

# MARKETING COMMUNICATIONS

Sixth Edition

## A EUROPEAN PERSPECTIVE

Patrick De Pelsmacker, Maggie Geuens  
and Joeri Van Den Bergh



 Pearson

# MARKETING COMMUNICATIONS

## Sixth Edition

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## A EUROPEAN PERSPECTIVE

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## PREFACE

Marketing communications are not only one of the most visible and widely discussed instruments of the marketing mix, with an overwhelming impact on both society and business, they are also one of the most fascinating. Every private consumer and business executive is exposed to advertising. They make use of sales promotions, are approached by sales persons, visit trade fairs and exhibitions, buy famous or not so famous brands, are a target of public relations activity, are exposed to sponsorship efforts, receive direct mail, telemarketing or research calls and visit stores in which no stone is left unturned to influence their buying behaviour. Furthermore, almost every consumer is a regular user of the Internet.

Marketing executives constantly face the challenge of integrating their promotional effort into strategic management and marketing plans. They must integrate the various instruments of the marketing communications mix, build successful brands, try to find out how marketing communications can be instrumental in achieving company objectives, and how they can be applied in specific marketing situations.

Following the success of the first five editions, this sixth edition of *Marketing Communications: A European Perspective* continues to offer a comprehensive overview of the cornerstones, techniques and applications of marketing communications in a European context.

### **The market**

This text is geared to undergraduate and postgraduate students who have attended introductory courses in marketing, and who want to extend their knowledge to various aspects of marketing communications. The text can also be used by marketing communications professionals who want an overview of the whole field and may find inspiration and new angles to their marketing communications practice in the many examples, cases and research results that are covered in this text.

## Organisation

The text is organised as follows. Chapter 1 provides a global overview of marketing communications and discusses the crucial topic of the integration of marketing communications activity. One of the major objectives of marketing communications is to build and maintain strong brands. Branding is covered in Chapter 2. Chapter 3 discusses the groundwork of all marketing communications activity. It is devoted to the intriguing question of how communications influence consumers. In Chapter 4 the different steps in the marketing communications plan are covered: the definition of target groups, objectives, and budgeting issues.

Chapters 5–13 cover the marketing communications instruments: advertising (5), online communications (6), media planning (7), brand activation (8), direct marketing (9), public relations (10), sponsorship (11), and exhibitions and trade fairs (12). Chapter 13 deals with marketing communications research. In Chapter 14 the increasingly important ethical side of marketing communications is discussed.

## Pedagogy

To help reinforce key learning points, each chapter includes the following:

- Chapter Outline, which presents the contents of the chapter graphically.
- Chapter Objectives, Summaries and Review Questions and references to interview videos assist the reader in understanding the important elements and help test one's knowledge.
- Main text organised in sections and sub-sections to help students digest and retain the information.
- Tables, figures, outlines and other illustrative material help the reader grasp the essential facts.
- Separate highlights throughout the text cover extended examples, mini-cases, interesting research results or more technical issues.

- Suggested further readings offer the opportunity to refer to other, more specialised or specific sources of information on many subjects.
- An extensive European or global case study.

## **Distinctive characteristics**

- This is not just a text about advertising, supplemented by a brief discussion of the other instruments of the marketing mix. Although advertising-related topics are thoroughly discussed, this text is comprehensive in that it covers *all* instruments of the marketing communications mix.
- The text has a consistent European focus. Although research results and examples from other parts of the world are covered, the main focus is the application of marketing communications concepts in a European environment.
- Every chapter contains an extensive European or global case study in a wide variety of industries, markets and countries. Most of these cases contain original and in-depth material, often provided by the marketing executives of the brands and companies discussed. Challenging case questions are designed to encourage the reader to apply the concepts from the chapter to the solution of the case at hand. Furthermore, many of these cases can be used with more than one chapter.
- A number of chapters focus extensively on particularly important and/or relatively new fields of interest related to marketing communications. This is the case for the chapters on branding, how communications work, brand activation, online communications and ethics.
- Throughout the text, numerous examples, case studies and research results from various countries, industries and markets are given, to illustrate and make the concepts as practice-orientated as possible.

Finally, we are proud to offer instructor and student support materials on our website:

<http://www.pearsoned.co.uk/depelsmacker>. Visit this site to find valuable teaching and learning materials on *Marketing Communications*.

## CHAPTER 4

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# Marketing communications planning

### CHAPTER OUTLINE

[Insert UNFig near here]

Add a box 'online budgeting right after 'budgeting for new products

### CHAPTER OBJECTIVES

This chapter will help you to:

- Understand the process of segmenting, targeting and positioning
- Get an overview of the criteria for segmenting markets
- Understand the requirements for good segmentation
- Learn about the strategies for targeting market segments
- Understand how targeting online audiences work
- Get an overview of the various goals and objectives of marketing communications campaigns
- Understand the relation between stages in the product life cycle (PLC) and communications objectives
- Understand how communications budgets may influence communications effectiveness
- Get an overview of theoretical and practical marketing communications budgeting methods
- Optimise share-of-voice decisions
- Identify factors that influence budgeting decisions
- Decide upon a communications budget for a new product or brand
- Understand budgeting of online campaigns
- Develop a message strategy
- Choose a positioning strategy
- Compose a creative brief to develop a creative strategy

### Introduction

The marketing communications planning process consists of a number of consecutive stages. The first stage in this process is a situation analysis of the current and future marketing context. This analysis leads to opportunities for existing product lines in new or existing markets, or new product ideas for new or current markets. Usually, this analysis is done when developing a marketing plan on the basis of which a communications plan has to be built. The situation analysis provides the answer to the question: why do we have to communicate?

In most circumstances a market has different groups of customers or prospects with different needs and subject to different trends. Identifying these different market segments and deciding at which segment(s) to target the communications efforts is a second major task of communications planning: whom are we going to communicate with? Subsequently, it is crucial to the planning process to set the main communications objectives. These goals will influence message and strategy development, and determine the choice of the right communications and media mix. Formulating marketing communications objectives is also important in judging the effectiveness of a campaign. The question of whether a communications plan has been effective depends on the goals that were defined for that specific campaign. It is therefore impossible to judge campaigns or individual communications executions without a precise definition of marketing communications objectives: what do we want to achieve? Additionally, a budget has to be decided upon.

Once these building blocks are established, a communication strategy has to be developed. Which messages are we going to convey and how are we going to translate them into a creative platform, in other words: what are we going to communicate and how? Strategy is followed by tactics: which tools and media are we going to use to contact the target group? Based on this information, the plan can be implemented. Finally, the results of the campaign have to be evaluated, and its effectiveness has to be assessed. The insights from this effectiveness analysis are then used to adapt current campaigns and to inform future campaigns.

## **The communications plan**

Various formats exist to visualise the steps in a communications plan, none of which is necessarily superior to the other. One of them is represented by the acronym SOSTCE: situation, objectives, strategies, tactics, control and evaluation.<sup>1</sup> Another one is called SOSTAC: situation, objectives, strategy, tactics, action, control.<sup>2</sup> The format we are going to use here is presented in Figure 4.1.

**[Insert Figure 4.1 near here]**

## **Situation analysis**

Marketing communications, as one of the instruments of the marketing mix, have to be embedded in the overall marketing strategy of the company, which, in turn, has to be consistent with the corporate or business plan. Therefore, a marketing communications plan has to be consistent with the overall marketing objectives, targeted at the desired market segments and it should reflect the positioning strategy defined. The situation analysis or situation audit, including strategic communications research, will therefore partially overlap with strategic marketing research. Although the situation analysis is a frequently neglected research task, it is highly important, since it enables the communications manager to establish a solid base on which the communications strategy can be built.

The situation analysis needs to be a comprehensive assessment of the company, its products and brands, and its competitive and macro-environment. In that respect it will partly need to draw upon the external and internal analysis and the SWOT analysis needed to develop a marketing plan. Elements that have to be investigated are:

- **Products and brands to be communicated.** What are their unique strengths and weaknesses, what is the unique selling proposition to be advanced, what could be the communication platform, i.e. the arguments with which to convince the target group, etc.?
- **Markets.** What are the market size evolution, market shares, market segments, consumer characteristics and behaviour, etc.?

- **Competitors.** Who are our competitors? What are their strengths and weaknesses, and their (communication) strategies?
- **Macro-environment.** Elements of the PEST model may be relevant for a marketing communications situation analysis: what are the Political and legal restrictions or regulations; the Economic situation; Sociological concerns, such as advertising to children and sustainable production and consumption; Technological evolutions, such as new media and new advertising formats, etc.?

Apart from that, analyses can be carried out to more specifically prepare the communications strategy, such as the communications audit, competitor communications strategy research, communications content research and management judgement tests.

In a **communications audit** all forms of internal and external communications are studied to assess their consistency with overall strategy, as well as their internal consistency. The audit can be carried out on the basis of an internal analysis, but should ideally be based on research with the various audiences and target groups of the company. A framework for a communications audit is presented in Table 4.1. The consistency of the communications mix in this table can be assessed both vertically and horizontally. In a vertical analysis, the consistency of all tools and instruments used to communicate about a brand is investigated to assess to what extent the actual communication efforts are truly integrated. In a horizontal analysis, communications in specific media are checked for consistency across brands and corporate communications. Obviously, horizontal analysis only makes sense in a monolithic branding environment. In a multi-branding environment, there is no need for consistency across brands. On the basis of this communications audit, the communications strategies of different brands and/or instruments can be adjusted.

**Table 4.1** The communications audit

	<b>Brand A</b>	<b>Brand B</b>	<b>Brand C</b>	<b>Corporate</b>
TV advertising				
Newspaper advertising				

Online communication

Magazine advertising

Sales promotions

Direct mail

In-store communications

Front desk staff

Public relations material

Publicity

Sponsorship

**Competitor communications strategy research** is largely similar to the communications audit for the company. Competitive ads, promotions, PR material, etc., can be collected and analysed to judge competitive (communications) strategies in order to define target groups and positioning strategies more clearly for the company's own products. In addition, competitive media strategies and media mixes can be studied, not to copy them, but to get an idea of the competitors' communications budgets and shares of voice, target groups, positioning and communications strategies.

Very concretely, **communications content research** is used to help communications creatives generate ideas about the content of new communications stimuli. When a new campaign is to be launched, brainstorming sessions can be organised, involving creatives, advertisers and consumers. **Thought-starter lists**, in which a multitude of potential benefits of the brand or product to be promoted is listed, may also be used to get the process underway.

### **Segmenting, targeting and positioning**

Brands and products are seldom capable of appealing to everyone or to everyone in the same way. Consumers have different characteristics, different needs, and different ways in which they want to satisfy their needs. Therefore, companies have to find out in what way market segments are different with respect to their products and brands, or react differently to marketing communications actions, and which segments to target their efforts to.

Companies can define target markets in a number of ways, based on several criteria. Segmenting a market, deciding on target groups or segments to focus on are at the same time vital components of the strategic marketing plan and basic cornerstones of a communications strategy. Understanding the buying motives and behaviour of target groups is an essential element of this groundwork and requires thorough preliminary analysis. The choice of well-defined target groups should, later in the communications planning, be reflected in the selection of communications objectives, communications strategies, communications instruments, campaign execution and touch point planning.

Table 4.2 lists the various steps in the segmenting–targeting–positioning (STP) process. The STP exercise starts with a definition of potentially relevant factors on the basis of which a market can be segmented. **Market segmentation** should ideally lead to more homogeneous sub-groups in that the members of one group should react in the same way to marketing stimuli and differ in their reactions to these stimuli from the members of other segments. In other words, it is not sufficient for men and women to be physiologically different. If there is no systematic difference between the two groups in the way they react to marketing stimuli, there is no sound reason to distinguish between them. For example, the furniture market includes different segments such as home and business markets. These segments can be further divided: home markets include student home furniture, design furniture, classic furniture, etc.; business markets include, for instance, office furniture (for small/large companies), hotel furniture, etc.

In stage 2 of the STP process, segmentation variables can be combined to form segmentation profiles. In fact, by combining segmentation variables, multivariate segmentation takes place. Various analytical techniques, such as cluster analysis, conjoint analysis, multidimensional scaling and automatic interaction detection, are being used to identify segments on the basis of multiple variables.<sup>3</sup> Once segment profiles have been identified, their attractiveness can be assessed. Segment attractiveness will depend on the size and predicted evolution of sales, buying power and the amount of competition targeted at the same segment.

**Table 4.2** Segmenting, targeting and positioning

1. Definition of segmentation criteria
2. Definition of segment profiles
3. Assessment of the attractiveness of segments
4. Selection of target groups
5. Definition of the desired unique position in the mind of targeted consumers

On the basis of this analysis of attractiveness, the marketer will select a number of target groups to focus on, based on their attractiveness and for which the company has relevant strengths. This is called **targeting**. All further communications objectives, strategies and tactics will be aimed at these specific groups. Hence, the communications mix may differ depending on the different target markets a company is focusing on in its communications programme. For example, IKEA, the Swedish international ‘takeaway’ furniture distributor, could target the segment of young home users with a limited budget interested in designer furniture by offering a special designer furniture line. Or it could capitalise on the trend that teleworking and self-employment are increasing and develop a home office furniture line for this targeted segment.

Finally, the company has to define a unique and relevant position for its products in the mind of the target group. **Positioning** can be defined as the way a product is perceived by the target group on important attributes, the ‘place in the mind’ a product occupies relative to its competitors. Positioning is a core element of marketing strategy and hence of marketing communications. Indeed, marketing management can be defined as finding and sustaining a unique and defensible image or position for a product. Unlike imitating successful competitors, positioning attempts to claim exclusive ‘ownership’ of a benefit in the mind of the customer which differentiates it from the competition.<sup>4</sup> This position is the brand or product uniqueness, which should always be claimed and supported in the communications strategy.<sup>5</sup> Several examples of successful positioning can be given. Mercedes stands for luxury, Volvo for safety, Miele (dishwashers, washing machines, etc.) for quality, Levi’s for the original American jeans

and Duracell batteries for power. Positioning will be further discussed later in this chapter, in the 'strategies' section.

## Market segmentation

Market segmentation is the process of dividing consumers into homogeneous groups, i.e. groups that share needs or react in a comparable way to marketing and communications efforts.

Different variables or criteria can be used to segment a market. Table 4.3 presents a framework and some examples of variables used to segment consumer markets.<sup>6</sup> Objective segmentation variables are variables that can be measured objectively and straightforwardly. Inferred constructs have to be defined before people can be classified into groups. For instance, the construct 'lifestyle' has to be operationalised before any one consumer can be attributed to a lifestyle group.

General factors are segmentation variables that hold in all behavioural circumstances. A person always has a certain age, no matter what buying situation he or she is in. On the basis of specific or behaviour-related variables, consumers can belong to different segments depending on the product class or buying situation concerned. For instance, a person can be a loyal buyer or a heavy user of chocolate or a chocolate brand, but an infrequent and brand-switching consumer of margarine.

**Table 4.3** Consumer market segmentation variables

	<b>Objective</b>	<b>Inferred (psychographic)</b>
<b>General</b>	Geographic	Social class
	Demographic (income, gender, age, education, profession, life cycle)	Personality
		Lifestyle
<b>Specific (behavioural)</b>	Occasion	Benefit
	Loyalty status	Buyer readiness
	User status	
	Usage rate	

Markets can be divided into different **geographic segments** such as continents, climate, nations, regions or neighbourhoods. Consumer behaviour and buying patterns often denote cultural differences and therefore the place where consumers live may require other marketing mix approaches. For instance, Starbucks Corporation faced challenges when opening international franchises in several European countries that have strong traditions of coffee bars, such as Italy and Spain. Locals were not accustomed to Starbucks' core concept of takeaway coffees. This segmentation method is often combined with other criteria. A marketing area is first defined geographically and subsequently other segments within this broad geographic area are identified.

## **BUSINESS INSIGHT**

### **Acorn profiles of residential neighbourhoods in the UK**

Acorn is an acronym for 'a classification of residential neighbourhoods'. These describe residential areas in terms of geographical and demographic characteristics of their inhabitants. The Acorn profile currently consists of 6 categories, 18 groups and 62 types.

The categories and groups are as follows:<sup>7</sup>

1. Affluent achievers
  - A. Lavish lifestyles
  - B. Executive wealth
  - C. Mature money
2. Rising prosperity
  - D. City sophisticates
  - E. Career climbers
3. Comfortable communities
  - F. Countryside communities
  - G. Successful suburbs
  - H. Steady neighbourhoods

- I. Comfortable seniors
- J. Starting out
- 4. Financially stretched
  - K. Student life
  - L. Modest means
  - M. Striving families
  - N. Poorer pensioners
- 5. Urban adversity
  - O. Young hardship
  - P. Struggling estates
  - Q. Difficult circumstances
- 6. Not private households
  - R. Not private households

**Demographic segmentation** divides the market on the basis of sex, age, family size, religion, birthplace, race, education or income. These segmentation variables are frequently used, not only because they correlate with other variables such as consumer needs, but also because they are less difficult to measure than others.

Diamond targets women in the UK by offering cheaper car insurance because women are better drivers and female accidents imply less severe damage. Colgate produces 'watermelon burst' and 'Minions mild bubble' toothpaste for children<sup>8</sup>.

## **BUSINESS INSIGHT**

## **BUSINESS INSIGHT**

### **Axe introduces a fragrance for women**

Since its introduction in 2002, Unilever's body spray brand Axe (Lynx in the UK) has been targeted at young men, with commercials depicting women being seduced by Axe users and then aggressively pursuing them. In 2012, Axe introduced a fragrance for women.

The new brand Anarchy, is available in different versions for women and men. The launch campaign included print and online ads and commercials on YouTube. A teaser commercial was scheduled for movie theatres and online use. To start the campaign, Axe introduced a series of branded graphic novels on YouTube and Facebook, together with Aspen Comics. The plots were based partly on consumers' suggestions, and some fans were even depicted in the comic. Previously, an Axe commercial was always about a guy using Axe and Axe facilitating the contact between the boy and a girl. Now, however, women also have an Axe deodorant to use. Of the 2.3 million 'likes' Axe has on Facebook, about 25% are by women. Women had been looking for their very own scent of Axe for a while. Only about 17% of American men use body spray. Axe has a 74% market share in the men's body spray category and it is most popular among men 18 to 24 years old, with 28% using it. As for women, 47% use body spray.

Unilever launched Axe Anarchy, the women's body spray, in a 'limited edition', with the possibility of being offered permanently, depending on sales. Anarchy is also available as a deodorant, antiperspirant, shower gel and shampoo, but only for men.<sup>9</sup>

## RESEARCH INSIGHT

### **Men might be from Mars, but women are definitely from Venus – influence of gender on the effectiveness of probability markers in advertising**

Probability markers are linguistic techniques to indicate doubt or certainty. Hedges signal uncertainty (e.g. 'Carlsberg. Probably the best beer in the world'). Pledges signal certainty (e.g. 'definitely the best beer on the market'). Two studies were conducted in which ads using different types of probability markers (hedge, pledge, no probability marker) were tested with a sample of men and women. In the first study a sample of 638 Belgians was collected via an online survey: 53.1% of the respondents were female, and the average age was 27. In the second study the participants were 331 Belgian undergraduate students (51.4% were female).<sup>10</sup>

According to the selectivity model,<sup>11</sup> women tend to process information and form judgements comprehensively, taking into account all the available cues, assigning equal importance to information relevant to themselves and to others, and exhibiting great sensitivity to detail and all relevant information. Women encode a greater number of claims than men do and process each of the claims more extensively.<sup>12</sup> In other words, women could be considered as more systematic (central) processors. Men most often do not use comprehensive processing of all available information when forming judgements. They instead tend to make use of heuristic (peripheral) processing, relying on a highly available, salient single cue or sub-set of cues. Hence, the expectation is that the presence of probability markers (both hedges and pledges) in advertising copy will have a greater impact on brand attitude and purchase intention towards advertised products for men than for women.

Studies have shown that both genders are more easily persuaded when the message content is relevant to the opposite gender's social role than to their own. More specifically, Carli found that women who use powerless language in an attempt to persuade men are considered more likeable and can influence men better than women who use more powerful language.<sup>13</sup> Moreover, men are less likely than women to rely on the opinions of others in making a judgement,<sup>14</sup> and have been described as more risk-seeking and competitive than women.<sup>15</sup> Therefore it can be expected that men will show a higher preference for hedges and will dislike pledges the most. Men are usually described as competitive risk-takers who prefer to rely on their own judgements.<sup>16</sup> Hedges may be more effectively targeted at men, as hedges represent an opportunity to take a risk and men form their own evaluation. A pledge, on the other hand, can be considered as a challenge to their status/authority and an attempt, on the part of the advertiser, to control their opinions, which might result in a form of rebellion. For men, ads using hedges will result in the most positive brand attitude and purchase intention, compared with ads with pledges or no probability markers, while ads with pledges will be the least effective.

The results of the first study show that, as expected, the impact of probability markers in advertising copy is very significant for men, but not for women. Men are more

strongly affected by the use of probability markers in advertising than women, and they show a significant preference for hedges. For women, the differences between the levels of brand attitude and purchase intention for the three manipulation conditions (no probability marker, hedge, pledge) are not significant. Women, in other words, are virtually unaffected by the presence or absence of a probability marker in advertising copy. In the second study for services, the results show that women are not particularly sensitive to probability markers in the case of hedonic buying motivation. Men, however, display a clear dislike of pledges, in both the cases of hedonic and utilitarian services. Men again display a strong preference for hedges and especially dislike pledges, while there is no difference for women.

In order to create promotional materials that will appeal to the targeted gender, when targeting men, hedges are the best strategy and pledges especially must be avoided. As women do not seem to be influenced very much by these language tactics, hedges may be an effective strategy for marketers targeting a mixed gender audience. When catering to women specifically, the focus should be on other aspects than probability markers in the claims, as no benefit in terms of brand attitude or purchase intention can be gained by any strategy here.

Besides differences between younger and older consumers, one can also distinguish between generations or age groups born in a particular period. This makes their buying responses, needs and interests different from those of people of the same age, living in a different time period. Table 4.4 shows the characteristics of three generations, i.e. baby boomers, generation X and generation Y.

Baby boomers were born in the years immediately after the Second World War. North America and Europe in particular saw a boom in the number of births in these years. Today, baby boomers are aged between 50 and 70 years and form a large and wealthy group of consumers. As a group they prefer quality products and tend not to look for bargains (unlike their parents), on average they have few children and more women go out to work.<sup>17</sup> This

makes baby boomers an ideal market for luxury and high-quality products, as well as for products for working households: a smaller car meant as the second family car, easy-to-prepare meals, child minders, etc.

