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**The Complexity of Marketing Today**

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# The Complexity of Media Planning Today

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# The Complexity of Media Planning Today

Abstract

*Today, because of media fragmentation and diverse viewing habits across consumers, marketing has become increasingly complex. Firms have developed new strategies to deal with this changing environment. The first is the sophisticated use of information to allocate marketing spending. In fact, experts who provide assistance in media buying have become increasingly common. Unless firms understand the value that these experts provide and how best to make use of it, media fragmentation will significantly reduce the effectiveness of marketing. Second, major improvements in the quality and quantity of consumer information (due to information technology) and the growth of targeted media vehicles (due to media fragmentation and new communication channels) imply that firms now have the know-how and the means to precisely target advertising to segments of consumers within a market. This has critical implications for firms. How much should a firm pay to target advertising messages precisely? Will better targeting lead to higher or lower advertising expenditures? Are there ethical issues that need to be considered given the increased effectiveness of marketing communication? This article considers these questions and suggests approaches that can be employed so that marketers realize high performance from money spent on communication.*

**Key Words:** complexity, media fragmentation, market research, targeting, targeted advertising

# The Complexity of Media Planning Today

## 1.0 Introduction

Lord Leverhulme is credited with having stated that "Half the money I spend on advertising is wasted and the trouble is I don't know which half."[1] Marketing has always been an expensive endeavour and the benefits created by marketing are generally realized long after the expenditures have been made. Today however, many marketers would be delighted if only half their money was wasted.

Media fragmentation has made it difficult to cost-effectively inform a mass audience about one's products and services. In addition, consumers now have increasingly diverse habits with regards to media. Newspapers, radio and television are still the primary communication vehicles. But even these are not what they used to be. Newspapers and television are no longer local media. While national newspapers have been around for a while, it is not surprising to see business people reading the *Wall Street Journal* and the *Financial Times* as they ride to work on the TTC in Toronto, the RATP in Paris or the MRT in Singapore. In addition, people around the globe watch CNN, ESPN and HBO via satellite in homes, hotels and in bars. The Internet, targeted mailings, telemarketing and SMS messaging are also important communication vehicles for marketers in many countries (for example, SMS messaging is a key component of media activity for cosmetic marketing in China).

How can firms manage marketing activity to ensure that it is not lost in the sea of messages and noise that confronts today's consumer? In this article, I explore a number of critical aspects of this problem and suggest approaches that can be employed so that money spent on communication generates results. In categories where competitors offer similar products at competitive prices, communication and marketing is where the battle is fought. The quality of communication and the ability to create a perceptual relationship with consumers will be the factors that determine success or failure.

[1] This statement has also been ascribed to John Wanamaker (a 19th century department store owner). The Wanamaker chain was the original sponsor of the PGA golf tournament.

## 2.0 Market Research and Media Experts

First, lets discuss how firms are coping with media fragmentation. Because of the increased number of options that firms have to communicate with consumers, the allocation of media is increasingly complex. As a result, marketers have looked to experts to assist with this challenge. In fact, firms that provide services to assist with media allocation have become increasingly common. Beyond the media buying arms of major advertising companies, there are now consultants and companies that describe themselves as media experts (Soberman 2002). Examples of media-expert companies include Carat, Mediacom and Starcom. These firms commit significant resources to collecting information that links the media habits of viewers to their consumption patterns and lifestyles. An interesting example of the type of information sold by media experts is the finding (based on proprietary research) that the TV show that "active sportsmen" in Britain most identify with is ``the Simpsons" and not BBC's Sunday Grandstand or a similar sports-focused programme. It is straightforward to see how this information might be quite valuable to a firm that is interested in advertising its products to "active sportsmen". In addition, these companies often provide access to media channels or vehicles that target specific segments that may be of interest to marketers. A number of typical examples are provided in Table 1.

**Table 1**
**Examples of Services Offered by Media Experts that Improve Media Efficiency**

| Media Expert* | Target | Source of Media Efficiency | Year |
|---|---|---|---|
| O&M Direct, London | High potential buyers of phone cards | Identification of UC Admission Service to reach parents whose children are about to go to university | 1995 |
| Real Media Inc., NewYork, NY | Men over 40 with income > $90,000 | Ad-targeting technology using NY Times database | 1997 |
| On Target Solutions, Cincinatti, Ohio | Families with an asthma sufferer | Direct to Patient media: reaches prospects in physicians' offices | 1999 |
| VentureDirect Worldwide, New York, NY | B2B Customers in 23 separate segments | Integrated DM, e-mail & web communication | 2000 |

*Sources available on request from the author

Table 1 also underlines that media experts are relevant to Business-to-Business categories as well as to Business-to-Consumer categories.

