distribution | $500 |
| Internal labor | Employee labor to execute campaign: email campaign, social media, web updates, ad purchases, contest management, local placement of coupons, fliers, overall project management | 25% time of one employee over duration of campaign |
| Total | All costs excluding employee labor | **$5,000** |

As you go through this detailed budgeting process, you may find you need to scale certain elements of the budget up or down in order to fit within the total project budget. This exercise helps marketers think realistically about the trade-offs and how to ensure the project makes the greatest impact possible with the available resources.

### Did You Get What You Paid For?

#### ROI: Return on Investment

For small companies, share of voice is often not an appropriate metric because there are so many bigger competitors who will outspend the smaller company. The online roadblock tactic might be one way of achieving share of voice that is less expensive. Perhaps a better way to set budgets, however, might be to use the return on investment approach, as we’ll see next.

Return on investment is the amount of profit an investment generates. In other words, did your action result in more (or less) than what it cost to implement? The ROI approach to budgeting looks at advertisement as an investment, not a cost. And like any investment, the company expects a good financial return on that investment. By making the investment in advertising, the company expects to see profits from that investment.

Figure 3.4.3.1: ROI

Description: http://images.flatworldknowledge.com/solomon/solomon-fig07_006.jpg
(gross profit generated by advertising - cost of advertising) divided by (Cost of advertising)= ROI
($3,000,00 - $800,000)/($800,000000)= 275%

*ROI is a way to determine the sales generated from advertising relative to the cost of the advertising.*

The idea behind ROI is that for every dollar you spend on advertising, you get a dollar-plus-something of profit in return. The challenge with ROI is that it’s difficult to interpret and analyze the contribution of a specific ad, media channel, or campaign to overall profit. Is the profit coming from a short-term sales blip or is it contributing to longer-term profits?

#### Why ROI is important

ROI is the language of business. Although many marketing people traditionally evaluate a campaign’s success in terms of intangibles like brand awareness, top management insists on more tangible results.

Advertisers face increasing pressure to translate the results of what they do into ROI terms. If they succeed, they can assure the bean counters that if they’re given a certain amount of budget, they will earn the company *x* percent more. But it’s not so easy to quantify the effects of ad messages.

Using ROI effectively depends on several factors, including visibility, the difference between revenue and profit, channel effectiveness, and taking a long-term perspective.

Online advertising is also amenable to rigorous ROI measures. Watching impressions, counting click-throughs, and using cookies let advertising managers know how many people saw an ad, clicked on the ad, and bought from the ad. Web traffic can be tracked, and advertising spending can be aligned to sales[[15]](#footnote-15).

Most advertising ROI metrics tend to focus on short-term profits from the immediate response to an ad. This emphasis is appropriate in some contexts; for example, that’s one of the big advantages of direct marketing, because the firm can immediately trace the impact of a mailing or e-mail blast and decide right away if it boosted orders.

On the other hand, brand-building campaigns produce a low ROI in terms of short-term profits, but they are crucial for the long term. In these cases, managers may need to adopt a broader field of vision and be patient. For example, one company discovered that every dollar the company spent on TV advertising yielded only eighty cents back in short-term sales. Executives were thinking of chopping the TV budget, but the general manager said, “Just because print and promotion activities have the highest ROI, doesn’t mean they should get the majority of the money. Print only accounts for a small fraction of total sales, and while TV has a lower ROI, it’s responsible for a huge amount of ongoing sales.”[[16]](#footnote-16)This reasoning shows that the bigger picture must be taken into account when managers make budget decisions. Making this case can be a daunting task for advertising agencies, especially when their clients are under pressure to show profitable returns to their shareholders.

At the end of the day, it’s all about ROI. Ad agencies and other promotional companies are coming under increasing pressure to show specifically how their activities deliver value to the client—by quantifying how much financial return the client receives in exchange for the money it spends to advertise. Showing ROI is difficult when many campaigns are more about building long-term awareness and loyalty than prompting immediate purchases (sales promotions, online advertising, and direct marketing are better able to link specific messages to specific results). However, there is a silver lining: this greater discipline forces advertising agencies to be more accountable—and in the process perhaps change the mindset of managers who tend to view advertising as a cost they need to minimize rather than as an investment in the brand’s performance.

## Campaign action plan template

Once you have the promotional mix and detailed budget in place, the next step is to map out key steps and milestones for executing the campaign, as well as who will execute each step. This is the campaign action plan.

For instance: If your campaign coincides with a new product launch planned for a specific date, then you need to add tactics prior to that date to support the new product launch—e.g., a Website update, a press release, and email campaign, etc. If your campaign involves attending a trade show, think through and list all the things that need to be in place to make that event successful: fliers, signage for an exhibitor booth, a product demonstration script, how to capture leads from the event, and how you will follow up with them, etc.

Internal communication is a common shortcoming in integrated marketing campaigns, when marketers do not take the time to bring their fellow employees up to speed on what’s happening and how a campaign may affect them. Be sure to include steps in the plan for communicating internally about the campaign with fellow employees and teams who need to know about it and who may help execute the campaign, directly or indirectly. For example, all employees involved in sales should be aware of any sales promotions, so they know what to expect, understand the rules for applying them, and know how to answer customer questions.

As you prepare the campaign plan, look out for ways to integrate your marketing activities, so they build on one another to amplify your message and impact. For example, use advertising to announce a sales promotion, and reinforce both with social media posts that link to your website. Think of this plan as your blueprint for using all the tools available to you to get your message out.

### Example: Campaign action plan template

A partial action plan template for a local ice-cream shop campaign might look like this:

Figure 3.5.1. Partial Action Plan Template

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Timing | Activity Type | Brief Description | Audience | Owner |
| 3 March | Designer creative brief | Draft a creative brief outlining all campaign elements we want designer to complete | Designer | Martina Hagen |
| 28 March | Design work complete | Approve email template, Web-site updates, digital ads, sandwich boards, posters, coupons, fliers | Local public, families, foodies | Designer with Martina |
| 5 April | Production of print materials | Complete production of posters, sandwich boards, coupons, fliers | Local public, families, foodies | Martina Hagen |
| 6 April | Employee briefing | Conduct campaign-information sessions with employees; share campaign materials, go through frequently asked questions | Employees | Martina Hagen with store managers |
| 7 April | Campaign launch: in-store | Prepare in-store display for campaign: posters, fliers, coupons, contest information | Store customer | Store managers |
| 7 April | Campaign launch: digital | Activate and test website updates and campaign pages/forms; send targeted campaign email messages about contest and sidewalk tasting events | Store “friends” email list; purchased residential email list | Martina Hagen |
| 8 April | Campaign launch: Social media | Initiate social media activity: Facebook ads, daily social media posts from store, employees, friends | Local public, families, foodies | Martina Hagen |
| 16 April | Sidewalk tasting event #1 | Hold sidewalk tasting event at downtown store, 12:30–4:30 pm | Walk-up traffic, local customers, and friends | Designated store employees with Martina |
| Etc. | Etc. | Etc. | Etc. | Etc. |

Internal communication is a common shortcoming in integrated marketing campaigns, when marketers do not take the time to bring their fellow employees up to speed on what’s happening and how a campaign may affect them. Be sure to include steps in the plan for communicating internally about the campaign with fellow employees and teams who need to know about it and who may help execute the campaign, directly or indirectly. For example, all employees involved in sales should be aware of any sales promotions, so they know what to expect, understand the rules for applying them, and know how to answer customer questions.

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