**Table 4.4** Baby boomers, generation X and generation Y

<b>Years born</b>	<b>Generation name</b>	<b>Characteristics</b>
1945–1965	Baby boomers	Luxury, high-quality products, not bargain hunters, less critical of marketing techniques and advertising
1965–1980	Generation X	High spending, materialistic, ambitious, need for individualism, critical of marketing techniques and advertising
1980–2000	Generation Y	High buying power, high expectations of services and relationships, marketing and technologically savvy, less brand loyal, viral marketing key

*Source:* Based on Herbig, P., Koehler, W. and Day, K. (1993) 'Marketing to the baby bust generation', *Journal of Consumer Marketing*, 10(1), 4–9; [www.petersheahan.com](http://www.petersheahan.com); and Krotz, J.L., 'Tough customers: how to reach Gen Y,' <http://www.microsoft.com/smallbusiness/resources/marketing/market-research/tough-customers-how-to-reach-gen-y.aspx#ToughcustomershowtoreachGenY> (accessed June 2009).

From 1965 to 1980 birth rates in the USA and Europe declined, due *inter alia* to effective contraception and an increased number of divorces; people born during this period are referred to as baby busters, generation X or X'ers.<sup>18</sup> Although this segment is smaller than the baby boomers', it is an interesting target market since they do not seem to be particularly inclined to save much. Furthermore, they often received allowances from their parents, resulting in quite high spending per capita. Baby busters seem to have different characteristics from baby boomers at the same age. Firstly, they hold different values. Baby busters are more materialistic, ambitious and show a greater need for individualism, for keeping their own identity within the society. Secondly, baby busters have more marketing knowledge; they acknowledge the meaning of marketing and advertising. Thirdly, baby busters as compared with baby boomers

are said to be more cynical and more critical of advertising. They reject any attempt to lump them together in a target segment.

In many rich countries, the 1980s and 1990s were a period of rapidly falling birth rates. In Southern Europe and Japan, and less markedly in Northern and Eastern Europe, generation Y (also known as millennials or echo boomers) is dramatically smaller than any of its predecessors. This generation has never known a world without computers, email or the Internet. Their priorities are simple: they want whatever the next new product or gadget is and they want it first. Millennials do not pay much attention to marketing although this generation is the most marketed to in history. The following companies have targeted them and interacted with them effectively: Apple, Converse, Facebook and Nintendo. They all personalised their products so that each millennial youngster could fit the product to their ideas, looks and independence. This generation is fully aware of all kinds of marketing. The trick is to approach millennials openly and creatively.<sup>19</sup> Lots of gen Y choices come from peer-to-peer recommendations, which explains why viral marketing is quite successful in this age group. Living in an age where information is everywhere and where everyone can reach them, millennials are very selective about who they listen to. Via their Facebook and Google+ accounts, they get their information from one another – and not from the media. The endorsement by their friends is what they care about. They do not get this peer-to-peer information through emails, they instantly text one another, using SMS, Facebook chat or instant messaging. Email is too slow and old fashioned for them. They watch each other on YouTube and social media. And sometimes they do all three at the same time. Millennials multitask and they are good at it.<sup>20</sup>

## **RESEARCH INSIGHT**

### **Children's reaction towards traditional and hybrid advertising**

The impact of advertising on children and young teenagers has raised considerable concern among governmental institutions and professional organisations. Studies have

shown that advertising directed at children impacts on their brand preferences<sup>21</sup> and food choices.<sup>22</sup> Moreover, exposure to advertising messages might also encourage children to pester their parents to purchase the advertised product.<sup>23</sup> Children are now exposed to commercial messages through new online techniques and hybrid forms of advertising. One frequently employed technique is the adverggame, a custom-built online mini-game designed to promote a brand.<sup>24</sup>

An experiment with 125 children (11–14 years old) compared the effects of traditional TV advertising, a trailer promoting an adverggame, and the adverggame itself.<sup>25</sup> The experiment consisted of five different experimental treatments. The experimental manipulation consisted of exposure to different types of advertising for Unilever's ice lolly and ice cream brand Ola. Group 1 was exposed to a 30-second trailer in which a fictitious cartoon character encouraged the children to visit the website ([www.olakids.be](http://www.olakids.be)) and play an adverggame. Group 2 was put in front of a computer to play the actual Ola adverggame. The goal of the adverggame was to slide down an icy slope and collect as many Ola popsicles as possible. It took children about two minutes to complete the game. Children in the third treatment were asked to play the adverggame, and afterwards they were shown the trailer. In the fourth treatment, children were asked to watch the trailer and to play the adverggame afterwards. Group 5 was shown a traditional TV ad for Ola. All 125 children were randomly assigned to one of the five treatments. The experiment was conducted using groups of four children. They were taken to a room where they were given the experimental treatment, depending on the group to which they were assigned.

The number of prompts needed before correct identification of the brand was used as a dependent measure for recall. The average number of prompts needed by children in the adverggame condition was significantly higher than that of children in the traditional ad condition. Children who were exposed to the adverggame needed significantly more help to recall the brand behind the persuasive message than children who got to see a traditional TV ad. Adverggames engage children and induce feelings of telepresence, a sensation of being present in the gaming environment.<sup>26</sup> Since adverggame playing is an enjoyable experience, a feeling of being present in the adverggame can produce more positive evaluations of the brand and the game. The focus in the adverggame is on actively

engaging with the brand or the product, rather than on passive exposure to brand identifiers. This implies that gamers receive less explicit cues that could give away persuasive intentions or information about the brand, which might explain why explicit recall memory for Ola is significantly lower in the advergence condition.

## **BUSINESS INSIGHT**

### **Obama's campaign spoke to millennials . . . and they listened**

In 2008, Barack Obama approached American voters by consistently delivering a message of 'Change'. He did not *talk* to his audience but *interacted* with them. He spoke to the younger generations directly through his website [my.barackobama.com](http://my.barackobama.com) (MYBO). By using the keyword 'my' at the beginning of his domain name, he brought it to a personal level. The site allows users to take control of their relationship with the Obama brand by customising and personalising the site when they log on. The site offers the use of tagging, discussion boards, photo uploads and other interactive Web 2.0 elements. Obama also hit the millennials' hearts by talking about ending the war in Iraq, about the environment, improving education and his philosophy that every person can make a difference. This allowed youngsters to feel independent in thinking and knowing that they affect the world and are not just another number. It became trendy to vote for Obama, because youngsters saw their favourite celebrities, music groups and peers supporting him. Barack Obama also did a great service in establishing the importance of voting among youngsters who felt that their vote would not count in the big picture. He was right! Youngsters played a huge role in clinching the presidency.

### **Learning from Obama's campaign**

The millennial generation is attracted to something smart, fresh and different and found these qualities in President Obama. His success was a result of both product and uniform branding. Obama showed he was consistent with his message. He was able to reach not only the millennials, but also the baby boomers who had a chance to reminisce about memories of the 1960s and what they wanted to change then. There are parallel issues to hand with the war, corruption and health care, and Obama addressed the baby boomers

as much as the millennials. Even though they are opposed to marketing and advertising efforts, there are ways to get into contact with them. Cut the mass branding and start niche marketing, so they feel they are 'learning' about the next cool music device or clothing trend. Catch them on Facebook, not by advertising, but by starting a 'group' about your business or product and invite those who would be potential customers to join. Try appealing to college students by tailoring a line to the top colleges, as Victoria's Secret did with Pink: OnCampus (see [www.vspink.com](http://www.vspink.com)). If Barack Obama can inspire action and earn votes from historically inactive young voters together with the support of older generations, his brand strategy may turn out to be absolute and a great model for marketers to follow to reach millennials.<sup>27</sup>

In his second election campaign, Barack Obama enlarged his presence on social media networks, to get fully into contact with 'young' Americans. He, or rather the Obama campaign staff, joined Instagram in January 2012 (Photo 4.1). By doing so, the 2012 campaign tried to prove it had not lost touch with the hip digital tools that kids are using today. In less than a day, and with just two uploads, Obama already had more than 15 000 followers.<sup>28</sup> By the end of June, after posting 72 photos, his fan club increased to 930 000 followers.<sup>29</sup>

In April 2012, Barack Obama also joined Pinterest, the wildly popular social network where users pin links to items they love or find inspirational on an online board. Some of his boards include Pet Lovers for Obama, Obama-inspired recipes, The First Family, ObamArt and Faces of Change. More than 24 000 people follow his account.<sup>30</sup>

**[Insert Photo 4.1 near here]**

Consumer markets can also be segmented on the basis of household life-cycle criteria. This concept has its origin in sociology in the decade of the 1930s and has been applied in market research since the 1950s. It is founded on the fact that family changes (for instance, marriage, birth and emancipation of children, break-up of the marriage, etc.) affect both income and expenditure of households.<sup>31</sup> Consequently, each stage will imply different needs and therefore consumers can be segmented in this manner. Life-cycle segmentation and marketing is

popular in the financial sector where CRM software tools (customer relationship marketing) allow marketers to track changes in the life cycles of clients as input for a targeted marketing campaign.<sup>32</sup> Studies revealed that the importance attributed to financial choice criteria and financial services varies as consumers pass through the life-cycle stages.<sup>33</sup>

The conceptual framework of household life-cycle stages has been modernised a few times, the most recent consensus being found on the model of Gilly and Enis since it excluded only 0.5% of households.<sup>34</sup> Figure 4.2 illustrates this model.

## **BUSINESS INSIGHT**

### **Cheerios targeting young mums**

In 1941, General Mills was the first to introduce an oat-based ready-to-eat breakfast cereal, Cheerios (Photo 4.2). Since then, several fruit and chocolate varieties have supplemented the original. General Mills is also known for its long history of philanthropy, with its foundation having given more than \$420 million to non-profit organisations since its founding. In November 2009, Cheerios ran a campaign on Facebook designed to strengthen its relationship with its key demographic of mothers with young kids, the generation Y mums. Facebook was seen as the best platform to start a conversation with this target group. The campaign wanted to encourage more people to connect to the Cheerios Facebook page. Completely in line with the General Mills philanthropic tradition, Cheerios promised to donate a free book to First Book (books for children in need), for every new person who connected to the Cheerios Facebook page. Cheerios ran the campaign via Facebook's 'reach block', which guaranteed that Cheerios would reach its target audience over a 24-hour period. The company took advantage of Facebook's anonymised targeting to target women over 25 years old.

Several ads were developed: ads to communicate with the Facebook page to 'help donate a free book'; and ads to stress the healthful qualities (no artificial flavours or colours) of the cereal.

This campaign resulted in:

- an increase in Facebook connections from 8854 people on the day before the campaign, up to 133 129 after the first day of the campaign on the 'reach block';
- an engagement rate of 0.19% – the highest recorded by General Mills at that time;
- 84.5 million delivered impressions;
- more than 124 000 books donated to First Book.

Facebook has given the brand another way of staying in touch with its target group.

Cheerios is convinced that it can deliver content and messages to its core target of generation Y mums, which they would not be able to deliver via traditional media. By partnering with its fans, the company is able to tap into the collective intelligence of thousands of mums to gather and share parenting ideas with the entire Cheerios community. The company believes that real people saying real things can trump traditional brand messages, especially within social platforms. Its ability to be a catalyst for creating this valuable and authentic content is important for Cheerios.<sup>35</sup> By June 2012, Cheerios had more than 780 000 fans on its Facebook page.

**[Insert Photo 4.2. near here] + Add title: 'Cheerio's; a pioneer of oat-based ready-to-eat breakfast cereal' (photo on p. 139 of 6<sup>th</sup> edition.**

**[Insert Figure 4.2 near here]**

Segmenting markets using lifestyle or personality criteria is called **psychographic segmentation**. **Lifestyle segmentation** describes how people organise their lives and spend their time and money. These external characteristics (playing sports, going to the theatre or restaurant) are linked to a person's personality (e.g. a risk-averse person will not take up dangerous sports). Lifestyle measurement is based on the activities, interests and opinions (AIO) of consumers. AIO combine internal and external characteristics to map the lifestyle of a consumer. Activities include how people spend their money and time, e.g. work, leisure, product use, shopping behaviour, etc. Interests can be in fashion, housing, food, cars, culture, etc.

Opinions are attitudes, preferences and ideas on general subjects such as politics or economics, on more specific subjects, or on oneself and one's family.

When a company divides its market into segments referring to product or brand preferences, or involvement with categories, it adopts a **behavioural segmentation**. Consumers can be segmented on the basis of the occasion when they use a product or a brand. For instance, a brand of orange juice can be targeted at a segment of consumers drinking juice at breakfast, but there will also be a segment using orange juice in cocktails in the evening, etc. Minute Maid found out that there was an opportunity for fruit juice at home during the evening.

The Coca-Cola Company launched Minute Maid Hot & Cold as a world premiere in Belgium. It is an apple juice with cinnamon that is positioned as a refreshing cold drink during the breakfast moment and as a relaxing hot drink in the evening (tea moment), a product that can be used in different ways for different occasions.

Markets can also be divided into segments on the basis of customer loyalty. Customers can be loyal to one brand, loyal to a set of brands or brand-switchers. Obviously, marketing communications efforts can be different when targeting these different groups. Brand-switchers are mainly influenced by material incentives. Sales promotions will therefore be an important tool to get them to buy a product. Brand-loyals, on the other hand, do not have to be convinced. Advertising to keep the brand top of mind and loyalty promotions will be the main communications instruments used with this group. Consumers that are loyal to a set of brands will have to be approached with a combination of communications tools. Advertising will keep the company's brand in their choice set, while in-store communications and sales promotions will make them choose the company's brand rather than competing brands.

Markets can also be segmented on the basis of the user status of customers. An individual can be a non-user, a potential user, a first-time user, a regular user or an ex-user. Non-users are consumers who will never buy a product. They should therefore be avoided in a marketing

communications plan. Men, for example, will never buy sanitary towels for themselves. As a result, a communications plan should avoid talking to them as much as possible. Ex-users are more a target group for customer satisfaction research than for a marketing communications campaign. It will be very hard to regain a customer who has deliberately decided not to use the product anymore. Potential users need to be persuaded to try the product for the first time. Advertising, building awareness and attitude, trial promotions and in-store communications may convince them to have a go. First-time users should be converted into regular users. Advertising, building a favourable attitude and a preference for the brand, together with loyalty promotions, might do the job. Regular users should be confirmed in their favourable attitude and buying behaviour. They may be approached by means of advertising and loyalty promotions.

Markets can also be segmented on the basis of usage rate. Heavy users are of particular interest to a company because they make up the largest part of sales. Light users may be persuaded to buy and consume more of the product by means of special offers or 'basket-filling' promotions, increasing the number of items they buy.

Segmenting on the basis of benefits looked for by consumers can be done by researching all benefits applicable to a certain product category, e.g. a salty snack should be crunchy, taste good and not be expensive. For each of these benefits consumers preferring that benefit are identified and for each benefit products or brands offering that benefit are defined. This segmentation links psychographic, demographic and behavioural variables. A specific benefit for which a brand has a unique strength can be defined, and the communications effort can be targeted at the customer group preferring that particular benefit. As such, benefit segmentation is conceptually very close to positioning.

## **RESEARCH INSIGHT**

**Optimising the advertising media mix when targeting different types**

## of consumers

Using mixture-amount modelling, a study was carried to determine the allocation of advertising investments across different media that optimises the advertising response for any given total advertising effort.<sup>36</sup> In this study, it was investigated how this optimal allocation (and the resulting response) is different for consumers with different media usage patterns and different degrees of product category experience.

Advertising effort data and consumer responses were collected for 52 skin and hair care (shampoo, facial cream, soap) campaigns that ran in magazines and/or on TV in the Netherlands and Belgium between June and December 2011. To quantify the advertising effort in each campaign, gross rating point (GRP) indicators were used. A GRP value is the number of contacts of a campaign expressed as a percentage of the target audience. For each campaign, data were available on the number of GRPs that were invested in TV and magazine advertising in the six weeks preceding the data collection as input for the analyses. For the dependent variables and target group information (media usage and product experience) panel data were collected. The respondents in the study were randomly selected women in the age range of 20 to 50 (the target group), who were representative of the Dutch and Belgian population in terms of education and social status. In total, the analysed dataset contains 26 785 responses from 6679 respondents.

As the dependent variable, campaign recognition was used. It is a binary variable indicating whether or not a campaign was recognised by the respondent (as self-reported during the survey). Respondents' media usage was calculated for both TV and magazines by multiplying the frequency with which they use the medium with the intensity with which they use it. TV usage was calculated by multiplying the number of days a respondent watches TV in a normal week (1 = never watch TV, 7 = every day ) with a measure of how long she watches TV per day (1 = less than 30 minutes per day, 9 = eight or more hours per day). Magazine usage was calculated by multiplying how often a respondent reads magazines (1 = never reads magazines, 7 = seven or more magazines per week) with a measure of the thoroughness with which she reads these magazines (1 = never reads magazines, 5 = reads them thoroughly from cover to cover). The resulting magazine usage score ranges from 1 (never reads magazines) to 35 (reads several

magazines every day from cover to cover). Product category experience was measured by means of a two-item (never use – experienced user, never buy – experienced buyer) five-point scale ( $\alpha = 0.89$ ).

For a scenario with a relatively low advertising effort of 150 GRPs for respondents with moderate levels of magazine (14) and TV usage (20), an allocation of 48% to magazine advertising and 52% to TV advertising maximises the predicted campaign recognition probability. Using this optimal allocation, the predicted campaign recognition probability is 48.2%. If the advertiser increases the campaign weight to 640 GRPs, given the same consumer media usage levels as in the first scenario, the maximum campaign recognition probability increases to 66.4%. Under this scenario, the optimal media mix also shifts from 52% for TV and 48% for magazines to 55% for TV and 45% for magazines. In case of high levels of magazine (35) and TV (63) usage, for a campaign weight of 640 GRPs, the optimal media mix of 44% of magazine advertising and 56% of TV advertising leads to a predicted recognition of 93.8%. As expected, campaign recognition probability thus increases with the total advertising effort and with consumers' media usage. For a scenario that involves an advertising effort of 150 GRPs for consumers with moderate levels of product category experience (3), an allocation of 43% of the advertising effort to magazines and of the remaining 57% to TV leads to the highest predicted campaign recognition probability (46.2%). In a scenario in which the advertising effort increases to 640 GRPs, with the same moderate level of product category experience (3), the maximum predicted campaign recognition probability increases from 46.2% to 63%. The optimal allocation of the advertising effort, however, does not alter, and remains at 43% for magazines and 57% for TV.

The results thus show that both consumers' media usage and product category experience exert a substantial influence on how advertisers should allocate their efforts across media to maximise campaign recognition, especially for larger campaigns. Not surprisingly, for consumers with low magazine usage and high TV usage, a relatively larger proportion of the advertising effort should be spent on TV in order to reach the highest campaign recognition probability. Conversely, for consumers with high magazine usage and low TV usage, a relatively larger proportion should be allocated to magazines.

Even in this case, however, a large share of the effort should still be allocated to TV advertising. The relative proportion of magazine advertising required to maximise predicted campaign recognition probability increases with product category experience. This could be due to the fact that heavy users of beauty care products may also be more likely to read glossy magazines. The results also allow to show that the optimal allocation also differs depending on the total amount of GRPs, even for the same target group.

In the total sample, average campaign recognition is 43%. This percentage resulted from the media allocation decisions taken in the campaigns analysed. However, if one considers the maximum predicted campaign recognition corresponding to the 'optimal' media mix in the different scenarios reported, it is always (substantially) higher than 43%. This is an indication that advertisers use a poor allocation of the total advertising effort to the different media.

Finally, consumers can be divided into more homogeneous sub-groups on the basis of their buyer readiness. When a potential customer is unaware of a brand, awareness-building advertising and sponsorship will have to be used. For a group of customers already aware of the product, attitude-building campaigns are called for. People who are interested in and like the product should be persuaded to try it by means of sales promotions and in-store communications.

### **Requirements for effective segmentation**

In stage 2 of the STP process, segmentation variables can be combined to form segmentation profiles. Segment profiles have to meet a number of requirements to be meaningful (Figure 4.3). Segments have to be measurable. It should be possible to gather information about segmentation criteria and about the size, composition and purchasing power of each segment. Segments have to be substantial enough to warrant separate and profitable marketing campaigns to be developed particularly for that segment. Segment profiles have to be attainable, i.e. accessible and actionable. The marketing manager must be able to identify the segment members and target the marketing action programme at them separately. Unless most members of the segment

visit similar places, shop in similar supermarkets or read similar media, it will be difficult to reach them separately and develop specific stimuli for them. In other words, the chosen segments must be within reach of communications media and distribution channels. Finally, market segmentation should be differentiated, and ideally lead to more homogeneous sub-groups in that the members of one group should react similarly to marketing stimuli and differ in their reactions to these stimuli from the members of other segments. These requirements are sometimes referred to by means of the acronym ADMARS (accessible, differentiated, measurable, actionable, relevant and substantial).

**[Insert Figure 4.3 near here]**

## **BUSINESS INSIGHT**

### **Coca-Cola Zero aiming at men**

In 2006, the Northern European market for carbonated soft drinks was in worrying decline, but the sub-sector of light soft drinks was still growing, especially within the cola category. Perceived as a feminine brand, Coca-Cola Light was experiencing fierce competition as men increasingly turned to competing brands with more masculine overtones. Coca-Cola needed to create a macho brand in order to maintain and grow its share of light colas and to avoid losing the young male sector. Coca-Cola Zero was the answer. The key concept was 'Life as it should be' – unlimited enjoyment with zero compromise and no negative consequences, aimed at 18–29 year old men concerned for their health, image, masculinity and waistlines. They dream of a better life – being richer, having hotter girlfriends and succeeding in fulfilling their childhood dreams.