An additional source of valuable information for marketers are databases compiled by market research firms on the behavior and consumption habits of consumers. These databases contain individual level information on millions of consumers that can be used to form groups of high potential buyers for targeted marketing efforts. This is the primary activity of companies such as ICOM, Experian, Acxiom and Donelley Marketing. For example, ICOM of Canada distributes surveys to households on a regular basis and the promise of special offers and future mailings encourages participation. One section of ICOM's survey concerns the social issues that respondents most identify with (choices include animal welfare, environmental issues, the arts, health and religious causes). This information is then used by many organizations (the sellers of various products and services) to improve the performance of their spending. Experian is the only market research company in the US that has an extensive database on the credit worthiness and financial status of individuals. Donelley Marketing is the only research company that possesses information on the characteristics of firms and individuals based on their involvement in Yellow Pages telephone listings.

These observations raise two key issues for firms that are committed to maximizing the effectiveness of their advertising spending.

*Prioritize: Do Less But Do It Better*

First, depending on the market and the type of consumer, there may only be one viable provider of media information. In many situations, "sellers of information" are natural monopolies (see for example, Admati and Pfleiderer 1986 and Pasa and Shugan 1996). This is true for two reasons. First, the bigger a database is, the more likely a marketer can sort through the database and find a critical mass of consumers within that database that fits specific target requirements. Second, the costs of storing, processing and sorting data are primarily fixed. Thus, the bigger a database is, the lower is the cost to process each unit of information within the database. As a result, the owners of large databases have the ability to offer greater functionality and services to marketers. Because the sellers of this information often enjoy monopolylike situations, the best information is often quite expensive. This means that firms need to decide carefully which information to buy. In addition, firms need to establish clear priorities. It is often better to do less but to do it with impact. One of the most difficult things for a firm is to set objectives that are both ambitious and feasible.

*Look to Non-Traditional Sources for Marketing Information but be careful*

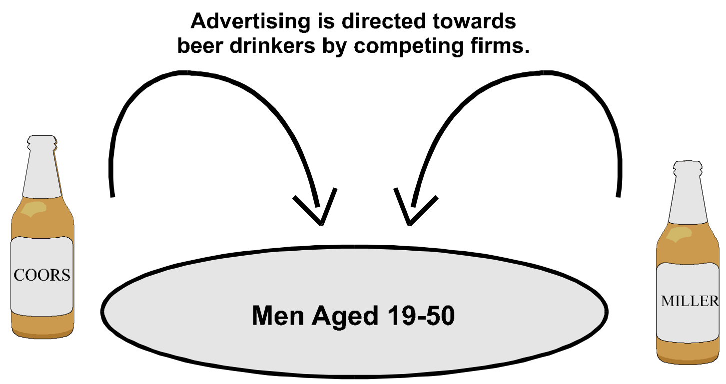
There has been a significant clouding in the distinction between what defines advertising agencies, marketing research companies, marketing service companies, or media experts. In the past, large marketers could categorize their suppliers easily and knew what each was doing. This is no longer the case. BATEY, a member of the WPP group of companies, is one of Asia's best-known advertising agencies. It has been the advertising agency for Singapore Airlines for decades. Yet in client presentations, BATEY executives now identity themselves as a marketing services company. Similarly, ICOM was founded in the 1980's as a targeted direct mailing company yet its primary activity today is that of selling information to help firms improve the effectiveness of their marketing. These changes make managing the marketing function even more difficult. Non-traditional suppliers are often the best sources of information to improve media effectiveness. This means that marketing managers may need to look beyond their ad agency for advice on how to improve media effectiveness. In addition, many suppliers are venturing into new territory and proposing initiatives that are atypical for both themselves and clients. This clearly increases the risk for clients and suppliers.

## 3.0 The Means and the Ability to Target Media

Two critical changes in the last 20 years have been a) major improvements in the quality and quantity of consumer information (due to the information technology) and b) the growth of targeted media vehicles. The growth of targeted media has been driven by the fragmentation of existing media and a multitude of new advertising media (the Internet, satellite shopping channels, and infomercials).