Initially, the drink was marketed with a tagline of 'everybody chill' – a nice but vague emotional message. It did not work. Consumers were confused about what the brand stood for, what was meant by 'Zero'. The company came back to Coke Zero's intrinsic value with the message 'real Coke taste, zero calories'. Five years later, the marketing story remained the same. Coke Zero's packaging was initially white. But there was a

problem as the colour connoted diet drinks, and among the coveted young male demographic, diet connoted 'female'. The company quickly borrowed the idea from its Australian division to have the packaging in black. Its packaging needed to evoke a subconscious masculinity: black – good; white – bad. Within six months, the new marketing and packaging were in place, and the brand took off.<sup>37</sup>

Thanks to a communications strategy based on three key principles (to quickly generate attention, build awareness and encourage frequency of use), Coca-Cola Zero grew to double the target set for it in Germany and exceeded the target by 38% in Denmark, while unit sales in Germany and Denmark, and Coca-Cola's share overall, grew significantly.<sup>38</sup> One year after the launch (July 2006) of 'Coca-Cola Zero' in the UK the sales of Coca-Cola's sugar-free cola were on the cusp of overtaking those of regular Coke for the first time ever, which, if achieved, would make the UK the first Coca-Cola market worldwide to achieve this landmark. Total sales for the first full 12 months of 'Coke Zero' reached 68 million litres, helping the company's sugar-free sales grow 4.4% year on year. Over 49% of Coke Zero's sales were new or additional purchases of the Coke brands, a testimony to the growing role of diet sparkling drinks in people's diets. Coca-Cola Zero was launched in the UK with a major, men-orientated marketing plan: 'Buy-A-Player' football promotion, the Wayne Rooney TV spot and iTunes promotion. A year later the campaign was extended with the 'Win a Real Saturday' promotion, providing a million tickets to watch English Football League and Scottish Premier League matches. The success of the Coke Zero launch has been widely recognised throughout the industry. Coca-Cola's biggest launch in over 20 years became the most successful food and beverage launch in recent history, and picked up the coveted 'Star Product of the Year Award' at the annual Gold Awards by leading industry magazine *The Grocer*.<sup>39</sup> In 2008, two years after its launch in the UK, Coca-Cola Zero was hailed by AC Nielsen as the biggest new product development launch in three years. Having grown by 49% since launch, the brand was at that time worth £60 million.<sup>40</sup> And the success continues. Coke Zero's sales increased in 2010 with 17 straight quarters of double-digit growth. It is sold in 130 countries, including big markets like Brazil and Mexico. It is surely the most successful new soft drink of the last decade, a billion-dollar brand mentioned in the same breath as Coca-Cola, Diet Coke, Sprite and Fanta. In the USA, its sales are about six

times larger than Pepsi Max, introduced in 1993 in international markets and in the USA in 2007. In 2009, when the overall soda market shrank by about 2%, Coke Zero sales jumped 20% in the USA. Coke Zero was listed in 12th place in the carbonated soft drinks market in the USA.

Marketing can take a brand far, but the product itself has to deliver on the promise. Taste is often tricky with diet soft drinks, but in this case the taste was right. Fans say Coke Zero tastes much like Coca-Cola Classic, albeit perhaps a little sweeter. The future looks bright. Based on the expanding popularity of diet and 'light' drinks, Coke Zero is expecting further growth. In 1982, the year of the launch of Diet Coke, diet drinks made up only 1% of sales at the Coca-Cola Company. Today, that share has increased to 42% and the company expects it to hit 50% by 2020. On top of this, the brand's sales are especially strong among Hispanics and African-Americans, two growing demographics.<sup>41</sup>

After segmenting the market, opportunities for each segment should be singled out. The next stage in the process is targeting segments.<sup>42</sup> There are two decisions here: how many segments will the company target, and which segments are most attractive to that company?

## Targeting strategies

Once a company has defined segment profiles, it has to decide which segments to focus upon. This will be done on the basis of consumer and competitor analyses. Ideally, target segments should be profitable, meaning that they should contain a sufficient amount of consumers that are able and willing to buy the company's product, and competition should not be too strong. In any case, when a company targets different segments, it is usually going to do that by means of differentiated marketing communications. Market differentiation involves directing the marketing effort to different segments with different marketing and communications strategies. Undifferentiated marketing is using the same strategies in all segments. There are five basic types of targeting strategies:

- **Concentration on one segment.** A company chooses one segment (one product for one market) and develops a marketing mix for that segment. This strategy has some positive

aspects. The company will be able to build up expertise and enjoy learning effects. On the other hand, it will be dependent on a single segment and vulnerable to competitors. For instance, Jaguar was a company concentrating on one segment until it was acquired by Ford, and later on sold again to the Indian car company Tata.

- **Selective specialisation.** A company chooses a number of segments that look attractive. There is no synergy between the segments, but every segment looks profitable. Activities in one segment can compensate for other, slower-growing segments. For instance, Richard Branson started with a music label (Virgin) which he sold while launching new services in different segments: travel (holidays, trains, flights and travel guides), entertainment (a new music label V2, Virgin Megastores, books, radio and Internet service provision), telecoms (mobile and fixed lines), lifestyle (soft drinks, wines, cosmetics and fitness clubs), energy (water, gas and electricity), finance (credit cards, loans, insurance, etc.) and motoring (retailing of cars and motorbikes).
- **Product specialisation.** A company concentrates on one product and sells it to different market segments. For instance, a company can sell microscopes to companies, hospitals, universities, schools, labs, etc.
- **Market specialisation.** A company concentrates on one market segment and sells different products to that group of customers, e.g. a company selling microscopes, oscilloscopes, etc., to hospitals.
- **Full market coverage.** A company tries to target all customer groups with all the products they need. For instance, General Motors makes cars (in different classes), four-wheel-drive cars, vans, agricultural machines, etc.

### Selecting the right target groups

The second decision is to select the most attractive target groups. To evaluate segments, companies have to look at four elements: size and growth of segments; structural attractiveness of a segment; objectives and budgets of a company; and stability of market segments. Current turnover, potential growth and profitability of segments are the first important conditions a marketer should evaluate for each segment. For small companies, it could be wiser to target

smaller or less attractive niche segments when competition is strong in the larger segments.

Structural attractiveness can be analysed by using Porter's model. Current competitors, potential entrants, substitution products and the power of customers and suppliers influence the attractiveness of segments. Some attractive segments may not fit with the strategic objectives or long-term goals of a company.

### **Targeting in online campaigns**

Online advertising can harness different platforms and possibilities. In this section, we describe the segmenting and targeting possibilities on the most frequently used platforms. Later in this chapter, we describe pricing and budgeting systems online. We discuss Google Adwords, YouTube advertising and social network and blog advertising. In chapter 5, we will more extensively deal with specific advertising formats on these platforms.

When they go online, people disclose a lot of personal information: the websites they visit, the things they like and share, the searches they conduct, the content they view, demographic and location information, etc. Tracking consumers' online activities and using this information to deliver advertising targeted to the individual consumer's interest on certain platforms and websites is called **Online Behavioural Advertising (OBA)**, or more recently **Interest-Based Advertising (IBA)**.<sup>43</sup> Across all these online platforms, segmenting and targeting is done via algorithms that make sense of the vast amount of personal data the platform collects based on the information users disclose online<sup>44</sup>. This is called **programmatic advertising**: the use of software to purchase digital advertising, or using machines to buy ads. It uses real-time systems, algorithms and rules to deliver the automated purchase of data-driven, targeted and relevant online display, video or mobile ads.<sup>45</sup> Ad allocation is based on a bidding process, the result of which is immediately applied in campaign roll-out: the algorithm assesses whether a person visiting the website meets the desired characteristics and displays the ad to that person within milliseconds (**Real-Time bidding (RTB)**). The disadvantage of RTB is that advertisers lose control over the presentation of their ads, including the websites and next to what

content they appear on, where on the screen they appear, how long the ad is presented, and who clicks on the ad (a real person, made-up identities, bots...).<sup>46</sup> Sleeping Giants is an activism organization aiming to persuade companies to remove ads from certain news websites. The organization – primarily working from its regional Twitter accounts – sends messages to companies and brands that appear on for instance *Breitbart News*, a far-right news network in the US (and to other international websites like the French Boulevard Voltaire) to stop them from funding hate – as they are mostly not aware their advertising is shown in such contexts.<sup>47</sup>

The targeting options that platforms offer are largely based on the same principles and criteria, although their operationalization may differ per platform, depending upon the nature and user characteristics on those platforms. There are also a lot of similarities with targeting principles in traditional offline campaigns. In any advertising campaign, be it offline or online, marketers start from the description of a target group and try to select media by means of which they can reach this audience effectively and efficiently. For instance, in traditional offline media, marketers could define their target group as men between 20 and 30 who are interested in sports, and then select the appropriate advertising media (magazines, TV shows...) in which to place their ads. In fact, the same happens online: based on a target group description, online platforms expose target group members to the ads. The difference with traditional media is that, online, this process is faster, more flexible, more fine-grained and easily measurable. All in all, online targeting is far from perfect. Research shows that only 20% of internet users find that display ads on websites are relevant to their interests and, depending on the type of ad (sidebar, native, pre-roll video or pop up), 50-78% of visitors qualify these ads as ‘unfavourable’.<sup>48</sup> The media selection process for traditional media is covered in chapter 6.

### **Google Adwords**

Google’s business model is largely based on **Google AdWords**. Companies pay to have their website ranked at the top of the first search results page, based on keywords. Targeting is based on the relevance of keywords for a company’s business: Google visitors get to see sponsored links (ads) on top of their search results list that ideally should match

the information they were looking for on the search engine. For an advertiser, choosing the right keywords is thus vital. Keywords can be Broad (picks up any word related to the one you chose), Phrase (picks up the word when used as part of a phrase) or Exact (picks up only when that exact word is used). Broad match will pull in the widest amount of people possible, while exact will pull in the smallest. A campaign typically needs a balance of all three in order to get the best result. Too few, and the company will never scale its business. Too many, and it is overpaying for junk clicks. An advertiser can also explicitly exclude certain keywords it does not want to be associated with<sup>49</sup>. Besides coming up with their own keywords, advertisers can also look at what is trending. On Google Trends they can see if specific people, places, or locations are getting a lot of attention in the mainstream media. Big events that are taking place in the next few weeks (like The Super Bowl or similar) may also offer inspiration. Google Analytics will tell advertisers what people are searching for on their site already. They can use that information to select keywords.<sup>50</sup>

## **YouTube**

YouTube is a video-sharing service that allows users to watch videos posted by other users and [upload](#) videos of their own. It reaches more than 80% of Internet users in the U.S., and almost 15% of YouTube's site traffic comes from the U.S.<sup>51</sup> Men spend 44 percent more time on the site per month than women. People of all ages watch YouTube, although younger people watch more than older ones. Users aged 18 to 24 spend more than 10 hours per month on YouTube, while visitors 65 and older spend almost 4 hours per month on the platform.<sup>52</sup> Google owns YouTube, so advertising on YouTube implies using the Google AdWords network. As with any other type of Google AdWords campaign, the price of YouTube ads involves bidding for ad placement. Targeting YouTube ads works the same way as in Google AdWords. An advertiser can indicate the types of people to whom YouTube will serve a video ad. Similarly, an advertiser must think in terms of keywords that their target audience likely use when they search for YouTube videos. It's a good idea to include both positive keywords to focus on, and negative

keywords to avoid. For instance, if a product is targeting middle-aged men, it's a good idea to avoid targeting video search terms most commonly used by teenage girls. To sell a product in one country, one may want to avoid advertising to the rest of the world<sup>53</sup>.

### **Social networking channels and blogs**

Advertising through social media can be very effective to better target both new and returning customers, use customer generated content for ads (which perform better), test ads in real time using platform analytics to determine best performing ads and grow a company's fanbase and sales. Additionally, there is virtually no limit to a company's ability to scale the size of a campaign. Whether or not a social media campaign will work depends on three important factors: Where target customers are most concentrated (usage, groups, etc.), where they are most accessible (preferred media, ad targeting, etc.), and where they most actively engage with ads. In other words, it's key to present a compelling offer via a compelling medium to people who will find it compelling, in a place those people will actually see it. It's also important to find a platform where users will actively engage with paid ads. There are several social media channels where an advertiser can follow proven ad strategies and generate consistent ROI. The most important ones are Facebook, Instagram, Twitter, Pinterest, LinkedIn, Snapchat and TikTok.

**Facebook** is a free social networking website that allows registered users to create profiles, upload photos and video, send messages and keep in touch with friends, family and colleagues. With its huge number of users, Facebook provides advertisers with an unparalleled opportunity to reach virtually anyone and everyone. Like other (social media) platforms, Facebook collects personal data from its users, and uses this information so advertisers can target specific customer segments. Facebook allows more advanced targeting than any other advertising platform.

Customers can be targeted based on 5 criteria:

- Location: to reach people in certain countries, communities or places

- Demographic characteristics: target groups can be selected on the basis of age, gender, level of education, relational status, job
- Interests: all kinds of interests can be used to describe target groups: hobbies, movie preferences, food interests, etc.
- Behaviour: previous buying behaviour, type of device used
- Connections: with a person's Facebook page or an event

Another option on Facebook is **retargeting**. For example, let's say a person searches for a hotel in New York. She click on a hotel website, for instance the Roosevelt Hotel. She leave the website without making a reservation. From then onward, on whatever other website she visits, ads for the Roosevelt will follow her around. Those are retargeting ads. Facebook placed a little pixel on a person's device when she visited the Roosevelt website, which enables them to send follow-up messages to get her to come back to their site, and/or, based on which pages she visited on the site, automatically send ads for something related to what she just looked at. Other platforms use a similar technique by placing 'third party cookies' on a visitor's device that enables them to retarget the visitor via their platform.

Facebook's **Lookalike audiences** can be used to expand a person's reach from an existing audience. For example, let's say one of a brand's audiences (out of three or four) is converting to hot leads or buyers significantly higher than the others. A lookalike audience will let the brand 'clone' that relevant audience so that Facebook will try to find more people just like them and send them a brand's ads. The purpose of a Lookalike audience is thus to use a given set of parameters and let Facebook use its data to find people who have the same characteristics, interest, and/or behaviour.<sup>54</sup>

## **Business Insight**

**How Deutsche Bahn used programmatic technology and obtained the best ROI of any summer campaign in the brand's history**

In 2019, German Rail (Deutsche Bahn) worked together with Ogilvy Germany and Getty Images to create 10,000 unique personalised images, resulting in a 24% boost in sales revenues.

Starting from travel interests that people have listed on their Facebook profiles, an algorithm chose landmarks from the user's dream destination and then looked for resembling German locations. The algorithm then calculated the flying cost from the user's nearby airport and compared that with the €19 price of a train ticket to the lookalike location in Germany. This visual side-by-side comparison then popped-up on the user's Instagram feed where it led to a click-through rate that was 850% higher than previous summer campaigns of Deutsche Bahn on Facebook.<sup>55</sup>

**Instagram** is a free online photo-sharing application and social network platform. It allows users to edit and upload photos and short videos through a mobile app. Users can add a caption to each of their posts and use hashtags and location-based geotags to index these posts and make them searchable by other app users<sup>56</sup>. More than 70% of Instagram users are under the age of 35 and almost 90% are outside the U.S. Instagram attracts men and women equally. Seventy-two percent of U.S teenagers and 35% of online adults use Instagram. 95% of the Instagrammers also use YouTube, and over 90% also use Facebook. Instagram users span all income brackets to fairly the same extent. Instagram is owned by Facebook, and basically offers the same targeting possibilities.<sup>57</sup>

## **Business Insight**

### **'Do not follow me' button on Facebook**

Facebook collects information about Internet users' activities on other websites and uses it to personalise advertisements on Facebook. This is done by means of the Facebook 'like' button

on these websites and because the sites use the Facebook pixel to retarget visitors. Everybody has experienced this: you look for cool footwear in an e-shop, and soon thereafter you see a native ad on Facebook for exactly the same shoes. Under pressure by consumers and authorities, Facebook will offer its users the possibility to inspect the information that Facebook collects through other websites, and – if they want it – to allow users to uncouple this information from their account. Facebook plans to roll this out, starting with Ireland, South Korea and Spain. Critics call it a ‘nice step ahead’, but argue that Facebook users have to take the initiative to undo a practice they never agreed to in the first place, and that Facebook still collects this information. Facebook itself states that this may have a negative impact on their turnover, but that they value the control that users have over their data more.<sup>58</sup>

**Twitter** is a free social networking microblogging service that allows registered members to broadcast short posts called *tweets*. Twitter members can broadcast tweets and follow other users' tweets by using multiple platforms and devices. Tweets and replies to tweets can be sent by cell phone text message, desktop client or by posting on the Twitter.com website.<sup>59</sup> In general, **Twitter** serves a relatively young, high-income and highly educated audience. For instance, 40% of U.S. users are aged between 18 and 29 years. Usage drops as age increases. In the U.K., the majority of Twitter users are under 34 years of age. In the U.S, 32% of Twitter users have a college degree.<sup>60</sup> On Twitter, in all types of campaigns, target groups can be specified on the basis of location, demographics, language, the type of people they follow, interests, behaviours, and the events they are interested in. When more than one audience feature is used, ads will be shown to people who fit any of the criteria, rather than all of them, thus broadening a brand's audience instead of narrowing it. The more tightly targeted the brand's audience is, the easier it is to see which ads are performing and which are not. A sensible starting point for a first campaign is to target people who follow a competitor, or people who have a particular interest that a brand can select from the list. A company can also upload its own lists of people to target by their email address or Twitter ID or retarget people who visited its website.<sup>61</sup>

## Business Insight

### A view for a view – Light For The World<sup>62</sup>

Watching and sharing videos on social media like Twitter and Facebook is often not enough to make a difference, but Light For The World set out to change that. To help raise awareness and donations for curable blindness, the organization partnered with agency SUPERMACHINE sponsors who pledged to donate when a certain quota of video views and shares was achieved. Video content featured the story of Walakafina, a little Tanzanian girl that was born blind (which in her social context equalled a death sentence) and who received the surgery and treatment necessary to see again. Together, video viewers and campaign sponsors saved the lives of almost 2000 people.

**Pinterest** is a social media website that allows users to organize and share images and videos from around the Web. Images uploaded by users are called Pins and may be organized into pinboards, which may be customized, themed and followed by other users.<sup>63</sup> Users can also like or re-pin content shared by other pinners. Eighty percent of Pinterest users and 60% of new signups are females. Men only account for 7% of total pins. The median age of a Pinterest user is 40, but most pinners are below 40. Half of them live in the U.S.<sup>64</sup> Pinterest allows for different types of targeting. **Interest targeting** shows ads to people with specific interests as they browse their categories of interest. **Keyword targeting** reaches people ready to act on what they find with Promoted Pins targeted to appear in search results and as related Pins. Keyword targeting helps increase in-store sales, boost traffic and drive online actions by showing a brand's products to people ready to take the next step. **Audience targeting** shows ads to the people who are most likely to be receptive. Companies can target their website visitor list, CRM customers or people who have already engaged with their brand on Pinterest. Much like on Facebook, a

company can use ‘actalike’ audiences to find other people with similar interests and behaviours.<sup>65</sup>

**LinkedIn** is a social networking site designed specifically for the business community. The goal of the site is to allow registered members to establish and document networks of people they know and trust professionally. A LinkedIn member’s profile page, which emphasizes skills, employment history and education, has professional network news feeds and a limited number of customizable modules.<sup>66</sup> LinkedIn is used by men and women equally. Sixty-three percent of the users are between 25 and 54 years old; 35% is between 25 and 34. Half of the users works in companies with more than 1,000 employees. Finance and health are the two largest industries on LinkedIn, but a wide variety of other industries is also represented.<sup>67</sup> On LinkedIn, target audiences can be selected in the same way for each of the advertising formats. Target group selection criteria include location, company name, industry and size, an individual’s job title, function and seniority, their school, field of study, degrees, skills, gender, age, and groups they belong to. For every selection, the advertising module shows the estimated target audience size. The **Audience Expansion** option automatically includes audiences like those you have selected. Another option is to have the campaign delivered to the target audience **beyond the LinkedIn feed**, using LinkedIn’s network of partner audiences. Similar to other network sites, LinkedIn advises not to narrow down the target audience too much, especially not at the beginning of a campaign. Advertisers are often inclined to do so, because the more their campaign targets decision makers or potential hot leads, the higher the expected conversion (to sales). A common targeting mistake on LinkedIn is to over-target director and executive audiences, while leaving out other decision influencers. LinkedIn therefore advises to (also) target contributors to decisions and combine it with years of experience to focus on experts in their field.<sup>68</sup>

**Snapchat** is a mobile app and service for sharing photos, videos, and messages with other people. Once you view a message received via Snapchat, it is automatically deleted. This makes the service ideal for sharing quick updates with friends without accumulating media or messages on your mobile device.<sup>69</sup>

Seventy-five percent of Snapchat users are under 34 years old, and 90% is between 13 and 24. 61% is female. For 41% of U.S. teens, Snapchat is the most important social network.<sup>70</sup> Snapchat offers a number of possibilities to define target audiences. For instance, advertisers can use the **Predefined Audiences** option, where an advertiser can choose from over 300 pre-defined audiences based on what Snapchatters care about, what they buy, what they watch, and where they go. Advertisers can also select their preferred audience against demographics like age, location, device type, household income and parental status. Snapchat also offers the **Audience Match** option, in which a company can combine its data with Snapchat data to build custom audiences. Like on other social media, the **Lookalike Expansions** facilitates building lookalike audiences similar to the company's best customers.<sup>71</sup>

**TikTok** is a video-sharing social networking platform (previously musical.ly lip sync playback video sharing platform that was bought by Chinese company Bytedance in November 2017) that employs artificial intelligence to analyse user preferences based on how they interact with video content, to customize each user's content feed.<sup>72</sup> Users can create videos that feature music and that can easily be edited with a filter and sped up or slowed down easily. Popular among youth, over 4 in 10 of the platform's user base is between 16 and 24 years old. Among these, 9 in 10 users are on TikTok daily.<sup>73</sup> To help brands reach this highly coveted consumer audience, TikTok Ads has developed **Campaign, Ad Group** and **Ad**: three levels of back-end setup that help advertisers set up audiences to target, allocate the right budget and design creative. Campaigns are set with specific goals, for example drive traffic to URLs of the advertiser's choice.<sup>74</sup> To ride the wave of content creation, TikTok stars are teaming up and moving into places like Hype House, a collaboration mansion in L.A. Here, young content creators live and work together under strict rules, like having to create content at least once a day.<sup>75</sup>

After segmenting the market and selecting target groups, a **positioning** strategy (a 'place in the mind of target group customers') has to be defined. This will be discussed later on in the 'strategy' section of this chapter.

## Business Insight

### How Nike used TikTok to encourage young women to take part in sports<sup>76</sup>

Because of conservative attitudes, more than 5 in 10 women in Milan don't engage in sports activities. To challenge negative attitudes, Nike teamed up with TikTok to create dance challenge videos inspired by typically male-dominated sports like boxing, basketball and football. The campaign, called 'Nulla Può Fermarci (Stop At Nothing)', was developed with London agency AnalogFolk. It featured popular Italian female athletes and Milanese influencers who created dance routines that could be replicated by users. Each video included sponsored hashtags like #basketbeat or #theshadowboxer, and targeted young Italian women, encouraging them to express athletics through dance. More than 46,000 users responded to the dance challenge with their own dance videos, and over 300 media articles were written, including one that featured the athletes on the cover of Milan's newspaper, *Corriere Della Sera*.

## BUSINESS INSIGHT

### BMW Segmentation, targeting and positioning

BMW Group essentially makes an appeal to a single customer segment. Their product portfolio only comprises expensive vehicles at a premium level and the company does not have budget vehicles in its portfolio to target individuals and households with a smaller budget. The BMW group markets three brands: BMW, Mini and Rolls-Royce. The following table illustrates BMW segmentation, targeting and positioning.

Type of segmentation	Segmentation criteria	BMW Group target segment

		<b>BMW</b>	<b>MINI</b>	<b>Rolls-Royce</b>
Geographic	Region	Domestic/international	Domestic/international	Domestic/international
	Density	Urban/rural	Urban	Urban
Demographic	Age	20-65	25-45	40+
	Gender	Males & Females	Males & Females	Males & Females
	Life-cycle stage	Bachelor Stage Newly Married Couples Full Nest I Full Nest II Full Nest III Empty Nest I Empty Nest II Solitary Survivor I Solitary Survivor II	Bachelor Stage Newly Married Couples Full Nest I	Full Nest II Full Nest III Empty Nest I Empty Nest II Solitary Survivor I Solitary Survivor II
	Income	High	High	High
	Occupation	Professionals & executives	Professionals & executives	Professionals & executives
	Behavioral	Degree of loyalty	Hard core loyals Soft core loyals Switchers'	Soft core loyals Switchers'
Benefits sought		Reliability Sense of achievement Speed	Reliability Sense of achievement Speed	Reliability Sense of achievement Expression of high status
Personality		Determined and ambitious	Easygoing	Determined and ambitious
User status		Non-users Regular users Ex-users	Potential users First-time users	First-time users Regular users
Psychographic	Social class	Middle class Upper class	Middle class	Upper class

	Lifestyle	Aspirer Succeeder	Explorer Reformer	Resigned
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Segmentation, targeting and positioning for BMW is apparently conducted in a broad manner, without making distinctions between various models of a particular brand. Each of the brands within BMW Group can be subjected to further segmentation, targeting and positioning as well. For example, MINI defines its target segment as 25-45 year-old males and females within Full Nest 1 life-cycle (married couple and youngest child under six) with a high loyalty to the car as a product, but not currently using MINI products. However, specific models such as MINI Roadster, MINI Clubman, and MINI John Cooper Works that belong to the same MINI brand have been developed for different customer segments<sup>77</sup>.

### Marketing communications objectives

Marketing communications objectives can be broadly divided into three categories: **reach goals**, **process goals** and **effectiveness goals** (Figure 4.4). The reach goal of communicating is to reach the target groups in an effective and efficient way. For this purpose a good segmentation and audience definition are needed, as well as insights into the media behaviour of the desired segments. Part of this problem was discussed earlier on target groups; the detailed considerations of media planning will be the subject of Chapter 7. Process goals are conditions which should be established before any communications can be effective. All communications should capture the attention of the target group, then appeal or be appreciated, and last but not least be processed (and remembered). The third type of communications goals are the effectiveness goals. They are, of course, the most important ones, since reach goals only assure sufficient exposure, and process goals only ensure enough processing of the message to make the effectiveness goals possible. In any case, marketing communications goals should be derived from organisational/business objectives and objectives of the broader marketing plan.

**[Insert Figure 4.4 near here]**

Marketing communications objectives can be further conceptualised on the basis of two dimensions: process versus effectiveness objectives on the one hand, and communications

versus behavioural objectives on the other. As explained, process objectives focus upon the extent to which customers should have processed a specific communication stimulus. Therefore, they are sometimes called instrument-related or direct objectives. Effectiveness objectives focus upon the effect of the whole campaign on the brand or the organisation. Therefore, they are sometimes called indirect or brand-related objectives. The term ‘indirect’ refers to the assumption that the whole campaign (all tools) should lead to the desired brand effects. There is thus no direct relationship between one tool and an effectiveness objective or result. The second dimension refers to whether a campaign wants to change something in the mind of people or in customer behaviour. Communication objectives aim at changes in knowledge or attitudes, while behavioural objectives want to change something in the way customers act. Based on these two dimensions, a taxonomy of marketing communications objectives can be drawn up, as in Table 4.5, in which examples are given of each category of objectives.

Besides a taxonomy for setting communications goals, this framework is at the same time a taxonomy of campaign effectiveness measurement. Indeed, campaign objectives and campaign effectiveness measures are two sides of the same coin. An effective campaign is a campaign that reaches its objectives. Setting objectives determines how effectiveness should be measured. Evidently, profitable long-term sales and market share growth are the ultimate objectives of most marketing communications campaigns. The behavioural effectiveness objectives are called ‘commercial objectives’. However, sales are influenced by other marketing mix instruments, such as product quality, design, benefits, packaging, distribution and pricing strategies, as well as the market evolution, technology and innovations and competitive action. Furthermore, in many cases commercial objectives will only be achieved in the longer term. It is generally assumed that campaigns first have to be processed and change something in the mind and the behavioural responses of customers before they can have a commercial effect. Therefore, the results of a campaign are often (also) measured in terms of what is called ‘intermediary effects’: communication effects and non-commercial behaviour (the other quadrants of Table 4.5.). Consequently, besides commercial objectives, for most campaigns intermediary objectives are also set. The logic behind this is that campaign recognition,

activation, and brand knowledge and attitudes are necessary conditions for longer-term commercial results. This is essentially a hierarchy-of-effects logic (see also Chapter 3).

**Table 4.5** A taxonomy of marketing communications objectives

	<b>Process objectives</b>	<b>Effectiveness objectives</b>
<b>Communication objectives</b>	Brand recall and recognition	Brand awareness
	Recall/recognition of message elements	Brand knowledge
	Attitude towards the communication	Brand attitude/image
		Brand preference
<b>Behavioural objectives</b>		Brand loyalty
		Purchase intention
	Activation: store or website visits, likes and shares on social network sites, talk or recommend to friends	Trial purchase
	...	Repeat purchase
	Click-through on online banners	Sales
	Call freephone numbers	Market share
	Respond to direct mails	Profit
	Return on marketing communications investment	

One traditional model of effectiveness objectives and results measurement is the DAGMAR<sup>78</sup> (defining advertising goals for measured advertising results) model.

The **DAGMAR model** is essentially a hierarchy-of-effects model, similar to those discussed earlier. It is frequently used as a framework to define campaign effectiveness goals. To get a person or organisation to buy a product that was not bought before, or to increase the frequency or quantity of repeat buying, a consumer will normally go through the phases shown in Figure 4.5.

According to the DAGMAR model, during the communications process nine effects can be established. When a marketer is defining his or her communications strategies, he or she will

have to select the most appropriate communications effect or goals from the list. Every promotional campaign should be organised with one or more of these communications objectives in mind. The choice of the right goals depends on the problems that have arisen in the preliminary situation analysis of the market, brand positions, competition, opportunities and threats. In that sense, communications objectives are only an intermediary way to reach marketing goals of a higher order, such as sales volumes, market share, distribution, penetration, etc.

**[Insert Figure 4.5 near here]**

A good set of communications goals should have a number of characteristics. It should:<sup>79</sup>

- fit in with the overall company and marketing goals;
- be relevant to the identified problems and specific to cope with threats or to build on opportunities in the market;
- be targeted at different target audiences, which implies that different target groups (such as countries, socio-demographic groups, heavy and light users) could need different communications objectives;
- be quantified in order to be measurable, which allows a precise evaluation of the campaign results to be made;
- be comprehensive and motivating to all involved persons but at the same time be realistic and achievable;
- be timed to enable specific scheduling of the campaign as well as planning the evaluation of results;
- be translated into sub-goals when necessary.

This is sometimes referred to as SMART: Strategic, Measurable, Actionable, Realistic and Timely.

The communications objectives are guidelines for everyone who is involved in campaign development and realisation: marketers, advertising agencies, PR officials and sales promotion agencies, media planners and buyers, and researchers. They are also fundamental to campaign

strategy: all phases of the marketing communications plan, such as creative, media and budgeting decisions, should be built on the goals. As communications objectives are also the criteria against which a campaign's success (or failure) is evaluated, it is important that they are well defined and quantified. Only when goals are measurable are they a management tool enabling returns to be gauged against investments.

### **Developing category wants**

The first basic condition to be fulfilled by a brand is that it should fit within category needs and wants. If buyers cannot perceive the communicated product or brand as an appropriate answer to their needs and demands, they will not be motivated to buy it. Category wants or needs can be defined as the existence of one or more of these buying motives and the perception of the product category as a good means of meeting these motives. Of course, although category need is always necessary before other brand-related objectives work, it is clear that in most cases, i.e. when communications are targeted at category users, it can be considered as already present and thus can be ignored. Indeed, it can be assumed that category wants are already well developed in product categories such as food, detergents, insurance and cars. However, in product categories that are infrequently purchased or infrequently used, such as painkillers, communicating category needs to remind buyers of their present but forgotten need may be useful.

Using category need as a primary communications objective is a must for innovations. Consumers should first understand which need is satisfied by an innovation and the difference between the 'new category' and known categories should be stressed. When Sony invented the CD player, the first thing to communicate, before building awareness for the Sony brand, was the difference in sound quality compared with the cassette player. Creating category awareness is also an appropriate goal when non-category users are addressed. For instance, when car manufacturers communicate to a group of non-owners of an electric car, they will stress the need for and the advantages of electric cars. Sometimes a manufacturer repositions a product or service to meet other usage occasions or methods of use. Kellogg's introduced Variety cereals in small packages to broaden its cereal market from the breakfast moment to other snack and

school moments and consequently takes part in the between-meals market. Category wants can be omitted, refreshed or actively used in market communications in the different situations described above. The following communications goals are not on a category level but focus on the brand.<sup>80</sup>

### **Brand awareness: recognition and recall**

**Brand awareness** is the association of some characteristics such as a brand name, logo, package, style, etc., with a category need. There are two ways brand awareness can be defined. For example, if people think of a soft drink, they may spontaneously think of Coca-Cola, Fanta or Lipton Ice Tea. This is their top-of-mind brand awareness. People may also recall several brands spontaneously. This is brand recall or unaided spontaneous awareness. But it is also possible that people recognise a brand by its package, colour, logo, etc. This is brand recognition or aided awareness. Aided brand awareness is less difficult to achieve than unaided brand awareness. Less repetition and thus smaller investments are needed to establish it than brand name recall. Buyers will be better able to recognise brands than to recall brand names spontaneously. On the other hand, brand recall is not a guarantee that the buyer will recognise the brand in a shop.

The question of which awareness goal should be aspired to by a marketer depends on the situational circumstances in which the product or brand is bought. If the purchase decision is made at another time and location than the point of sales (at the office, at home), or when a buyer has to ask explicitly for a certain product or service (e.g. at a drugstore or a pharmacist), brand name recall is needed. This is also true when a shopping list with preferred brand names for every category is made prior to going to a shop, or when somebody is making purchases by phone (airline tickets, courier services, etc.). When the purchase decision is made in the store, and the buyer can use visual cues such as packages, displays, colours, and logos, brand recognition is more important than brand recall.

To stimulate brand recognition, showing the product package or logo in advertising and other communications in exactly the same colours and formats is crucial. The latter implies that,

for instance, radio advertising is less appropriate for brand recognition goals. To build brand recall, repetition of the association between the category and the brand is necessary. Sign-off slogans should therefore always integrate category and brand name. In some cases a marketer should try to attain both brand recall and recognition. A consumer then recalls a brand at home and will search for it at the supermarket or store. For this search process to be successful, brand recognition is needed. Sometimes this dual brand awareness objective is required, since for many product categories consumers limit their search activity based on loyalty to a limited set of brands.

Every communications activity should take brand awareness into account. Even if brand attitude or other objectives are more dominant, it will still be important to support brand awareness. A brand can never have too much brand awareness. Brand awareness should also be established prior to brand attitude and the other communications objectives. If a brand is not known, it will be impossible to build an image, preference or attitude towards that brand. The effect of brand awareness on brand choice and brand purchases is substantial. If two brands are equally valued, the brand with the highest awareness will be purchased more often.<sup>81</sup>

## **Brand knowledge**

**Brand knowledge** means that target consumers are aware of the most essential brand characteristics, features and benefits. They know the strengths of the brands as compared with competitive brands; they know why they should buy brand X instead of brand Y or Z. Essentially, consumers should be able to recall the brand's positioning. This knowledge may be based on very objective information, but also on more symbolic features such as brand image and lifestyle positioning. It is clear that what people know about a brand is very subjective and based on past experiences or on beliefs and perceptions.

## **Brand attitude**

If consumers are aware of a number of brands in a certain product category they will base their brand choice on an evaluation of the different brands. The result of this evaluation is called

**brand attitude.** Brand attitude is the perceived value of a brand to a consumer. Because a brand is stronger (and thus has more loyal customers) when the differentiation with another brand is bigger, brand attitude is an important communication objective.

A marketer should study the current brand attitudes and perceptions and then decide what to do. If there is no brand attitude, and people are unaware of brand benefits, a brand attitude should be created (Photo 4.3). . A very favourable brand attitude should be maintained to keep all loyal customers satisfied (Photo 4.4). If there is a moderately favourable brand attitude, the attitude should be reinforced through adapted communications. Improving attitudes among these benefit-aware target groups will lead to more frequent buying and hopefully make customers loyal. For a long time, the lingerie brand Hunkemöller was associated with 'solid'. It was perceived as a somewhat old-fashioned and not very exciting brand that did not appeal at all to young women, a target group that the company considered very important. In order to obtain a younger and more 'high-end fashion' image, in 2014 the company started to participate in fashion shows, signaling 'we also belong in this world'. Additionally, they also focused on a better shopping experience, amongst others upgrading their packaging to be more sexy and sophisticated, resulting in a brand image that is more appealing to the intended target group<sup>82</sup>.

In marketing practice there is no such thing as a permanently very favourable brand attitude because attitudes are liable to change as a consequence of dynamic markets and competition power. When a certain brand attitude cannot be improved, it could be a strategic decision to switch to another attitude by repositioning the brand and perhaps find a better brand proposition for the targeted market (**rebranding**).

**[Insert Photo 4.3 near here]**

Existing brand attitudes can also be adapted to appeal to other and new target groups or to improve attitudes with current customers. For instance, For a long time, the sandals brand Teva aimed at adventurous hikers who wanted 'practical' shoes. Fashionistas did not want to be seen wearing this health-related footwear. In 2014, Teva embarked into a rebranding project with the motto 'festivals are the new outdoor'. They asked several popular Instagrammers to wear Teva

sandals at well-known festivals such as Coachella and Glastonbury. These influencers were spotted and several posts appeared on Instagram with the hashtag #TevaUpgrade, resulting in a more hip and trendy brand image. In 2013, Teva realised a turnover of €116 million, that increased to €127 million in 2015. For a number of years, McDonalds' brand image deteriorated. As a matter of speaking, they were held responsible for the entire obese American population. The brand has tried to rebrand itself as 'health-conscious' by offering a large variety of salads and other healthy options. Apart from running advertisements with young couples and happy faces, they also made the interior greener, in an attempt to attract younger health-conscious customers<sup>83</sup>.

If there is a negative prior brand attitude, changing the attitude is necessary. This is a very difficult objective to realise. It might be better – especially when the negative attitude is based on negative experiences – to modify the brand attitude and reposition the brand by appealing to different buying motivations.<sup>84</sup> In January 2003, Christian Dior had to change major elements of its advertising campaign for Dior Addict perfume and cosmetics. The TV spot for the fragrance originally showed a bikini model dipping her finger into a substance on a mirror and holding it up to her nose, then grabbing a bottle of Addict perfume while a voice whispers 'addict' and 'Will you admit it?' The ad initiated the 'Addiction is Not Fashionable' protest campaign and boycott co-ordinated by Faces & Voices of Recovery and MOMSTELL, a group of parents concerned with addiction and recovery issues. In response to this protest, Dior stopped using the tagline 'admit it' in its marketing communications and altered the ads to emphasise the full name of the product 'Dior Addict' instead of 'addict' as a single word.<sup>85</sup>

**[Insert Photo 4.4 near here]**

## **Purchase intention**

The intention of the buyer to purchase the brand or the product or take other buying-related actions (going to the store, asking for more information) can also be enhanced. For low-involvement buying situations, **purchase intention** should not be stressed in communications. In this case, when a brand is known and a favourable brand attitude exists, this

will in many cases lead to buying behaviour whenever the need for a certain category is aroused. In high-involvement situations, however, when perceived buying risks are high, the intention to buy is typically a necessary mediating step between a favourable attitude and the actual purchase. In this case, generating purchase intention and trial is necessary.<sup>86</sup> Advertising and sales promotion can stimulate the consumer in that direction.

## **Purchase facilitation**

**Purchase facilitation** is about assuring buyers that there are no barriers hindering product or brand purchase. These barriers could be other elements of the marketing mix, such as price, product and place (distribution). Sometimes availability or price is a problem, preventing consumers from buying a product. Communications in this case should minimise the perceived problems. For example, if a certain brand is not widely available in all stores, a list of approved dealers might help the consumers.<sup>87</sup> Point-of-purchase communications may also help to facilitate purchases.

## **BUSINESS INSIGHT**

### **Purchase facilitation in lingerie shops**

A lot of men consider lingerie a sexy present for their loved ones. However, buying bras usually turns out to be a painful and embarrassing experience. Contrary to popular belief (among women) most men do not have the faintest idea about the size of the 'natural wealth' of their girlfriends or wives. When asked about size, they give vague indications such as 'more or less like that woman over there' or 'about a handful'. The consequence is that 90% of women who receive a lingerie set as a present (mostly in December or on Valentine's Day) take it back to the shop because it does not fit. A female student of the Piet Zwart Institute for Retail and Interior Design in Rotterdam developed a new retail concept that aims at facilitating the buying process for men. In the middle of the shop a 'breast wall' is installed. On this wall, breasts of different sizes and shapes are modelled in gel, and men can 'experience' which size is closest to the one they need. Furthermore, most men do not feel comfortable in lingerie shops and find it difficult to make their way

around. Therefore, the shop is more or less conceived as a do-it-yourself store. There are separate aisles per cup size, and the size is clearly illustrated by means of pictures in each aisle. 'Men know everything about . . . cars, but have a selective memory about the anatomy of their wives and girlfriends', the designer says. 'We should assist them as much as we can.' In the meantime, the new concept has raised the interest of lingerie retailers and manufacturers all over the world.<sup>88</sup>

## **Purchase**

Sales are, of course, the main marketing objective. However, in most circumstances it is difficult to use sales goals as a primary communications objective. Nevertheless, there are situations in which, due to the action-orientated context of communications tools, sales could be a good objective. For instance, the main objective of most sales promotions like couponing, price cuts and premiums is the short-term effect on sales. Some direct marketing tools such as direct response advertising may be evaluated by generated sales. Also, many online campaigns are directed at the immediate action of the customer. Indeed, in these situations direct sales are the main goal.

## **Satisfaction**

When a consumer buys a product or service he or she has certain expectations about the purchase. When the product or service lives up to the required and desired benefits or surpasses expectations, the consumer will be satisfied and thus inclined to choose the same brand whenever he or she buys the product again. Dissatisfied consumers will probably buy a different brand on the next occasion and will complain to relatives and friends. Most marketers are satisfied when consumers finally buy and stop communicating at that point. But it is clear that communications should also be directed to existing customers. The most important reason is that clients are advocates of the brand and products they buy. Word-of-mouth communications can be stimulated and approved by communicating with current customers. Moreover, it is important to reassure consumers about their choice. Cognitive dissonance, i.e. the fact that – due

to a choice situation – buyers start to have doubts about that choice, should be avoided to enhance brand loyalty.

## **Brand loyalty**

**Brand loyalty** is defined as the mental commitment or relation between a consumer and a brand. But there are different types of brand loyalty. Repeat purchase is not the same as brand loyalty. The former is often the result of habit or routine buying rather than of brand preference or brand loyalty. Instead of evaluating alternatives and choosing a new brand for every new purchase, in low-involvement, fast-moving packaged goods consumers tend to buy the same brands again without having a commitment to the brand. This is how brand habits develop. By always using and buying the same brands, a positive attitude towards those brands is initiated. Longitudinal tracking in the USA, UK and Germany has shown that brand loyalty is not a characteristic of a brand but of a product category. Brands with a higher market share in that category have a higher ‘loyalty’ because of their higher penetration rate and not necessarily because the emotional bond with the customer is better. Brand ‘loyalty’ can indeed be the result of habit formation.<sup>89</sup>

## **RESEARCH INSIGHT**

### **Organisational responses to negative online reviews**

Research on complaint management has emphasised the importance of service recovery, i.e. restoring customer trust after a service failure. A well-executed recovery effort not only is capable of influencing customer satisfaction positively, but can also convert dissatisfied customers into satisfied and loyal ones.<sup>90</sup> Customer satisfaction after a service recovery depends on customers’ fairness perception (i.e. the extent to which they perceive themselves as being treated fairly compared with other customers; the extent to which they perceive that the output is in balance with the input) and attribution of accountability (i.e. the perceived causes of success or failure, who is to blame).<sup>91</sup>

Research on recovery management has usually measured satisfaction after service failure of the duped customer in a one-to-one relationship. With the growing use of the

Internet, everybody can post a negative comment online, for everyone with an Internet connection to read. Negative online WOM (also called electronic word-of-mouth, or eWOM) by a dissatisfied customer due to a service failure can have serious consequences, as this can harm brand image, companies' reputations and consumers' attitudes and purchase intentions.<sup>92</sup> Thus, it is one of the major challenges for companies to develop appropriate response strategies to negative eWOM.<sup>93</sup> When online reviews are read by so many potential customers, it is critical not only to satisfy the initial client, but also to remove barriers with the readers of these online reviews. People who intend to buy a service are likely to reconsider their decision after reading negative reviews, especially when these potential customers realise that the organisation does not respond properly to these negative comments.