Traditionally, the objective in media planning was to minimize wasted advertising by reducing the quantity of advertising sent to consumers who were not interested in the product category. For example, consider the challenge of effective media buying in the U.S. beer market. In the past, this amounted to maximizing the amount of advertising sent to adult males and minimizing the amount sent elsewhere. The traditional media strategy for beer advertising is shown in Figure 1. Until recently, most models of informative advertising were based on the assumption that firms within a category has similar targets for their media (Butters 1977 and Grossman and Shapiro 1984).

**Figure 1**
**Traditional Media Buying in the Beer Market**




In these conditions, the objectives for the media buyers of beer manfucaturers were pretty straightforward. They were typically met through heavy buying of sports programming.

Today, the complexity of media buying (even in the beer market) is higher. Media planning entails detailed objectives with narrower consumer segments. Consider the media strategies of Miller Lite and Coors Light, two key competitors in the U.S. light beer market. Research has shown that the light beer market is comprised of distinct demographic groups which vary in their consumption profile. Miller Lite, the "diet beer", has traditionally been directed to mature male beer drinkers in their mid to late thirties who are concerned about their waistline. In contrast, Coors Light has been more popular among young and relatively new beer drinkers (men and women in their early 20's). While these two segments are perhaps the most attractive in the light beer market, a substantial proportion of light beer consumption resides in an intermediate segment comprised of young adults in their late twenties to early thirties. These consumers are less committed in their brand preference. A critical question for brands (like Coors Light and Miller Lite) is how to allocate media budgets between segments where they have a strong following and segments of consumers who are less committed in their preferences. Moreover, this question is important for the marketers across many categories. In Table 2, I outline 3 well-known U.S. categories where manufacturers face a similar question regarding their media allocation.

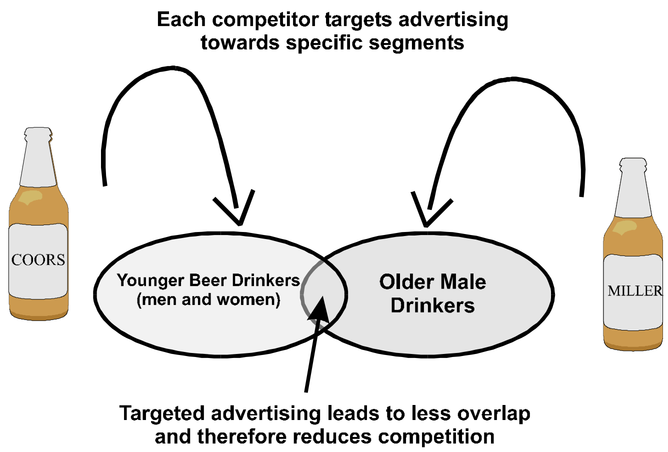
**Table 2**
**Media Trade-offs when Targeting is Possible**

| **Automobile Tires** | | | | |
|---|---|---|---|---|
| **Brand A** | **High Preference Segment for A** | **Uncommitted Segment** | **High Preference Segment for B** | **Brand B** |
| Michelin | Customers who care primarily about durability | Customers who care about both durability and performance | Customers who care primarily about performance | Goodyear |
| **Breath Mints** | | | | |
| **Brand A** | **High Preference Segment for A** | **Uncommitted Segment** | **High Preference Segment for B** | **Brand B** |
| BreathSavers | Customers who care primarily about refreshing taste | Customers who care about both taste and eliminating bad breath | Customers who care primarily about eliminating bad breath | Clorets |
| **Family Restaurants** | | | | |
| **Brand A** | **High Preference Segment for A** | **Uncommitted Segment** | **High Preference Segment for B** | **Brand B** |
| Red Lobster | Families who prefer seafood and fish meals | Families who enjoy significant variety in their cuisine | Families who prefer vegetarian and/or health-oriented cuisine | Olive Garden |

With the variety of media channels and programming that are available today, firms need to weigh the consequences of targeting and make tough decisions.