In a Belgian study, prospective customers' perceived trust, attitudes and intentions were measured following organisational responses to consumer review sets varying in their degree of negativity.<sup>94</sup> Using a 3 (positive, neutral, negative online review set) × 6 (online managerial response to reviews: no reaction, refutation, apology, apology and promise that it will not happen again, apology and compensation, apology by promise and compensation) full factorial, between-subjects design, the study investigates how a restaurant should react to counter different degrees of negative online WOM, and what kind of response is advisable to regain the trust and business of prospective customers.

When the number of positive reviews outweighs the number of negative reviews, the results showed that there are no significant differences in terms of perceived trust, attitude and purchase intention between the different response strategies. Due to the fact that the negative WOM is outnumbered by positive comments, the readers believe that the service failure would not reoccur, thus offering an apology or even compensation to the dissatisfied customer would not enhance the purchase intention of the reader. When the numbers of positive and negative reviews are equal, it is more difficult to evaluate whether justice is served. The results revealed that both the apology and promise strategy and the apology, promise and compensation response result in a significantly higher perception of trust than refutation. The combination of an apology and a promise also results in the most positive attitude and purchase intention score. When the number

of dissatisfied customers is higher than the number of satisfied ones, it is easy to blame the service provider for the failure. The findings showed that, compared with the refutation strategy, the apology and compensation strategy and the apology, promise and compensation strategy significantly enhance the perceived trust in the manager. The apology, promise and compensation strategy results in significantly more positive attitude and intention scores than no reaction, refutation and even the apology responses.

Overall, the findings suggest that different response strategies are needed depending on the ratio of the positive and negative reviews, to increase the perceived trust, attitude and purchase intention of readers of online reviews. When the reviews are mostly positive, no reaction is needed to counter the few negative comments. When the balance is neutral, an apology combined with a promise that the failure will not happen again appears to be the appropriate thing to do. Offering compensation in this situation is found to be unnecessary (from the bystander's perspective). Finally, when the majority of reviews are negative, not only an apology, but also a promise and compensation are desirable to convince the readers that the service is actually worth considering.

Instead of focusing solely on higher market penetration rates, many high-penetration brands are now using advertising campaigns to encourage their loyal consumers to use the brand more frequently, as well as suggesting new ways to use the brand or new situations in which it can be consumed. The more frequent use of a brand may be a cost-effective way to build sales. Research therefore argues that when dealing with brands with a high degree of market penetration, consumption intentions are more likely to capture consumption-related responses (and success of a campaign) than attitudes towards the brand or purchase intentions. Volume estimates would then best approximate the actual consumption of heavy users and likelihood estimates are best used with light users or with infrequently consumed brands.<sup>95</sup>

Of course, not all communications objectives should be present in a communications plan or campaign. A marketer should choose which of the above goals are most appropriate in the market and communications situation. Marketers will therefore need a clear view based on

situation analysis and prior research among the target audience to decide which goals a campaign should focus upon. If awareness levels are low, they should focus on that goal; if preference is a problem, the campaign should stress liking. Brand awareness and brand attitude will always be part of the goals, as both effects should be maintained in every communications campaign. As these objectives should be quantified to make them measurable, marketing communications objectives could be: to increase the percentage of unaided recall or aided recognition among the target group; to increase the number of target consumers preferring the brand above the competitive brands; to stimulate current buyers to stay loyal and purchase the products again or buy them more frequently; and to encourage non-buyers to try the brand for the first time. The number of people in each step of the hierarchy of objectives can be expected to decrease, as is illustrated in Figure 4.6.<sup>96</sup>

The DAGMAR model has the merit that, instead of sales goals which are hard to correlate with communications expenditures, other quantifiable measures for effectiveness, such as awareness and image ratings, are introduced. These other measures are assumed to be intermediate effects, and thus indicators of future sales. An increase in awareness and brand ratings would be ahead of sales increases. However, in practice it can be seen that awareness and image ratings are highly associated with usage, but that sales fluctuate more than awareness and image ratings. Attitude changes were even found to follow behaviour changes and can be considered to be caused by them.<sup>97</sup> This change in the communications effects hierarchy was extensively described earlier (see Chapter 3) (e.g. the Foote–Cone–Belding or FCB grid).

**[Insert Figure 4.6 near here]**

Further criticism of the DAGMAR model was formulated by Ehrenberg.<sup>98</sup> He states that there is no evidence that consumers experience a strong desire or conviction before they purchase a product or a service. The traditional DAGMAR model is a conversion model, i.e. turning non-users into users, whereas advertising is directed at experienced consumers. Jones<sup>99</sup> and Ehrenberg present an alternative theory: the ATR model (awareness–trial–reinforcement). Marketing communications first arouse awareness, then induce consumers towards a first trial

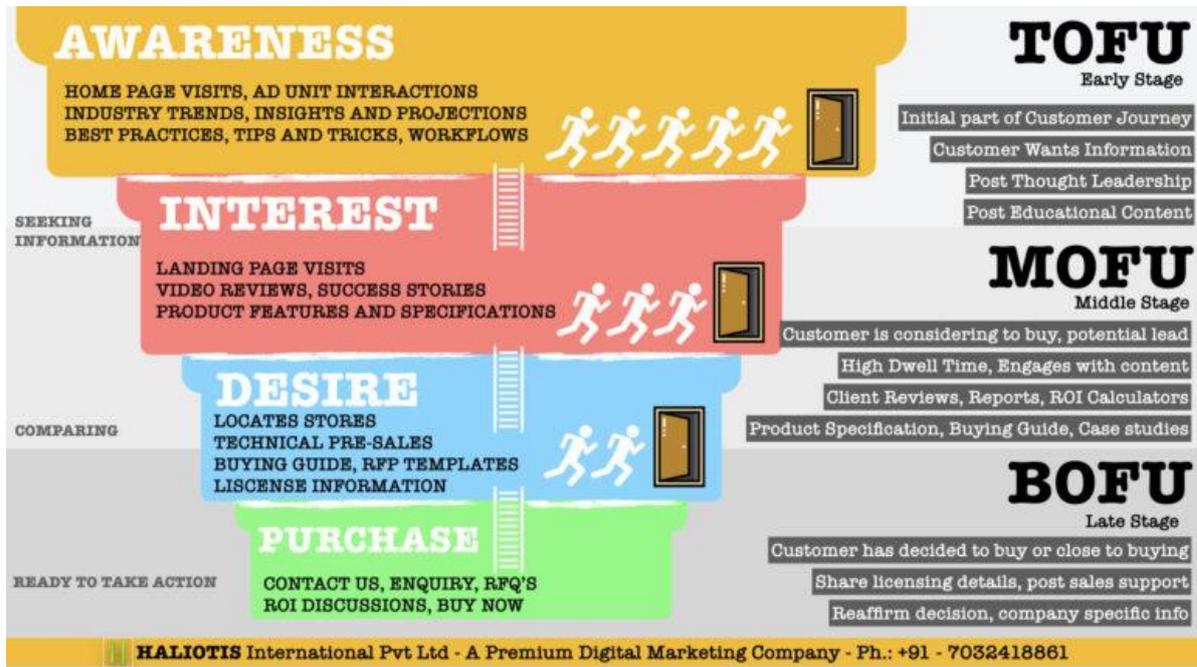
purchase and then reassure and reinforce those users after their first purchase. According to Ehrenberg, involvement is basically product category involvement and very rarely brand involvement. Consequently, the goal of marketing communications is to create or recreate brand awareness and to nudge brand choice during purchases. Marketing communications are almost never directed at so-called virgin non-users as is implied in the DAGMAR model, but rather to consumers with prior experience of different brands. This is also true in the case of price promotions. Most buyers have already bought the brand before. Even when new or unfamiliar brands are promoted, they are rarely chosen.<sup>100</sup>

### **Online communications objectives**

Basically, the goals of an online marketer, or the online component of a marketing communication campaign, are very similar to those of offline campaign components. After all, marketing is always about creating brand awareness, brand attitudes, generating leads, converting leads into buyers, and make buyers loyal. Those are also the main objectives of online campaigns.

Although they are applicable to all forms of marketing, when it comes to online marketing, the concepts of **ToFu (top-of-funnel)**, **MoFu (middle-of-funnel)** and **BoFu (bottom-of-funnel)** are popular terms (Figure 4.7). They represent the different stages of the buyer journey, each of which requires the right content to be delivered at the right time to move the prospect through the funnel. At the top of the funnel, making your company or brand visible and developing awareness are the top objectives. The goal of ToFu content in advertising should be to educate a broad audience on a specific question, need or pain point that they're looking to address, but without a sales tie-in. Once interested members of the audience reach out, they progress into the MoFu stage. In this stage of the funnel, the communication content should continue to educate but also begin to position the company as the solution to the lead's needs and challenges. The focus here is to convert potential customers to solid leads. In the BoFu stage, a sale should be made by means of an activating offer (e.g. a free trial, or a discount). Often, this stage may not consist of content at all. At this point the leads pulled in through previous stages know the company and are comfortable engaging one-on-one.<sup>101</sup> Deeper engagement content matters

more at the top of the funnel than it does at the bottom, where transactional content becomes more valuable.



Source : Haliotis International (2019)

**Figure 4.7. ToFu, Mofu and BoFu**

In the ToFu stage, typically push advertising is called for. As opposed to advertising on Google and YouTube, most advertising on other social media is push. When somebody conducts a Google search and clicks on one of the ads at the top of the search engine results page, that's considered **pull advertising**. Since the user has already specifically established what they're looking for, the ad they receive is highly relevant. They 'pulled' the ad their way. Facebook ads, on the other hand, are **push advertising**. When a user sees a Facebook ad in their Newsfeed, it's actually interrupting what they're doing. They're not on Facebook with the specific intent to buy (or even research) anything. When it comes to push marketing online, people don't like to be sold to during their first interaction with a brand. They need to develop some form of relationship with the brand first. ToFu advertising should use meaningful content to develop a trust-based relationship with target consumers, such as a blog post, without attempting to specifically promote the company's brand or business. If the ToFu campaign generates traffic, the company can enter MoFu, the next stage, by retargeting these leads by ads that aim at conver-

sion. Conversion-oriented content is needed at this stage, usually an offer which trades premium content for an email address: introduce the company's brand, provide value for free, further build trust, and convert a number of leads to email-subscribers or activate them to go to the company's landing page or e-commerce site, again without sending a sales message to them. In this stage, messages should be directly related to the messages in the ToFu stage, to be consistent with the topic the ToFu leads were initially interested in. Finally, in the BoFu stage, converted leads should be turned into buyers by offering them activating content and compelling reasons to buy the company's product. This may also include sales or trade promotions of all kind. In the MoFu and ToFu stages, ads in the Google Adwords system can also be used.<sup>102</sup>

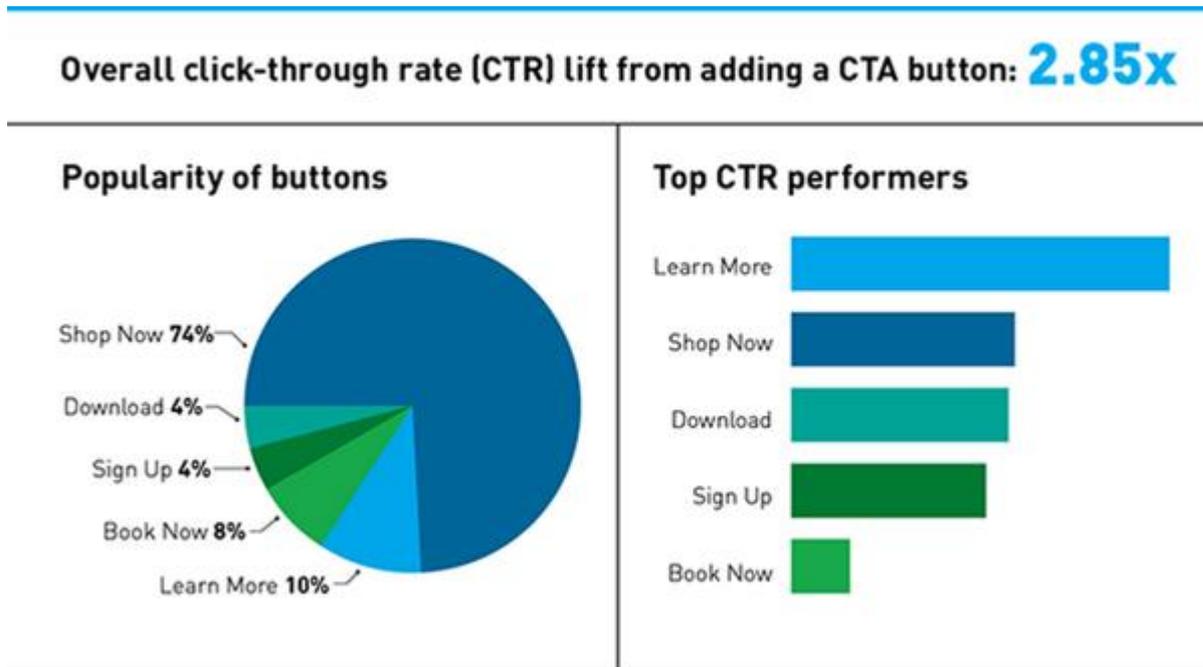
A similar framework distinguishes three steps.<sup>103</sup>

**Step #1. Awareness:** First you need to get people's attention. That's best done through appealing content that amuses them to get their attention or helps them solve a problem, for instance a useful blog post. The main objective of step 1 is to reach enough relevant eyeballs and get people's attention and interest, in order to generate traffic to your website.

**Step #2. Consideration:** The main objective in this stage is to capitalize on the first one by sending those people who landed on your web page offers that will transform them from strangers into leads. For example, if they were looking at something related to "new truck tires," the advertiser can retarget ads to them and serve them a free eBook on new truck tires. The point is to get some basic information from them (for instance their email addresses) by means of some kind of lead magnet, like giveaways, a checklist, an eBook, or even a webinar. For this reason, ads should contain Call-to-action (CTA) buttons, such as 'sign up', 'learn more', 'download', 'book now' and of course 'shop/buy now'. Figure 4.8 shows the popularity and performance of these CTAs.

**Step #3. Conversion:** By now, there is enough attention momentum to start generating leads. Attractive offers are the only next step required to turn them into customers. For instance, newspapers often invite readers to sign up to their online content for just 1 euro. This is called a tripwire. It's a simplified version of the big product or service that is sold. A company can also

‘splinter’ off part of its product or service as a separate low-threshold offer. These low-priced versions remove all of the risk from the customer.



Source: <https://neilpatel.com/what-is-facebook-advertising/>

**Figure 4.8 Popularity and effectiveness of call-to-action buttons**

## Business Insight

### The Curiosity Click - Brightfish<sup>104</sup>

Email advertising is considered one of the less effective means of reaching audiences, with clickthrough rates lower than 2%. Belgian creative cinema advertising sales house Brightfish changed this paradigm with a campaign designed to attract advertisers to a new cinema advertising offer. Instead of launching a traditional advertising email campaign, Brightfish sent marketing managers a WeTransfer link that was not addressed to them, but to their direct competitor across a wide range of companies including banking, telco and automotive. The email body included a conversational piece of copy along the lines of “Hi, attached the final commercial for [competitor brand], long version 60 seconds.”, followed by WeTransfer’s “Get Your Files” button. When the reader clicked on the download link, they were shown what looked like the beginning of an ad, which was interrupted by an ad protagonist to communicate the agency’s cinema air-time promotion, for example: “it hurts to see your competitor’s new commercial on a

high—quality cinema screen for 60 seconds, so why not air your own? Get a cinema commercial of 60 seconds or more for the price of 30 seconds. Go to [brightfish.be/promo](http://brightfish.be/promo)". The campaign's clickthrough rate was 49% higher than average (at 51%) and triggered positive email responses from marketing managers.

A similar framework distinguishes five steps in the social marketing process:<sup>105</sup>

**Fan acquisition:** attracting people to the advertising message;

**Generate engagement:** encouraging people to interact with content and brand;

**Amplification:** encouraging website visitors to share their likes and comments with their friends;

**Community building:** develop a stable group of fans engaged and communicate with one another about the brand over a substantial period of time;

**Drive sales:** make people buy the brand and become loyal to it.

Social media platforms enable companies to choose from a list of different objectives. For instance, on Facebook, advertisers can choose between promoting page posts or ads (Page post engagement), page likes, clicks to website, website conversion (people take certain actions on the brand's website), app installs, app engagement, offer claims, and getting people to watch a video (video views).<sup>106</sup>

## Stages in the product life cycle and marketing communications objectives<sup>107</sup>

One of the important factors in choosing objectives is the phase of the life cycle of a brand or a product. In this section, different strategies for different life stages are explored. They are summarised in Figure 4.9.

[Insert Figure 4.9 near here] (previously Fig.4.7 in 6<sup>th</sup> edition p.161)

## Introduction

A company that is marketing a completely new product will have to develop the market. Consumers will have to learn what the new product is about: which needs will be fulfilled by the product and what the differences are compared with the products that the consumers were used to before the innovation or launch of the new product or brand. The major communications objectives in this market situation will be creating category need (explaining which needs are better fulfilled with the innovation), brand awareness and brand knowledge. With daily consumed goods, consumers will have to be persuaded to try the new product. The communications strategy has to stress the basic selling points, i.e. the central functional advantages of the products.

For instance, the R8 was Audi's first entry into the high-end sports car market. In a market dominated by the Porsche 911, the R8 was to establish Audi as *the* German sports car, achieve the number 2 spot and bolster the Audi brand. The R8 contains Audi innovations that have changed motor sports and car manufacturing in key ways. The communications centred on the idea of the R8 as innovative and an embodiment of the brand's technological competence. They promoted consumer interest that reflected on the brand as a whole, providing convincing evidence that this same technological competence and innovative energy goes into every single car. In the year of its launch, the R8 topped the rankings for the most popular sports car. It has closed the gap on the Porsche 911, and has energised the Audi brand.<sup>108</sup>

Most introductions are new brand launches rather than real product innovations. Evidently, in this case it is not necessary to communicate the central functional product features as consumers are aware of them from their experience with other brands. The goals are to create brand awareness and support brand image connotations. This can, for instance, be done by associating a brand with a certain projected lifestyle.

## **Growth**

In the growth stage, a different situation leads to other strategies. Consumers are aware of the brand, the product and the most important characteristics and features. Other brands have

entered the market with a comparable offer. Communications strategies in this stage of the product life cycle will be aimed at defending the brand's position against possible competitive attacks. Marketers will have to create brand preference by emphasising the right product features and benefits to differentiate the brand from competitors and position it as unique.

## **Maturity**

A brand in the mature stage of its life cycle has to cope with strong competition in a market that is scarcely growing. This implies that an increase in the return of one manufacturer will be reflected in a decrease in a competitor's revenues. Communications strategies will focus on increasing the brand loyalty of consumers. Customers should be induced to be less open to the advantages of competing brands. There are six possible communications objectives in this particular product life-cycle stage:

- High spontaneous brand awareness, top-of-mind awareness.
- Claim a clear and unique brand benefit, a characteristic on which the brand is better than competing brands.
- If there are no or only small product differences, stressing a lower price might be a good strategy.
- Get attention by offering small product innovations.
- Reinforce the psycho-social meaning for product categories such as cigarettes, beer and coffee. These brands differ very little in functional characteristics but the experience of the brands by consumer groups might be very different. The strategy of these brands is positioning by supporting the transformational meaning of a brand.
- Communications strategies could also be more defensive in this stage of the product life cycle. Current customers should be reassured of their choice and their positive experience of and satisfaction with the brand.

## **Decline**

When manufacturers are confronted with declining products or brands and decide to milk or harvest the brand, they will probably turn to sales promotions such as prizes and lotteries. If

they decide to renew the life of the declining product or brand (and believe in life-cycle stretching), they can use the following strategies:

- communicate an important product adaptation or change;
- draw attention to new applications or moments of use (e.g. beer as a recipe ingredient instead of as a drink);
- increase the frequency of use;
- attract new target groups (e.g. Bacardi Breezer for youngsters).

## **BUSINESS INSIGHT**

### **Staying relevant as consumer needs shift – Coral Europe**

Declining share in core markets and an aging target audience made it clear that light-duty detergent brand Coral had to fight to stay relevant – especially to young European women, likely to be busy young professionals with no interest in washing clothes.

New research was commissioned which shed light on clothing and the values it projects: taking care of clothes is a form of self-care and helps drive self-confidence. The research also revealed that about a third of women's wardrobes are black or dark, leading to the launch of Coral Black Velvet, the first washing detergent for black clothes. To position the brand as an essential fashion accessory that supports self-care through garment care, the new SKU was launched with a media campaign targeting audiences and places where garment care reflects the emotional need for self-expression and self-confidence, like fashion shows or magazines. As a result, key markets like Germany and the Netherlands saw an increase in market share of up to 50% in a 6-month time period.<sup>109</sup>

## **BUSINESS INSIGHT**

### **Accenture's 'We know what it takes to be a Tiger' campaign**

To win business in the management consulting, technology services and outsourcing market, topping the consideration list is crucial. Accenture's communications had to help it own the category in a distinctive, relevant and compelling way, and capture the attention and consideration of a busy, frequently travelling, international audience.

The campaign 'We know what it takes to be a Tiger' was aimed at the demanding and results-driven 'change drivers' who occupy the 'C-Suite' (i.e. CEO, COO, CFO, etc.) in the world's largest companies. Business-wise, the campaign needed to increase Accenture's brand valuation year on year. It needed to help Accenture to increase revenue, achieve higher margins and deepen existing client relationships. Next to these objectives, the following communications goals were set: increase advertising awareness and beat competition on cost per awareness; double the consideration for Accenture among the advertising-aware in core markets; increase association with key brand personality traits; and own the concept of 'high performance delivered'. To own this benefit, the idea of 'high performance delivered' was created to brand the unique type of success that Accenture can help deliver for its clients. To bring this to life creatively, Tiger Woods was employed to be the personification of high performance. Tiger Woods (for golfers and non-golfers alike) gave Accenture's campaign great power. The campaign ran in out-of-home (e.g. airports), print, TV, radio and online media in France, Germany, Spain, Italy and the UK. The campaign was Accenture's most successful to date, doubling consideration in each of the core markets. Retention was excellent – all of Accenture's top 100 clients have now been working with the company for at least five years. The advertising awareness goal was met and Accenture widened the gap over a key competitor in the UK, France and Italy.<sup>110</sup> This strategy was abandoned when Tiger Woods ran into severe problems in his personal life.

## Campaign budget

Restructuring and rationalisation have dominated companies' policies during the recession years of the new millennium. Companies tend to save most in those expenses that may be influenced in the short term. Hence, communications budgets are often first in line to be reviewed.

However, the communications budget level is one of the determinants of the communications

mix effectiveness and thus of company sales and profits. Determining and allocating communication campaign funds is one of the primary problems and strategic issues facing a marketer. Deciding on the communications budget is not a one-off activity. The financial resources of a company or brand influence the communications programme, and plans should be continuously assessed against financial feasibility at all stages in the planning process.

There is no ideal formula for making the best budgeting decision. Deciding on the budget requires experience and judgement. The budgeting process should be well considered and based on concrete marketing and communications objectives defined in the communications plan. These goals, together with knowledge of past budgets and their effectiveness and competitive actions, will be an important input for the budgeting process. The second step is to apply one of the budgeting methods discussed in the next section. Using more than one method could help a marketer set minimum and maximum budgets which will be a guide to the rest of the process, such as planning concrete actions. The final step is to evaluate and possibly revise the budget and objectives, and adapt them to specific circumstances.<sup>111</sup> It is better to scale down the objectives (for instance, to reach a smaller target in a more effective way than was planned) than to try to reach the same objectives with a smaller budget. Finally, budgeting decisions should always take into account the long- and short-term effects of communications efforts on sales and profits.

### **How the communications budget affects campaign results**

To be able to assess the size of the budget, it is important to understand how communications efforts influence results. There is a long tradition of studying the relation between campaign budgets and sales. **Sales response models** depict the relationship between these two factors. Figure 4.10 shows a concave sales response model. In this model it is hypothesised that sales follow the law of diminishing returns: the incremental value of added communications expenditures decreases. An explanation for this relation is that, once every potential buyer is reached with the communications mix, they either will or will not buy, and beyond that optimal

point prolonged communications will not change the non-buyers' minds. This model suggests that smaller budgets may be as effective as much bigger ones.<sup>112</sup>

**[Insert Figure 4.10 near here] (Fig. 4.8. in 6<sup>th</sup> edition p.165)**

Another way to model sales responses to communications efforts is the S-shaped relation (Figure 4.11). This model assumes that, initially, when the level of effort is low, there is no communications effect at all. Even if the communications effort is zero, there will be a certain level of sales, and a minimum investment is needed to enjoy any results of the communications programme and to increase sales. When that level is reached, sales will start to increase with incremental communications expenditures. The higher the investments, the greater the additional sales will be. At point A, increased investments start to lead to smaller changes in sales. It is impossible, even with very high communications investments, to exceed a certain saturation level of sales. This is due to the market and the competitive environment. Exorbitant communications investments may even lead to negative effects, such as irritation and consumer resistance.<sup>113</sup>

However, estimating the relationship between the communications budget or effort and sales is not as simple and straightforward as sales response functions suggest. First of all, marketing communications are not the only marketing mix instrument influencing sales. Prices, product line decisions and changes in the distribution strategy will also influence sales. Furthermore, an effective marketing mix implies that synergy and interaction exist between the various marketing tools. In a well-designed marketing plan each tool reinforces another. A communications plan may lead to better results if the distribution strategy is optimised or the price is lowered. A rearrangement of the product line may result in more effective communications, etc. As a result of this interaction, it is very difficult to isolate the effect of the communications budget on commercial results. Furthermore, sales response models do not take the effect of competitive actions and environmental factors into account.

Finally, and at least as importantly, communications efforts may have both an immediate short-term and a long-term effect on sales and market share. Traditional theories consider communications as a long-term investment in goodwill.<sup>114</sup> Cumulative investments ('adstock') are needed to lead to sales returns, and the long-term effects of communications efforts are much higher than the short-term effects.<sup>115</sup> This traditional view is challenged by John Philip Jones,<sup>116</sup> who proposed a theory on the short-term effects of advertising, claiming that stating that sales are mainly influenced by accumulated advertising campaigns of the past are mistaken. He tried to prove that immediate communications effects on sales exist. According to Jones, the whole idea of long-term effects was due to a lack of scanner data. All other advertising testing methods were too irregular and too slow to discover short-term effects. Fluctuations in two-monthly data were explained as seasonal effects. Promotion effects, on the other hand, were traceable and thus researchers deduced that promotions had short-term effects and advertising long-term effects. This belief had serious repercussions on the ratio of advertising to promotions, because marketers confronted with recession and mature markets chose short-term immediate effects on sales instead of long-term image-building advertising. Jones used single-source data<sup>117</sup> relating advertising exposure (a test group with ad confrontation and a control group without ad exposure based on TV viewing behaviour tracking) with scanner data of the same test subjects. Differences in purchases between the two groups were considered to be a measurement of ad effectiveness.

**[Insert Figure 4.11 near here] (Fig. 4.9. in 6<sup>th</sup> edition p.166)**

In the survey, there were 142 brands, of which 78 were advertised. Calculations were made on 110 000 observations. Jones introduced a new measurement tool called STAS (short-term advertising strength). The baseline STAS for brand X is the share of brand X in the budget of families who have not seen an ad for brand X in a seven-day period before purchase. Jones then calculated the share of brand X in the budget of families who were exposed to an ad at least once during the same period. This is called 'stimulated STAS'. The difference between baseline STAS and stimulated STAS is the 'STAS differential', expressing the immediate sales-generating effect of an ad campaign. STAS is calculated as an index by multiplying the

ratio stimulated STAS/baseline STAS by 100. A brand with a market share of 6% without advertising and a share of 9% after one week of advertising had a STAS (differential) of

<sup>118</sup> Based on these calculations, Jones discovered that 70% of all ad campaigns were able to generate immediate advertising effects. Mostly these effects were small and temporary. When looking at the distribution in deciles of differential scores, 20% had good differential scores, 30% on average a positive score, 30% no definite positive or negative score, and 20% had a negative score and were not effective in beating competing ad campaigns. Only 46% of brands created a long-term effect, defined as an increase in market share compared with that of the previous year. Jones concluded that when a brand is not able to hold its STAS differential constant, this is often caused by lack of continuity in its advertising campaigns.

He also came to the rather surprising conclusion that the first exposure of an ad causes the largest part of sales returns, and that additional exposures will only lead to small effects on sales. The sales response curve would then be a concave degressive function.<sup>119</sup> The most effective frequency of an ad campaign according to Jones is one single exposure.

Jones believes that long-term effects will only come about when an ad campaign is also effective in the short term, and does not believe in the sleeper effects of marketing communications. This statement is radically opposed to the widespread belief that a higher ad frequency is needed to gain any effects on sales. Therefore, Jones's statements on short-term communications effects are very controversial, and may be an over-reaction to the widespread belief that there are mainly carry-over effects of communications efforts. In reality, both short-term and long-term effects are important.<sup>120</sup>

## **RESEARCH INSIGHT**

### **Calculating the short-term and long-term effects of advertising**

A frequently used and simple sales response model, taking long-term and short-term effects into account, is the following (numbers are illustrative):

$$S_t = 250 + 1.4A_t + 0.6S_{t-1}$$

$S_t$  = sales in period  $t$

$S_{t-1}$  = sales in period  $t - 1$

$A_t$  = advertising in period  $t$

250 = constant term expressing that even if there were no advertising at all in period  $t$  or in the past, sales would still be €250

The short-term effect of advertising is the coefficient of  $A_t$ . Every €1000 invested in advertising results in €1400 extra sales. The coefficient of  $S_{t-1}$  summarises the effect of all advertising efforts in the past. The long-term effect of advertising on sales is calculated as  $1.4/(1 - 0.6) = 3.5$ . This means that, in the long run, every €1000 invested in advertising results in 3500 extra sales.

## Communications budgeting methods

Table 4.6 lists various communications budgeting methods.

### Marginal analysis

The basic principle of **marginal budgeting analysis** is: to invest resources as long as extra expenses are compensated by higher extra returns. Marketers should invest in communications efforts as long as their marginal revenue exceeds the marginal communications cost (optimum point indicated in Figure 4.12). Profit is calculated as the difference between gross margin and communications expenditures. It is clear that sales and gross margin will increase with higher communications efforts, but will level off, which leads to lower profits and eventually loss. This analysis has the advantage of estimating the effect of communications on profits, and derives a normative rule of optimal communication efforts. However, the analysis remains largely theoretical because of the problems involved in estimating the sales response relation. This method assumes perfect data that are usually difficult to collect. As in other modelling approaches to budgeting, the model does not take the effect of other marketing tools or competitive action into account, and the potential long-term effect of marketing

communications is ignored. As a result, marginal analysis is seldom used as a practical budgeting method.<sup>121</sup>

In addition to the theoretical marginal approach, there are a number of techniques that are relatively easy to use without requiring difficult calculations. Some of the techniques that practitioners commonly use when developing communications budgets are the following.

### **Inertia**

The **inertia budgeting method** is to keep budgets constant year on year, while ignoring the market, competitive actions or consumer opportunities. Needless to say, this is not a very strategic method.

### **Arbitrary allocation**

Again, this is one of the simplest of all budgeting methods, but also one of the least appropriate. Whatever the general manager or managing director decides will be implemented. This very subjective way of deciding how to spend promotional funds does, of course, lack critical analysis and overall strategy. The technique is mostly used by small companies where the managing director's personal preferences (e.g. sponsoring a golf event) and contacts over-rule more strategic processes that take the marketing and competitive environment and customer wants into account.

### **Table 4.6** Communications budgeting methods

Marginal analysis

Inertia

Arbitrary allocation

Affordability

Percentage of sales

Competitive parity

Objective and task

[Insert Figure 4.12 near here] (Fig. 4.10 in 6<sup>th</sup> edition p.169)

### **Affordability method**

In this method 'leftover' resources, after all input costs (i.e. human resources, operational and financial costs), are invested in communications. This method is often used in small and medium-size enterprises. Marketing communications are considered to be a pure cost rather than an investment and are mostly not part of the strategic plan, neither are any concrete communications goals defined. As a result, it is a technique without any focus on strategic market or brand issues. This approach will never lead to optimal budgeting, since some opportunities will be lost because of lack of investment-proneness (i.e. the readiness to invest).

### **Percentage of sales**

In this technique, budgets are defined as a percentage of the projected sales of the next year. An alternative to this technique is to take the communications outlays of the past year as a basis and then add a certain percentage, based on the projected sales growth of the following year. These techniques are very popular in many companies due to their ease of use. The percentages used by companies differ. Some sources indicate that they fluctuate around an average of 5%.<sup>122</sup> Other authors speak of percentages between 0.5% and 10%.<sup>123</sup> Although they are commonly used and, like the affordability method, ensure that costs do not threaten profits, these budgeting methods have some notable disadvantages. The percentage of sales budgeting method could lead to overspending in markets in which these kinds of investments are not needed and at the same time communications budgets might be too small where they might have had a major impact. Decreasing returns on sales will lead to smaller communications budgets, which will certainly not help to change the negative sales evolution. Communications budgets should not be the result of sales but rather should create demand and thus push up sales. This technique also defends the theoretical insight that sales are dominated by communications investments and that other marketing mix elements do not have an impact on sales. This technique does not consider any potential sales growth areas and will limit sales performance.

Another common way of using the percentage of sales method is to take the sales of the past year instead of projected sales, but that is even worse. This method uses past performance as a *ceteris paribus* situation. Therefore, it is unlikely that the company will make progress (unless a lucky wind changes the competitive environment or consumer demands in the right direction).

A final variant of this method is to take a percentage of profits instead of sales. This has the same disadvantages, as an existing brand might need less advertising than a recently launched brand which is not making any profit at all during the first year. Losses will lead to cancelling communications budgets and thus to abandoning all hope instead of investing in brand communications to make them profitable again.

### **Competitive parity**

**Competitive parity budgeting** means that companies look at the budgets competitors spend on communications and then copy their budgets. The logic of this method lies in the fact that the collective behaviour of a market will not skew much of the budget optimum. The advantage of this method is that the market will not be destabilised by over-investments or extremely low communications budgets. This method is often used in fast-moving consumer goods where sales are believed to be highly influenced by advertising and communications spending.

Nevertheless, the theoretical basis of this method has some disadvantages. The underlying assumption is again that communication spending is the only variable that influences sales. Furthermore, a company assumes that the competitor's communications budget was set in an effective and efficient way. Lastly, this method implies that the resources, operational methods, opportunities and objectives of competitors used as a benchmark are exactly the same as those of the company itself. These are three quite dangerous assumptions. Companies may have other market definitions or other targets, leading to other activities and products in other stages of their life cycle, which make comparisons a difficult and unreliable technique for financial

decisions. The parity method is also based on historical data and not on competitors' plans for the future. Believing that competitors will adhere every year to the same communications efforts is probably not the best analytical way to make marketing plans.

Companies can also base their budgeting decisions on competitive considerations without copying the competitors' budgets. Paradigms were developed for marketers wanting to assess the effects of their share of voice (SOV) on their share of market (SOM). Share of voice is the ratio of own communications investments divided by the communications investments of all brands in the same product category or market. A study on the impact of advertising of competitors with comparable products on market share, not taking into account the advertising quality or any formal or content characteristics of advertising, came to the following conclusions.<sup>124</sup> Ad spendings will only influence market share (SOM) when there is a different advertising intensity over a long period. Marginal budget changes do not affect SOM. If competitors aggressively augment their communications budgets, this can be countered by following with increasing communications expenditure. If, however, there is no reaction to this attack, an increase in SOV will lead to a higher SOM. This means that market leaders will have to track the expenditures of competitors and react to changes to prevent them from gaining market share.

As shown in Figure 4.13, the largest and the smallest player in the market are located above the 45° line. This means that their SOV is smaller than their SOM. The follower in a market is located in a position where it has a higher SOV than market share. Leaders enjoy economies of scale and have a smaller advertising cost per unit. The smallest players should focus on niches because they do not have the resources to compete with the leader and are only profitable if they concentrate on specific niches and forget growth ambitions. If followers want to increase their market share, they will have to increase their SOV above their SOM. This will put pressure on their profitability, which could be dangerous for their competitive positions. This is why stuck-in-the-middle positions are very difficult to hold and market consolidation will lead to two or three large leaders, like Coca-Cola and Pepsi in the cola market. These

leaders will have to compete with local or national strong brands (niche players). A market will stay in equilibrium as long as the market leaders keep their SOV within a certain range. Market shares and positions will only change with a minimum of 20 or 30 percentage-point differences in SOV. In Figure 4.14 a matrix is proposed with strategic recommendations for communications budgets in different market situations.

[Insert Figure 4.13 near here] (Fig. 4.11 in 6<sup>th</sup> edition p.171)

[Insert Figure 4.14 near here] (Fig. 4.12 in 6<sup>th</sup> edition p.172)

The relation between SOM and SOV provides a tool for companies to compare their communications spend with the budgets of other players in the market. This allows marketers to make a better analysis. The average SOV helps to estimate the maximum underinvestment that big brands can afford without losing too much of their market position.

## **BUSINESS INSIGHT**

### **Relating budgets to top-of-mind brand awareness**

Besides sales effects, the result of the marketing communications effort can also be measured in other terms, such as brand awareness. In the following graph the efficiency of the advertising campaigns of different banks is analysed. On the horizontal axis budgets are measured. The vertical axis shows top-of-mind awareness of bank names. For two consecutive years, the relationship between the two factors is shown. The more a bank moves to the upper left corner of the graph, the more efficiently it is spending its resources. The analysis also permits a comparison of the own company with competitors.

[Insert Figure 4.15 near here] (untitled figure in 6<sup>th</sup> edition p.173. Title: Figure 4.15.

**Top-of-mind awareness and advertising budgets).**

## Objective and task method

This method is one of the least arbitrary methods. It differs from the other methods in that it starts from communications objectives and the resources that are needed to reach these planned goals. All needed investments are then added and this will lead to the overall communications budget. It requires more strategic planning and investment analysis and is therefore clearly superior to all the other methods. Moreover, budgets can be evaluated each year, and this feedback will lead to improved decision-making and more efficient budgeting in the future. The difficulty in this method lies in the estimation of profit impacts of different communications actions and tactics. Therefore it is of the utmost importance that historical data on, for instance, sales promotion responses in each market are stored. But estimating all costs of every action needs some effort and often the final costs of an action are difficult to foresee.<sup>125</sup>

## BUSINESS INSIGHT

### Experimental budgeting

Experimental budgeting implies using different budgets on different locations or in separate markets. Comparing results of split-run test groups will allow a company to gain insights that will enable it to identify optimal communications budgets. As in every split-run experiment, test groups should be fully comparable and other possible influential variables should be kept constant. A well-known example of experimental budgeting is the case of Budweiser beer.<sup>126</sup> Anheuser-Busch, manufacturers of Budweiser, split the USA into 200 geographic areas. In the experiment test areas were randomly assigned to experimental groups. One of the areas, the control group, received a communications budget level which was believed to be the optimal level. All other groups received budgets ranging from –100% to +300% of that of the control group. Tests lasted from 12 to 24 months and were evaluated by sales responses compared with the five-year, seasonally adjusted sales trend line. The results of these experiments indicated that the advertising expenditures of Anheuser-Busch were too high. Reducing the communications budgets would have only a minor effect on sales. By lowering the

advertising costs, the total cost per draft Budweiser beer also decreased. This allowed Anheuser-Busch to drop the price, which led to increased sales and market share. The Budweiser case demonstrates that experimental budgeting can be very effective and, when overspends are found, budget cuts might lead to increased market share.

However, there are some fundamental disadvantages with this method. Firstly, experiments tend to be expensive. To test different budget levels it would be necessary to assign an amount of non-optimal budgets. High budgets will lead to a spill of resources and low budgets could affect market positions. Moreover, experiments and the data-gathering process require additional investments. When cutting costs through reducing the number of test groups and/or the test period, less accurate and thus less reliable results will be achieved. A second disadvantage is that experiments are hard to control and that uncontrollable factors such as competitive actions, distribution influences, etc., are likely to skew the experimental settings. It is also very difficult to reach each of the test groups with different isolated communications channels and, when regional media are used, communications impacts might not be comparable with the traditional national media coverage.

### **Factors influencing budgets**

A number of factors may influence the budgeting decision or may call for budget adjustments.<sup>127</sup> They are summarised in Figure 4.16.

The smaller the targeted markets, the easier it is to reach the targets in a cost-efficient way. Spending too much in small markets leads to saturation, and overspends are likely to be ineffective. Larger markets imply more dispersed target groups which are more difficult to reach and thus more expensive. When particular markets have higher potential, it may be a good idea to allocate more money to these specific markets. Brands with smaller market shares and new brands require a high communications budget; larger well-established brands and ‘harvested’ brands in the mature stage of their life cycle could do with a lower allocation of communications funds.

Some studies<sup>128</sup> show that companies and brands with larger market shares have an advantage in communications costs (such as better media space buying, synergy between different communications mix elements on different company brands, better media rental rates and lower production costs) and can thus spend less money on promotional activities while having the same or even better sales. However, other research<sup>129</sup> claims that there is no evidence that larger companies are able to support their brands with lower advertising costs than smaller ones. A number of organisational factors that have a potential influence on the budgeting decision can be identified:<sup>130</sup> the organisational structure (centralised vs decentralised, formalisation and complexity), the use of experts such as consultants, the organisational hierarchy, preferences and experiences of decision-makers and decision-influencers, and pressure on management to reach certain budgets.

Sometimes it is necessary to make adjustments to the planned budgets during the year or during the communications campaign. If sales and profits lag behind projected and budgeted figures (planning gap), cutting communications efforts is often the easiest and fastest way to increase profits. Of course, this will only have an immediate effect in the short term. In the long run this might lead to eroding competitive edges and market and brand positions. Crisis situations such as troubles with production or distribution might need exceptional investments in public relations and crisis communications. Other internal occurrences such as financial scandals, strikes, ecological catastrophes, etc., might also demand budget adjustments.

**[Insert Figure 4.16 near here] (Fig. 4.13 in 6<sup>th</sup> edition p.175)**

Unexpected opportunities or threats in the market might change strategic plans and communications budgets, as well as unexpected moves by competitors, new legislation, new media and changes in media costs.

Economic recessions will often have serious consequences for communications budgets. Consumers spend less money, and shrinking markets mean stronger competitive battles in

which price is a commonly used weapon. Companies may react in one of two ways with regard to their promotional spending. Some try to economise in every way possible. A substantial amount of all costs are fixed and cannot be lowered in the short term. Most companies are attracted by a budget that is quite easy to bring down: the communications budget. Other companies react by increasing their budget, believing that extra investment will drive sales up. A crisis is regarded as the ideal moment to establish their position. This is called anti-cycle budgeting. Market share is gained during recessions and then defended in periods of a booming economy. Some multinationals such as PepsiCo, Coca-Cola, General Mills, Kellogg's and Procter & Gamble have a strong belief in long-term investments in marketing communications.

Some companies prepare contingency budgets. These are reserve budgets provided for financing quick management actions as necessary. These crisis actions are planned in so-called contingency plans. They stipulate which actions must be taken when, for instance, significant drops in sales occur or an important competitor switches to aggressive promotional actions or launches a new product. Reaction time will be substantially lower in such cases when all appropriate actions and budgeting have been foreseen.

### **Budgeting for new brands or products**

Although budgeting for existing brands in established product categories is the most common task for marketers, often they are confronted with the problem of budgeting for a brand or product launch. This is even more difficult than the former. Historical data on the budget settings that have been successful are not available and consequently easy-to-use schemes as discussed above are not appropriate for estimating required budgets.<sup>131</sup>

The primary budgeting method for launching new brands or products should be the objective-and-task method. But given the uncertainty and lack of historical data, this is not only a difficult budgeting method but also one that is not risk-free. Therefore, other methods are good back-ups to compare estimations made earlier. A marketer may, for instance, examine the industry advertising-to-sales (A/S) ratio (advertising intensity) for the market in which a brand

is to be launched. The marketer may decide to set a budget that is higher than the industry average in order to make an impact. Doubling the A/S ratio is considered a safe guideline for the first year of introduction. In the second year, overspending the ratio by 50% should do. Of course, it could be even more informative to make comparisons with particular competing brands or products.

Peckham, a consultant with AC Nielsen, developed a rule of thumb for new, fast-moving, consumer good brands.<sup>132</sup> Peckham's 1.5 rule recommends setting the SOV of the brand to be launched at 1.5 times the desired SOM at the end of the brand's first two years. A limitation of Peckham's rule is that it is only applicable in markets or product categories for which there is a strong correlation between SOV and SOM. A study of 638 firms across 20 industries<sup>133</sup> found a strong relationship between SOV and SOM across a broad range of industries for consumer as well as industrial products.