Recent research has shown that firms can reduce price competition by using targeted advertising (Iyer, Soberman and Villas-Boas 2004). A firm accomplishes this by targeting heavier advertising to consumers who are strongly predisposed to buy its product at the expense of advertising targeted to consumers who are less committed in their brand preferences. In Figure 2, I consider a hypothetical beer market in which there are only two competitors: Coors and Miller. When the two firms employ targeted advertising strategies, a smaller fraction of the market is exposed to the advertising of both products.

**Figure 2**
**Targeted Media Buying in the Beer Market**




This reduces price competition for two reasons. First, when a smaller fraction of the total market is informed about both brands (and willing to drink either product), less price comparisons are made.[2] This reduces the incentive of the firms to reduce price. Second, targeted advertising means that consumers who have a strong pre-disposition to a firm's product are targeted by that firm. After seeing the advertising, these consumers are almost certain to buy and are willing to pay high prices. In a sense, advertising can be used by competing firms to *create differentiation* in the market. This has two critical implications for marketers:

*The Targeting of Media Spending is One of the Only Actions that can be Win-Win for all Competitors*

Many marketing initiatives such as Internet distribution, better after-sales service and additional product features only provide temporary advantages within a market. Once the competition adopts similar initiatives, the profits of all firms are lower because the initiatives simply increase the cost of doing business. These issues are highlighted in studies such as Hermalin (1993) and Cabral and Villas-Boas (2004). In contrast, the targeting of media spending to create differentiation (as described above) can be a win-win situation for all firms. It allows firms to reduce the degree they compete with each other (without breaking any laws!).

[2] A key message of informative advertising studies such as Benham (1972), Cady (1976) and Steiner (1973) and Milyo and Waldfogel (1999) is that higher levels of advertising lead to consumers making more direct comparisons of the prices of competing products.

*Overall Media Spending can Increase or Decrease with Targeting*

One of the natural consequences of targeted media is that less media is wasted. Firms can reduce the quantity of media that is sent to consumers who have no interest in their products. Consider the previously discussed example from the US beer market. While sports programming allows many adult males to be exposed to beer advertising, it also exposes beer advertising to many adult females and under-age individuals; sports programming is popular with many segments. With traditional methods, a significant amount of advertising is wasted on consumers who lie outside the targeted segment.

This suggests that targeting should reduce advertising spending since waste can be eliminated. However, advertising is a relatively blunt instrument without targeting. As a result, many firms under-spend on advertising; quite simply, many firms have not seen results for the money they have invested in the past, nor do they understand how their advertising can be made more effective. If the right segments are targeted and the right channels are used to reach those segments, targeting has the potential to make advertising much more effective. As a result, the targeting of advertising can also lead to increases in spending.

## 4.0 Proliferation in the Media Options available to Marketers

The natural mechanics of mass-media advertising do marketers a great service by selling advertising spots exclusively (Soberman 2003). When consumers get information about one firm's product, they generally do not get information about the competitive products (except when advertising is comparative).

As a result, advertising creates different groups of consumer based on the advertising they have seen. The fact that some consumers have limited information on the products within a category is good for firms. When a consumer has limited information about the alternatives in a category, she makes fewer comparisons. This helps to keep prices high. In fact, the heterogeneity created by advertising is largely responsible for the fact that firms make positive profits in markets where the products or services are undifferentiated (for example, categories like yoghourt, bottled water and mainstream beer).

In the past, the majority of media was spent to purchase spots on prime-time network TV. Not only has significant TV viewing moved away from prime-time network TV but the manner by which media is sold has also changed. Thirty second spots on prime-time TV still play a critical role in the execution of many media plans; however, significant media spending is now allocated to comprehensive media packages that include a certain number of advertising spots, sponsorships, signage, billboards, product placements, supers (in sports scoreboards for example) and credits (at the beginning and the end of  media property). This is especially the case with major sporting and cultural events such as the Olympics, the Super Bowl, the Euro 2004 (the European Football Championship, “Just for Laughs” in Montreal, La Fete de Musique in France and the Tour de France.

For example, an advertising sponsor of TSN’s Passport to Skiing (a weekly magazine on the world of downhill skiing) obtained exclusivity for their category, two 30 second spots during each programme, signage that was visible during the filming of the programme, visibility and sampling during several on-hill events, and logo identification on brochures that were widely distributed to ski resorts.

The move away from 30 second spots on network TV to alternate media options such as media packages and cable and specialty channels has major implications for marketers.