## **Budgeting online**

Budgeting online campaigns is essentially similar to budgeting offline media. Companies decide upon a (maximum) budget they want to spend, and allocate that budget as efficiently as possible, keeping their communication objective in mind. In most traditional advertising media, this means optimizing the number of 'eyeballs' reached (see also chapter 6). Sales promotions is not so much about reach, but focuses on trial, repeat purchase and sales. Direct marketing aims at generating and activating leads (prospective customers) and generate sales. Online advertising enables advertisers to reach all these goals by building campaigns that guide internet users through the entire sales funnel (see earlier in this chapter), from creating awareness and interest, to activating them and turn them into leads, to closing the sale. Deciding a budget is a prerequisite, as in all communications campaigns, but the way the budget is spent is different for different online platforms. Given the advertiser's objectives and target groups, the platform algorithm uses all the information it has from the platform's users to optimize campaign effectiveness, reach the advertiser's goals as good as possible, with the chosen target groups. Online advertis-

ing is much more flexible than offline campaigns. Companies can set a total budget, but also a daily budget over a given period. They can run a campaign at a budget ranging from 100 to millions of euros. Different ads for different target groups and different objectives that are different over time are relatively easy and cheap to produce. Since online advertisers can keep track of campaign effectiveness in real time, they can easily and quickly remove the ads that do not work and replace them by new ones. All platforms have extensive management modules, dashboards by means of which a campaign can be organized: target groups, objectives, ads, and measurement of results.

Pricing on **Facebook** and **Instagram** are very similar and varies widely based on several factors, including the audience a brand is trying to target and the budget it sets for. As a general rule, the more money a brand spends, the more efficient Facebook's and Instagram's algorithms becomes at spending the money, increasing ad performance over time. The starting point is the answer to the following questions: How many products or services does a brand want to sell? What's the current conversion rate? Let's say that a product's value is €100 and the company want to sell 10 units. The current conversion rate (number of sales per ad view) is 1%. The advertiser can now calculate that, in order to make €1000 euros, she needs 1,000 ad views or clicks on an ad. How much is it going to cost to get those 1,000 clicks? On Facebook, there are two bidding options, either 'automatic', which means that Facebook determines the bid to reach the desired clicks at the best price, or 'manual', in which case the advertiser enters a bid (for instance \$1 per click) herself based on how much clicks are worth to her. The latter obviously gives the advertiser control on her total budget.<sup>134</sup>

On the Facebook ad manager module, an advertiser can select an objective so that Facebook will automatically help her do a better job of reaching her goals. For example, she can select either Conversions or Link clicks as ad delivery optimization method to get the best results. For example, if she selects clicks, Facebook will monitor and adjust in order to get the most clicks. If she chooses conversions, they will watch patterns for what's working (like what types of people, what times of day, etc.) and help self-correct the campaign as it runs. The other important

point here is that the Cost Per Click is not the primary metric advertisers should be watching. Instead, the Cost Per Action (or Lead or Acquisition) is much more important if the goal is selling products. In this case, automatic bidding may be more efficient. Facebook also allows to determine how much an advertiser want to spend per day or per week, and even time of the day. Finally, the advertiser can also determine how frequently she want ads shown, for instance as quickly as possible during the day, or spread out evenly throughout the day.<sup>135</sup>

The average cost per ad click (CPC) on Facebook is about .30-dollar cents, and the cost per 1,000 impressions (views) (CPM) is about 7.20 dollars. While the price on Instagram may be similar, most current statistics show that Instagram gets much more engagement on their posts and ads than Facebook does. For instance, Victoria's Secret (lingerie brand) saw an average of 2,078 likes per post on Facebook versus 283,030 on Instagram. Similar variances have been found with brands like Mercedes Benz, McDonalds and PlayStation.<sup>136</sup>

Budgeting on Twitter is roughly similar. On twitter an advertiser can try to increase the number of followers, traffic to his website, and/or leads. To control the cost of the campaign and minimize risk, it is important to set a total and daily budget. This means that, just like on Facebook the advertiser has to decide the value of a new follower, lead or click-through to his website. This value should be the lifetime value of a new customer or lead, not just the initial value of his or her first action. The total and daily budgets can be adjusted based on advertising performance metrics and objectives.<sup>137</sup> On average, a thousand ad impressions or views (CPM) on Twitter ads cost between \$9 and \$11, while clicks cost roughly 25-30 cents each. On Pinterest, the CPM is on average \$5.30 and the CPC is \$1.52.<sup>138</sup>

**Snapchat** has several advertising options. Snap Ads (mobile, interactive video ads with 5 times higher swipe-up rate than the average click-through rate for other comparable social platforms) cost between \$1,000 – \$3,000 per month to run. The cost for Sponsored Lenses runs from \$450,000 to \$700,000 per day. Snapchat Discover ads put a brand's story at the very top of user app feeds at a cost of \$50,000 per day. The cost for brands to add their own location-based overlays can be as little as \$5 (for 15,000 views) or, rarely, as expensive as \$20,000.<sup>139</sup>

The pricing model of **Google AdWords**, **YouTube** and **LinkedIn** is based on a bidding procedure. The AdWords marketplace works as an auction. People bid money for clicks. The bid sets how much an advertiser is willing to pay for each click. If the advertiser's maximum bid is \$2, Google will only show her ad to people if others are not bidding more (on average). All this happens within split seconds, thousands of times per second. Google counts the clicks on an advertiser's ads and charges the company for each click (**Pay Per click (PPC)**). They also count impressions, which is the number that tells an advertiser how often an ad has already been shown when users searched for your keyword(s). A keyword is a word or phrase the user searches for and then sees an ad. Ads will show up for the keywords that the advertiser selected. If you divide clicks by impressions, you get the click-through-rate, or CTR. This is the percentage of users who land on the page advertised because they clicked on an ad. The click-through rate tells an advertiser which ads are working and which aren't. However, none of these things matter if the brand is not getting conversions. A conversion is a new lead or sale, but, in general, it means the user took the action that an advertiser wanted them to take. In some cases, that action might be something other than a purchase. Signing up to an email list or entering their personal information would be examples of other actions.

However, the highest bid doesn't always win. Google combines the money factor with a quality factor in order to create the best experience for the user. Google does not just want to show people the ads from the highest bidder. They rather show their users a more relevant and better ad by someone who pays less, because that keeps users coming back to Google. An advertiser's cost per click, or CPC, can thus be lower than his maximum bid, especially if the advertiser's ads produce a good **quality score**. This metric combines several factors in order to effectively determine how 'good' an advertiser's offer is for someone's search. Advertisers have to select a keyword or a number of keywords, and bid to place ads in the search list of consumers who have used this keyword. Each keyword in a campaign gets its own quality score. The first factor that determines the quality score is

**relevance.** For instance, if someone is looking for ‘hiking footwear’, the keyword ‘shoes’ is going to be less relevant than ‘outdoor footwear’. The second factor is historical and expected **click-through rates**. A higher CTR generally means that a company’s ad and keyword relevancy is better than others with a lower CTR. So Google will look at an advertiser’s older CTRs and also forecast future ones in order to determine how well his ad matches somebody’s search. Next, **account history** is considered. Google determines if an advertiser represents a legitimate, credible brand with good products and services. Another important factor is the **landing page**, the place people will go once they click on an ad. It needs to be relevant to what someone just searched. So an ‘outdoor footwear’ search should bring up ‘outdoor footwear’ ads that leads to a page which talks about “outdoor footwear’. The landing page itself also needs to be user friendly, attractive and easy to navigate. If not, visitors will leave the site immediately, and this will negatively reflect upon you’re the quality score of an advertiser. Quality score times bid is called **Ad Rank**. Ads with the highest Ad Rank appear higher in the list of its keyword. If the quality score is bad, the bid needs to be higher to appear in the list. Google AdWords thus assesses an advertiser’s maximum bid, Quality Scores and ad rank and compare those against competitors — all in fractions of a second — in order to determine what an advertiser is going to pay. Since Google owns YouTube, the pricing mechanism is exactly the same for YouTube ads as for Google AdWords. YouTube ads have an average cost-per-view of \$0.10 – \$0.30. The average cost of reaching 100,000 viewers is around \$20,000.<sup>140</sup>

## **Business insight**

### **How to calculate an AdWords budget**

In order to know how much you can comfortably spend, you just have to work backward. First, you need to know your profit per sale and your conversion rate. Suppose you are selling bricks. If a package of 500 bricks costs \$200, and you make a \$100 profit per sale. Your conversion rate is the percentage of people who order when they arrive on your

bricks sales page. If for every 1,000 views of the page, 10 people buy, that's a 1% conversion rate.

Out of each sale, how much would you be willing to give to Google? If you think making \$70 per sale is still okay, then you can pay Google a 30% commission for each successful conversion through AdWords. Putting all of it together will give you your maximum Cost per click (CPC) you want to bid:  $\text{Max. CPC} = \text{your profit} \times \text{commission for Google} \times \text{your conversion rate}$ . That is:  $\$100 \times 0.3 \times 1\% = \$0.30$ . That means you can bid \$0.30 maximum per click on Google AdWords and still make \$70 per sale (given your conversion rate stays the same). If you just get 20 clicks per day, in the beginning, that's okay. At your maximum CPC, that would cost us \$6 per day. You can run a campaign for 10 days and just spend \$60. The more data that you have, the more statistically significant your calculation will be.<sup>141</sup>

Advertising on **LinkedIn** is also based on a bidding procedure. There are three options: cost per click (CPC); cost per impression (CPM); or cost per send (CPS). Cost per send (CPS) is used when you run Sponsored InMail campaigns. You pay for each InMail that is successfully delivered. CPC is often used for action-oriented campaigns like lead generation or event registration. The CPM model is typically used when brand awareness is the goal. Companies have to select CPS, CPC and/or CPM, and their suggested bid, daily budget, start date, end date, and total budget. They can cancel their campaign at any time. LinkedIn uses an auction system for bidding that rewards engagement, meaning you can win an auction without being the highest bidder. In its ad management system, LinkedIn also suggest a bid range to reach the company's objective, and gives a range of the current bids of other advertisers. The suggested bid range will be higher for target groups that are in demand and that many companies are bidding on. You can bid per click (CPC) or per thousand impressions (CPM), depending on your campaign goals. For all LinkedIn advertising products, bidding works as a second-price auction. That means if you win your bid, you will only pay the minimum needed to beat the second-highest bidder. You will never pay more than that, regardless of how high your max bid is set. LinkedIn determines who won the auction based on the highest bid combined with past ad performance.

Ads receive relevance scores based on factors like click-through rate, comments, likes, and shares. Creatives and campaigns with higher relevance are of higher value to LinkedIn members, so they get a boost in the auction process. The more relevant your ad, the lower the price you pay. It is thus important to maximize the effectiveness of campaigns and to stop campaigns that aren't connecting, to boost your relevance score.<sup>142</sup> On LinkedIn, average cost per click (CPC) ranges from \$2-\$7 per click and can go as high as \$11 or \$12.<sup>143</sup>

Advertising click-through rates can vary substantially across advertising formats and campaigns. For instance, Google AdWords CTRs are in between 1.5 and 3.4%. Video click-through is in between .34 and .85%. Banner ads CTRs are .03-.25%, and native ads .80-1.8%.<sup>144</sup>

## **Communication strategies**

Once the communication context is analysed, target groups and objectives have been established, and the communications budget has been decided upon, a communication strategy has to be developed. This strategy should answer the question: what and how to communicate? In other words, a message and a creative strategy should be developed.

## **Message strategy**

What are we going to say to the consumers? The message strategy or communication platform is a very important element of communication strategy since it has to convince consumers. They have to know why they should buy the product, to learn in what way it is special, how it is beneficial or advantageous for them, how it can help them, what characteristics it has or what benefits and value it offers, etc. In order to answer the question 'what to communicate?' a thorough understanding of the target group is crucial: what can the product do for the target group, what can the product mean to them and how can the product help the consumers reach their goals. Therefore, the message cannot be focused on seller objectives, but has to start from the target consumers' motives.<sup>145</sup> Some customers see a car just as a functional vehicle, a means of getting them from A to B. This target group can perhaps be convinced by communicating the brand's attributes (airbag, engine, etc.) or benefits (reliability, safety, etc.). Other customers do

not want to buy a car; they want to buy an image, a status. Obviously, communications to the latter group should be different from those to the former group. Communicating a lifestyle, an image or a product's identity might be more suitable than telling customers about attributes or benefits. Knowing the problems, preferences and aspirations of the target group are essential for deciding on the right message.

Furthermore, it is important not to confuse consumers. Therefore, most companies stick to promoting one unique benefit of their brand, which can be functional or non-functional. A functional benefit, also called a **unique selling proposition (USP)**, usually refers to functional superiority in the sense that the brand offers the best quality, the best service, the lowest price, the most advanced technology. For example, Gillette is 'the best a man can get'; there is 'no better washing machine' than Miele; Durex Avanti 'gives the most natural feeling'; no card is more accepted than MasterCard, etc. A non-functional benefit usually reflects a unique psychological association to consumers and is referred to as an **emotional selling proposition (ESP)**.<sup>146</sup> Center Parc is a state of happiness, you buy L'Oréal because 'you are worth it' and you buy Nike because you 'just do it'. Other examples of brands that are promoted on the basis of non-functional benefits include Porsche, Rodania, Rolls-Royce, Louis Vuitton, and Van Cleef & Arpels.

In order to know which USP or ESP to go for, the advertiser needs to have a clear consumer insight. These are often revealed by qualitative research. For example, for Dove a consumer insight was that tiny, perfect models in advertising lower women's self-esteem. Therefore, Dove came up with its real beauty campaign showing normal women of all ages, shapes and sizes in an attempt to inspire consumers to feel comfortable with themselves.

A brand's message platform should thus reflect the core positioning a brand wants to establish in the mind of its target customers, and should support the objectives of the campaign. Positioning a brand or product is differentiating it from competitors in the minds of consumers.

## **Positioning strategies**

Six basic questions should be asked when creating a market position.<sup>147</sup>

1. What position, if any, do we already have in our customer's or prospect's mind?
2. What position do we want?
3. What companies must be outgunned if we are to establish that position?
4. Do we have enough marketing budget to occupy and hold that position?
5. Do we have the guts to stick with one consistent positioning strategy?
6. Does our creative approach match our positioning strategy?

A frequently used visual tool that helps companies position products and brands is 'mapping', based on axes representing the dimensions important to consumers. Every product or brand is given a score on both dimensions and the map shows which products or brands have the same characteristics. Figure 4.16 is a map of the salty snacks market. In the eyes of a consumer, there seems to be a big difference between peanuts and cocktail snack nuts. The latter are competing with fantasy snacks (snacks in different shapes). There is no product considered as natural and different. This is a hole in the market, but to be attractive it should be a profitable hole. There are a number of positioning strategies that a company can use.<sup>148</sup> They are summarised in Table 4.7.

Positioning by product attributes and benefits is based on a unique selling proposition which makes a company's brand or product special for the target market. For example, Vidal Sassoon Wash&Go (introduced by Procter & Gamble) was the first shampoo to offer a unique combination of shampoo and conditioner. Positioning by price/quality means offering the same or better quality at a lower price than competitors. For instance, Virgin Coke offers a 'good' coke with a brand image comparable with Coca-Cola and Pepsi but at a lower price. Positioning by use or application implies emphasising a specific use or application of the product. For instance, Kellogg's introduced cereals as a snack at hours other than breakfast by offering little variety packages that kids can take to school. Positioning by product class is an alternative to positioning against another brand, e.g. Eurostar offers a fast train connection as an alternative to airline connections. Positioning by product user is associating a product with a specific group of users, e.g. Aquarius, a thirst-quenching isotonic drink for sporting men and women, is

positioning a brand by a group of product users. In positioning by competitor, comparative advertising is often used. A well-known example is Avis, which uses the slogan ‘we try harder’ to position itself against the market leader in car and truck rental, Hertz. Cultural symbols refer to brand personalities or branding devices such as Tony the Tiger (Kellogg’s Frosties), Mr Clean, Captain Iglo, Bibendum (Michelin). These symbols are a visual way of successfully differentiating from competitors. The brand personality or cultural symbol often visualises the key benefit of a product. For instance, Mr Clean is a powerful, clean symbol; Tony the Tiger gives power and strength.

**[Insert Figure 4.17 near here] (Fig. 4.14 in 6<sup>th</sup> edition p.178)**

A company may possibly detect different competitive edges, in which case it will have to choose one or more competitive advantages for its positioning strategy. A company can focus on one single advantage for a target group. This exclusive unique selling proposition (USP) will be easier to remember by the target group, especially in low-involvement buying situations. Other companies will stress more than one competitive advantage. This is necessary when two or more competitors claim to be the best in the same attributes. Volvo, for example, claims to be both safe and durable.

Not all differences with competitors are meaningful for an effective differentiation. Every difference could mean an increase in costs to a company, therefore the way a company differentiates its products and brands should be well considered. The chosen USP(s) should be important to the target group, clearly different from what a competitor is offering, superior, easy to communicate, difficult to imitate or copy, affordable for the target group of consumers and profitable for the company.

#### **Table 4.7** Positioning strategies

- |                                  |                    |
|----------------------------------|--------------------|
| • Product attributes or benefits | • Product user     |
| • Price/quality                  | • Competitor       |
| • Use or application             | • Cultural symbols |

- Product class

The more claims a company makes about its brands, the greater the risk of disbelief. Moreover, the different product benefits should be compatible in a consumer's mind: a super-strong detergent that also claims to be mild for the hands will not have any credibility.

### **Developing a positioning strategy**

There are seven consecutive steps in the development of a positioning strategy (Table 4.8). Firstly, the company has to identify its major competitors. This competition analysis should go further than the brands in exactly the same product category, but should also include generic competition, i.e. products in different product categories that nevertheless satisfy the same need. For instance, a gift box of chocolates (e.g. Ferrero) is competing not only with other chocolate gift boxes, but also with wine, champagne and flowers, which people take when visiting friends or relations. All possible competitors and their effects and evolutions on consumer target group behaviour should be taken into account. Secondly, the consumers' perception of the products and brands of competitors should be assessed. Questions such as which attributes or benefits are important in this market segment and how a competitor's product or brand is evaluated on these criteria are important.

**Table 4.8** Stages in the development of a positioning strategy

- Identification of competitors
- Assessment of the consumers' perception of competitors
- Determination of positions of competitors
- Analysis of consumers' preferences
- The positioning decision
- Implementation of the positioning
- Monitoring the position

## RESEARCH INSIGHT

### Developing different types of anticipated experience positioning for electric cars

Car manufacturers who have started to develop and launch electric cars face the challenge of developing and positioning a new product type that is responsive to consumer needs. Product categories and brands are often categorised as either functional (e.g. lawnmowers) or symbolic (e.g. cars).<sup>149</sup> A functional product possesses mainly product-related or concrete functional associations<sup>150</sup> and is bought primarily to satisfy utilitarian needs since they emphasise physical product features, performance and benefits.<sup>151</sup> Products or brands with a symbolic positioning internally generate needs for self-enhancement, role position, group membership, or ego-identification and usually entail non-product-related or abstract, image-based associations.<sup>152</sup> Symbolic motivations are more important determinants of car use than instrumental motivations. This enables car manufacturers to differentiate their products beyond differences in concrete functional needs. Brand experience is one of the important cornerstones of symbolic brand identity. Brakus *et al.* conceptualise brand experience as subjective consumer responses that are evoked by specific brand-related experiential attributes (sensory, behavioural and intellectual).<sup>153</sup>

A conjoint measurement study explored how to evoke different types of anticipated experiences for designing and advertising electric cars.<sup>154</sup> Firstly, brainstorming sessions were organised to identify electric car features that would be capable of evoking three different types of anticipated experiences, i.e. sensory, behavioural and intellectual. Only those ideas that were deemed to be both original and workable in the near future were considered. A number of the most often elicited characteristics were chosen that could be used to design and position an electric car as sensory, behavioural or intellectual. These characteristics served as input for the conjoint analyses.

The purpose of these conjoint analyses was to identify a relatively limited number of combinations of electric car characteristics that would evoke a relatively exclusive

sensory, behavioural or intellectual anticipated experience. Three conjoint designs were set up, one for each experience type. In each of these designs, four two-level attributes were defined. For each analysis, an orthogonal conjoint design was generated in which eight car types were defined as combinations of the two levels of each of the four attributes. For each of the conjoint measurements, a sample of 100 individuals, representative of the Flemish (Belgium) population in terms of gender, age and level of education, was selected by a professional marketing research agency. They received an online questionnaire. They were exposed to the eight car-type descriptions. Respondents were asked to indicate their anticipated experiences. The respondents were asked to score each car type on a five-point Likert scale (completely disagree to completely agree) on the following items: 'This car makes a strong impression on my senses' (sensory); 'This car incites me to action' (behavioural); 'This car makes me think and incites me to solve problems' (intellectual).

Two car descriptions were identified that were capable of evoking relatively exclusively a sensory and an intellectual anticipated experience. No car could be identified that evokes an exclusively behavioural anticipated experience. These characteristics could thus be used to develop experientially different electric car propositions in advertising. The two cars have the following characteristics.

### **Sensory**

The electric engine of this car makes no sound. Silence, or the music from the high-quality sound system, can be experienced optimally.

The electric car is designed with elements that are specifically developed for the car, such as hard carbon materials outside, soft tanned leather for the seats, and hardened plant fibre inside.

The electric car makes a technically advanced and dynamic impression because of the fluent lines, the large glass surfaces, the LED headlights, and the remarkable radiator grill that does not serve to cool the engine but behind which a blue light is installed.

The electric car is equipped with the latest communications technology. For instance, with your smartphone you can ask it to turn on the heating or defrost the windows in the morning. When you drive home in the evening, you can programme your oven or TV.

### **Intellectual**

The electric car allows you to drive into the city centre and park for free. This will no longer be possible with a car with a combustion engine.

The electric car has an accounting system. Via your smartphone you can look up the total cost of your car during the last month.

The electric car drives silently. Therefore you do not cause any noise pollution.

The electric car has a clearly visible eco-label with information about its environmental friendliness, so that other people can easily see that you have chosen an environmentally-friendly way of driving.