*Category Exclusivity, an Endemic Characteristic of Media Properties is Beneficial for All Competitors*

Marketers often bid substantial sums in order be the official or exclusive product of a media property. Clearly, exclusivity is attractive to the winning bidder (Dukes and Gal-Or 2004). Major events often lead to significant boosts in awareness for official sponsors. But exclusivity also means that media activity creates greater consumer heterogeneity: it means that the groups of consumers that are being informed about competing brands are independent and have less overlap. As noted by Grether and Plott (1984), many explanations for prices that exceed "competitive levels" entail this type of imperfect information in the product market. This helps all brands in the category not just the exclusive sponsor. Indirectly, the owners of media properties do marketers a great service by offering exclusivity.

*Many Non-Traditional Components are Included in Media Packages*

In the past, 30 second spots were purchased at rates based on the demand for media and the nature of the audience. Marketers could compare the performance of a plan proposed by their advertising agency to industry norms. Now, many media packages include items like supers, rink or field board signage, product placements and the like. These components clearly have value but how much? A key challenge for marketers is to figure out what these components are worth. To evaluate the attractiveness of a media package like Passport to Skiing that includes multiple components over and above advertising spots, a marketer must be able to place a value on each component. Misestimated values for media packages will lead to under or over bidding for media properties and this can be deadly in a tough market.

## 5.0 Sounds Exciting but there are also areas where Marketers must tread carefully

Until now I have focused on the positive but challenging aspects of marketing created by media fragmentation and increased complexity. It is also useful to underline a couple of areas where marketers must exercise care with their new found capabilities.

*Privacy*

The technological changes cited above certainly bring benefits to consumers and firms. However, because tremendous quantities of information are used and processed, the consuming public has significant concern about the invasion of privacy through the unsolicited exchange or analysis of data (Wang, Lee and Wang 1998). Misuse of information such as the resale by marketers of customer lists can result in negative customer reaction and in extreme cases, legal action. In addition, many electronic services make it possible for firms to monitor the behavior of consumers without their consent. A key challenge for marketers will be to learn how to use consumer specific information to deliver high value to consumers without violating their privacy.

*Ethics*

According to a report in *The Economist*, the average consumer now sees more than 3,000 commercials per day.[3] Not surprisingly, many consumers may feel that their lives are constantly being invaded by companies trying to sell them things. A typical example of this is the telemarketer who always phones at dinnertime because she/he knows that the target is likely to be at home. A secondary effect of media fragmentation is that companies can now hone in on consumers when they are most vulnerable to the company's pitch (through timing or the occasion that the message is delivered). In fact, companies sometimes have the ability to convince people to do things that are not in their best interest. There are many cases of telemarketers targeting senior citizens who may be particularly vulnerable to aggressive sales pitches due to infirmity or loneliness. In the past, this was less of a problem because telemarketers phoned random numbers within an area-code to conduct their campaigns. Today however, telemarketers can target specific demographic groups by linking databases to electronic phone directories.

Clearly, there should be limits on the types of marketing initiatives that firms employ. Citizens should not find that the only way to avoid the harassment of frequent telemarketing is to take unlisted phone numbers. Today this is often the only answer. Consumers should have recourse when a telemarketer is rude or unduly aggressive during a sales call. Unless the telemarketer reveals the name of her company early during a phone call that ends abruptly, consumers have no recourse.

The capability that firms have to convince people to buy things is high today. It is important that this capability be balanced by ethical concerns for protecting consumers from activities that are either intrusive, overly aggressive, or fraudulent.

## 6.0 Conclusion

In the last 10 years, viewing habits have shifted, marketers have gained access to better-quality information and are now able to process that information more efficiently to control marketing activity. Marketers therefore have an opportunity to develop more effective media strategies. But using targeting is a difficult and

[3] See "Special Report: The future of advertising", *The Economist*, June 26, 2004.

intensive process that requires a proper understanding of the link between consumer behaviour and media habits. Moreover, a marketer who fails at this task will find that performance deteriorates more quickly than it did in the past.

In the early twentieth century, the successful marketer was someone who had a "gut feel" for the customer. By the late twentieth century, marketers could draw on sophisticated segment-level information to guide their decisions. Today however, marketers have the ability to target media with unprecedented accuracy. Even though it is now easier to waste money on marketing, it is also possible to be much more effective. The rationale for marketers to complain that half of their marketing spending is wasted is now much weaker.

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