Determining the positions of competitors' brands and products with respect to each of the relevant attributes is the third step in a positioning development. Consumer research through in-depth interviews, focus groups or full quantitative assessment should be used in this stage. Often, this analysis leads to a 'map' of consumers' perceptions about the relative position of each brand, as illustrated in Figure 4.3. It is not just the relative position of each brand that is important. Each of the targeted segments may have different buying motives or needs and will find other attributes important. Therefore, relative preferences of target groups towards the competing brands have to be studied.

After the first four stages of what is essentially market and consumer research, the company has to decide which position it is going to defend. Ideally, the company will select a position on the basis of one or more attributes that are important in the mind of a consumer and

for which the brand is at least as strong as its major competitors. As a positioning decision should be a brand's direction for a number of years, a marketer should consider whether the positioning is appropriate and attainable. Positioning should be based on important attributes, not on fads, and on attributes for which the company can hope to defend and maintain its relative strength and reputation. Once a position is chosen, a company has to implement it by supportive marketing and communications activities. All communications instruments, in synergy with all other marketing tools, will have to reflect the selected positioning strategy. The final step in the positioning process is the monitoring stage. The image of the brand and its competitors on important attributes will have to be tracked on a continuous basis to reveal changes in consumer perceptions and in the competitors' positions.

As a result of this tracking analysis, a company may have to alter the position of its brands to keep up with the changing consumer or competitive landscape. There are a number of ways to change a positioning strategy or to reposition a brand:<sup>155</sup>

- **A company can introduce a new brand.** For instance, after major price cuts in its PC branch IBM introduced a new brand 'Ambra' to be competitive in a new context of consumers expecting cheap computers for daily use. Procter & Gamble reintroduced its old Bonux brand as a cheaper laundry powder to counter the competition of private label brands.
- **A company can change an existing brand.** Compaq used a different strategy to cope with the changing computer trends. Compaq lowered the prices of its existing brand and made basic versions of its computers.
- **Changing beliefs with regard to own-brand benefits.** Japanese car brands such as Honda and Toyota changed their image of cheap, small and poor-quality cars to an excellent price/quality appreciation.
- **Companies may also attempt to change beliefs with regard to the benefits of competing brands.** The Body Shop created a less environmentally-friendly and animal-friendly image about the cosmetic products of competitors.
- **The importance of attributes may be changed.** Volvo succeeded in increasing the importance of safety as a car attribute.

- **New attributes can be added to the ‘perceptual map’ of consumers.** Procter & Gamble introduced the Vizirette to measure out the amount of detergents used in washing machines by explaining to the public that it would improve washing results.

## **Business insight**

### **The Cadbury Snack brand repositioned**

Since the 1950s, Cadbury Snack had been positioned as one of the leading confectionery brands. However, over the years Cadbury saw a decline in its consumer loyalty.

Research revealed that consumers perceived the Snack brand as being for an ‘older/established customer segment’. Cadbury wanted the Snack to appeal to a younger target market (ages 25–35). Therefore, Cadbury refreshed Snack by updating the look of its packaging, displays and marketing communications to give it a more cheerful and lively appearance, and by incorporating a communications campaign that depicted the product being enjoyed in a work environment. The repositioning proved to be successful, as the company increased its customer loyalty rating by 5%. It is important to set out realistic goals and steps for what a company is trying to achieve with its new positioning strategy. If Cadbury Snack had launched an athletic food bar instead of repositioning its original product’s brand, its existing and potential customers might have become confused about the link to the other Cadbury products, which are seen as a sweet treat. This could have had a serious impact not only on Cadbury Snack but also on other Cadbury products.<sup>156</sup>

The latter four repositioning strategies are based on the components of the Fishbein model, discussed earlier. Defending a brand position or image will often be one of the major objectives of a communications campaign.

## **Business insight**

### **Lingerie brand Playtex rebrand targets over 50s**

In 2011, Playtex ran a £1 million campaign in the UK to reposition Playtex as the underwear brand for women over 50. The 'Feeling better than ever' campaign was run both on the Web and in print advertising and included British celebrities. The campaign was targeted at women using messages about being 'young at heart' and 'coping with a changing body shape'. Playtex was founded in 1932 and its roots are in latex. Playtex became a dominant brand of girdles. For decades, it was one of the most popular brands of bras. Playtex was 'Cross your heart' and 'It lifts and separates'. It extended its brand into areas such as baby goods and tampons. In today's world of Victoria's Secret and Agent Provocateur, it is hard to remember that Playtex pushed the limits. But it was Playtex that, as the first major brand, used actual women (and not models) in bra advertising, and was the first brand to advertise a tampon on TV. The aim of the new UK campaign was to reposition Playtex as the lingerie label for British women in their 50s, which is an admirably tight target, considering that so many brands go for too wide demographic targets and, consequently, fall short. In line with the new positioning, Playtex has moved away from using a 20-something model, and is now using a 42-year-old mother of three, who embodies the values of the brand to appeal to women who are young at heart but coping with their changing body shape. While Playtex is still the brand of the Playtex 18 Hour® Bra and Playtex Cross Your Heart® Bra, it is also the brand of the Playtex Nappy Genie and Playtex® Sport® Tampons. So the biggest challenge facing Playtex is the fragmentation of the brand itself.<sup>157, 158</sup>

**[Insert Photo 14.5. near here] (Photo in 6<sup>th</sup> edition p.184. Title: Rebranding Playtex.)**

## Creative strategy

After the campaign message strategy has been established, a creative strategy has to be developed. The core message has to be translated into a creative idea and a creative format.

Creative formats will be further discussed in the next chapter.

Developing a creative idea and format is the core task of a communication agency. Before the agency can start thinking of a creative strategy, the advertiser must give the agency a creative brief. The necessary elements of a creative brief are summarised in Figure 4.17. The

**creative brief** or the document that forms the starting point for the agency should contain not only information on the target group, advertising objectives and message strategy, but also sufficient information concerning the background of the company, the product, the market and the competitors. This implies information concerning the past, present and future in order to give the agency as accurate a view of the brand and its environment as possible. Some examples of necessary elements are the long-term company and brand strategy, past, current and desired positioning, former advertising campaigns, message strategies and execution styles, desired media, available budget and timing of the different steps (creative idea, execution strategies, campaign running, etc.).

[Insert Figure 4.18 near here] (Fig. 4.15 in 6<sup>th</sup> edition p.185)

The first step of the creative strategy is to develop a creative idea. A **creative idea** can be defined as an ‘original and imaginative thought designed to produce goal-directed and problem-solving advertisements and commercials’.<sup>159</sup> According to others, a creative advertising idea has to be attention-grabbing and should work as a catalyst in the sense that it should create a ‘chemical reaction’ of immediately understanding the brand’s position.<sup>160</sup> According to the jazz musician and composer Charles Mingus ‘Creativity is more than just being different. Everybody can play weird, that’s easy. What’s hard is to be as simple as Bach. Making the simple complicated is commonplace, making the complicated simple, awesomely simple, that’s creativity.’<sup>161</sup> In essence, a creative idea seems to boil down to a proposition which makes it possible to communicate a brand’s position in an original, attention-getting, but easy-to-catch way (Photo 4.6). Several researchers argue that creativity probably is the most important aspect of marketing communications.<sup>162</sup> An expert panel even held the opinion that ‘the selling power of a creative idea can exceed that of an ordinary idea by a multiple of 10’.<sup>163</sup>

Besides the need for a creative idea to develop effective communication, one can question how creative the communication campaign itself has to be. Indirect evidence of the belief in the success of creative ads might be the fact that advertising seems to be more creative than a few decades ago.<sup>164</sup> However, attention-grabbing, originality and imagination do not suffice. In the

end, marketing communications must help to accomplish marketing objectives. The existing studies do not convey consistent results. Some studies<sup>165</sup> claim creativity has a positive impact on ad likeability, brand awareness, brand liking and purchase intentions, but other studies could not find a relation between ad creativity on the one hand and attitude towards the ad, brand attitude, purchase intention or firm profitability on the other.<sup>166</sup> Although it is clear that a creative idea is needed to express a brand's positioning statement attractively, the question remains as to how creative the communication itself should be. Also, research indicates that practitioner views on creativity differ from those of consumers.<sup>167</sup> It often happens that consumers rank commercials differently than creative directors. The latter are often quite surprised that the public do not select the ads perceived as most creative by themselves. The foregoing illustrates that more research is called for to find out how important creativity is in the eyes of consumers and what creativity means to them.

[Insert Photo 4.6 near here] (Photo 4.5. in 6<sup>th</sup> edition p.186)

### **Communication tactics: tools and touchpoints**

Once a message and creative strategy has been established, campaign developers have to develop a tactical communications plan. This implies deciding upon how to get in touch with the target groups and which tools to use to create touchpoints with them in a consistent and synergetic way. In order to get in touch with customers, many tools can be used and combined: advertising in different media, both online and offline, brand activation and sales promotions, direct marketing, sponsorship, public relations, exhibitions and trade fairs. These tools will have to be combined in an integrated communications campaign which, in terms of relative efforts and timing, will result in a detailed communications tactics plan. The various tools of the communications mix are discussed in more detail in subsequent chapters.

### **Control and evaluation**

Finally, after the campaign is over, its effectiveness needs to be assessed and the results of this evaluation are going to be used to develop further campaigns and/or adapt current campaigns. Campaign evaluation and results measurement are discussed in Chapter 13.

## **Summary**

Marketing communications planning consists of context analysis, target group definition, establishing communication objectives, message and creative strategy, tactics and campaign evaluation. Market segmentation is the process of dividing consumers into homogeneous segment profiles on the basis of a number of segmentation criteria. The next stage in the process is to target one or more of these customer groups. Marketing communications can concentrate on one segment, specialise selectively, specialise in specific markets or products, or fully cover the market, or carefully select its targets groups online. A marketing communications campaign can have several communication and behavioural process and effectiveness objectives. Besides generating attention, memory, positive attitudes and activation following communication messages, the campaign can aim at stimulating product category need, increasing brand awareness and brand knowledge, improving brand attitude or image, create leads and convert them into customers, increasing purchase intention and facilitating purchases, and maximising customer satisfaction and brand loyalty. Different objectives will require a different communications mix. The objectives of a communications campaign also differ according to the stage in the product life cycle. While awareness-building is more important in the introductory and growth stages, brand image and brand preference building will be crucial in the growth and the maturity stages, and purchase-directed objectives will prevail in the decline stage.

Next, a campaign budget has to be decided upon. Companies use different budgeting methods such as inertia, arbitrary allocation, affordability and percentage of sales. In the objectives and task method, the communications needs are assessed, after which a task-related budget is defined. In the competitive parity method, companies analyse their market position and decide on their share of voice accordingly. Communications budgets are influenced by multiple factors, such as a crisis situation, contingencies, unexpected opportunities, economic recessions and

other market and company factors, and companies should always be alert and prepared to adapt budgets to changing situations. Online budgeting management tools are offered by all social media and search engines to enable online advertisers to optimize their online budgeting strategies to reach their goals efficiently.

Campaign developers further have to decide upon a message and creative strategy. They have to define a unique position for their products in the mind of the consumer, based on product attributes or benefits, price/quality, use or application, product class, product users, competitors or cultural symbols. Developing, monitoring and adapting an appropriate position for a brand, a product or a company is a crucial prerequisite for effective marketing communications. An important stage in campaign strategy development is the development of a creative idea. Companies have to write a creative brief before the communication agency can start to do its job. The various marketing communication tools have to be combined into an integrated campaign that creates meaningful touchpoints with target customers. Finally, at the end of the campaign, its effectiveness has to be assessed.

## **Review questions**

1. What are the steps in the marketing communications plan?
2. Which topics should be looked at in a situation analysis?
3. What are the stages in the segmenting–targeting–positioning process, and what is the relevance of this process for marketing communications?
4. On the basis of what criteria can markets be segmented? How can market segmentation influence the communications mix?
5. What are segment profiles, and what are the requirements for effective segmentation?
6. Discuss the most important targeting strategies and the selection of target groups.
7. Describe how search engines such as Google and social media allow advertisers to develop a targeting strategy. Which criteria for segmenting and targeting can be used on these platforms?
8. What is the difference between communication and behavioural campaign objectives? Give examples of each.

9. What is the difference between process and effectiveness objectives? Give examples of each.
10. Describe the various stages in the DAGMAR model. What is the consequence of this model for marketing communications objectives?
11. In what circumstances is it useful to stress category needs and wants in marketing communications?
12. In what circumstances is brand recall rather than brand recognition the more important communications goal?
13. In what circumstances is the stimulation of purchase intention a good marketing communications objective?
14. What are the shortcomings of the DAGMAR model as a framework for marketing communications objectives?
15. In defining online objectives, what are ToFu, MoFu and BoFu, and in what way do they determine campaign objectives?
16. To what extent should marketing communications objectives be adapted in the introductory, growth, maturity and decline stages of a product life cycle?
17. What is a sales response model and why is it not easy to estimate?
18. Discuss Jones's theory on the short-term and long-term relationship between advertising budgets and sales.
19. Discuss the various communications budgeting methods that are frequently used by practitioners.
20. What is the relationship between share of voice and share of market, and how does it affect budgeting?
21. What are the factors that influence the budgeting decision?
22. How should the communications budget for a new product launch be determined?
23. How does budgeting for online campaigns is organized on Google and on Facebook?
24. What positioning strategies can a company develop, and what are the consequences for communications strategies?
25. What are the stages in the development of a positioning strategy?

26. How can a product be repositioned?
27. What are the components of a communication briefing?
28. What is the value of a creative idea?

## Further reading

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## Figures

### Figure 4.1 Steps in a communications plan

### Figure 4.2 A model of household life cycles

Source: Gilly, M. and Enis, B. (1982) 'Recycling the family life cycle: a proposal for redefinition', *Advances in Consumer Research*, 9, 271–6.

### Figure 4.3 Requirements for effective segmentation

### Figure 4.4 Categories of communications objectives

### Figure 4.5 Communications objectives: the DAGMAR model

Source: Colley, R.H. (1961) *Defining Advertising Goals for Measured Advertising Results*. New York: Association of National Advertisers.

### Figure 4.6 Percentage of the target group in each stage of the DAGMAR model

### Figure 4.7 Stages in the product life cycle and communications objectives

### Figure 4.8 Concave sales response model

### Figure 4.9 The S-shaped sales response model

### Figure 4.10 The marginal analysis

### Figure 4.11 Relation between SOM and SOV in market dynamics

Source: Reprinted by permission of Harvard Business Review. Based on 'Ad spending: growing market share' by Schroer, J.C. 68(1), 44-8 1990. Copyright © 1990 by the Harvard Business Publishing. All rights reserved.

### Figure 4.12 SOV effect and strategies for different market positions

*Source:* Reprinted by permission of Harvard Business Review. Based on 'Ad spending: growing market share' by Schroer, J.C. 68(1), 44-8 1990. Copyright © 1990 by the Harvard Business Publishing. All rights reserved.

**Figure 4.13 Factors influencing communications budgets**

*Source:* Based on Belch, G.E. and Belch, M.A. (1998) *Advertising and Promotion. An Integrated Marketing Communication Perspective*. New York: Irwin/McGraw-Hill.

**Figure 4.14 Mapping the salty snack market**

*Source:* Rex Features: Crollalanza.

**Figure 4.15 The creative brief**

**Figure 4.16 Yellow Pages brand associations: recallers vs non-recallers of the campaign**

*Source:* TNS Conversa.

**Figure 4.17 Perceptions of Yellow Pages leadership**

*Source:* TNS Conversa.

**Figure 4.18 Information sources used when searching for a business – June 2009 to May 2010**

*Source:* TNS Conversa.

**Figure 4.19 Perceived most effective advertising media for small and medium-size businesses – June 2010**

*Source:* TNS Conversa.

**UNFigures**

*Source:* Alamy Images: Michael Dwyer.

**Top-of-mind awareness and advertising budgets**

**Photos**

**Photo 4.1 Obama wins the presidency**

*Source:* Getty Images.

**Photo 4.2 Coral Black Velvet: innovations call for communicating category needs**

*Source:* Reproduced with permission of Gesamtverband -Werbeagenturen GWA and J. Walter Thompson.

**Photo 4.3 Guinness: developing brand attitude**

*Source:* Adrian Muttiitt/Alamy Stock Photo.

**Photo 4.4 Kool-Aid: national brand benefit**

*Source:* Henry Diltz/Corbis via Getty Images/Courtesy of Kraft Heinz Foods Company and its affiliates.

**Photo 4.5 Eastpak: the selling power of a creative idea**

*Source:* Reproduced with permission of VF Corporation: AMVBBDO.

## Case 4.

### Baunat, a digital native vertical brand

Jewels are worn since antiquity, and throughout history they have developed a special meaning. They symbolize love, connectedness and pride, and are a lasting memory to the most special moments in life. Since one of the most successful marketing campaigns ever, 'A diamond is forever' by De Beers in 1947, tiny crystals of carbon and the jewels that are made with them have been converted into universally recognized tokens of wealth, power, love and romance. The campaign succeeded in associating diamonds with emotion, making it them a psychological necessity.



Baunat is a company that sells high-grade diamond jewels. The company was founded in 2008 in Antwerp (Belgium), the world's diamond capital, and the brand has since then developed into a worldwide player. Baunat is a digital native vertical brand (DNVB), a company that was born online and that sells and ships its own products to end consumers. DNVBs focus on customer experiences and excel at using digital channels to go to market, as they control the customer journey from start to finish. They can compete on price because they are cutting out the middlemen and superfluous overhead costs and are going directly to consumers. Worldwide, direct-to-customer operations are growing nearly three times faster than the average ecommerce retailer. Baunat's average growth has been 35% per year, and its turnover today is €11 million. The company operates two e-boutiques in 9 languages, and has 8 showrooms across Europe and Asia. Based on over 2000 reviews, Baunat is ranked as the nr.1 jeweler worldwide at Trustpilot, a consumer review website that hosts reviews of business worldwide, and that posts 1 million new reviews every month.



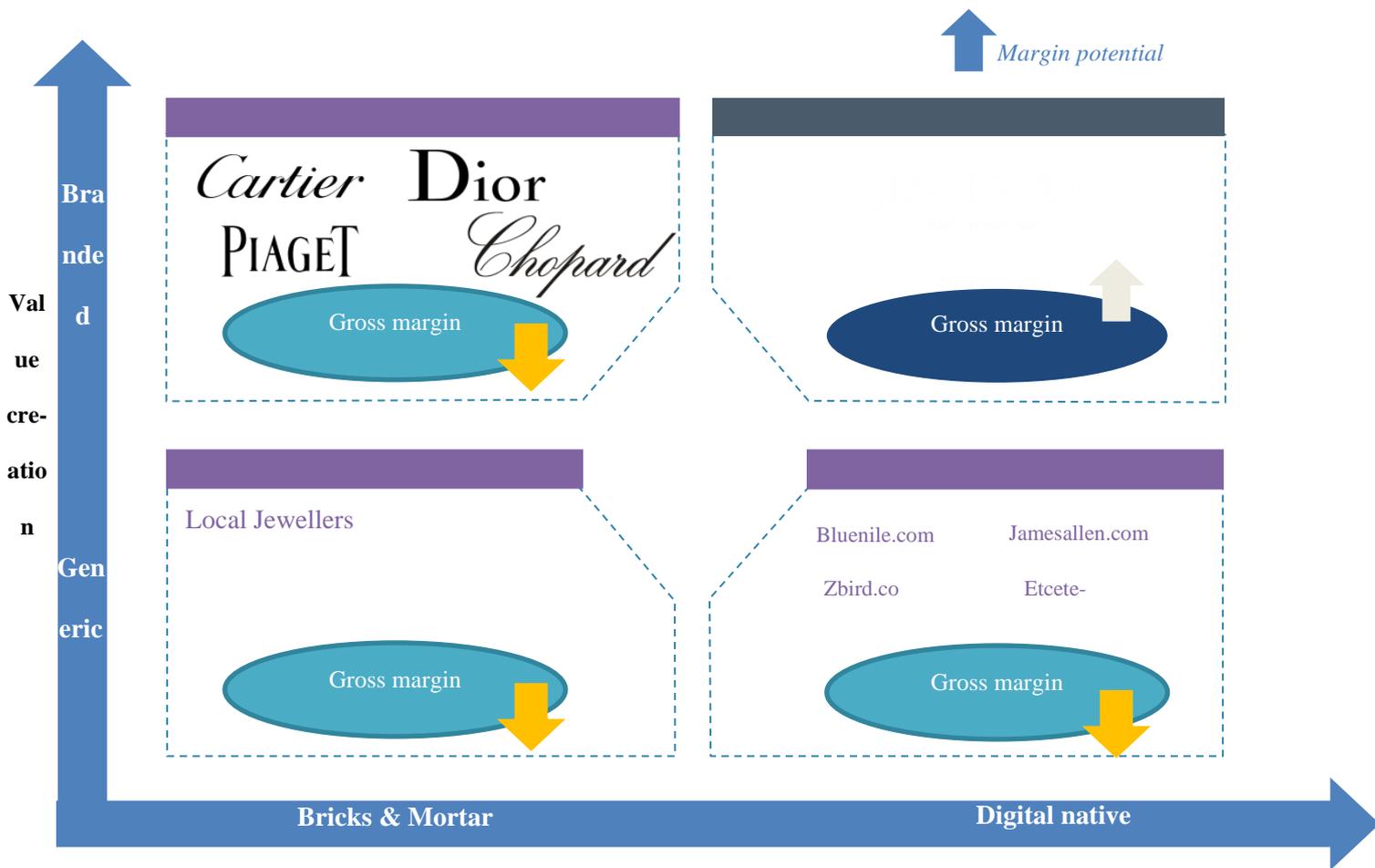
# BAUNAT

ANTWERP



## Segmentation, targeting and positioning

Traditionally, next to local jewelers, the jewelry industry has strong heritage brands such as, for instance, Tiffany and Cartier. However, recently, digital companies are taking a piece of the cake (Figure 1). Most of these online companies can be qualified as generic diamond jewelry e-supermarkets. Companies like Blue Nile, James Allen (U.S.) and Adamence (France) are in the crowded segment of players that offer all sizes and qualities (from low to better) of diamond jewelry. Their business model can be described as 'assemble your own diamond jewel'. They do not offer collections, and neither do they position themselves based on a brand identity or a set of values. They mainly compete with low prices. Entry barriers in this segment are low. Major diamond conglomerates with privileged access to diamonds can easily enter this segment with a 'copycat' approach. No branding or design expertise is required, just ICT-savviness.



**Figure 1.** Segmentation of diamond jewelry companies

And then there is the ‘untapped’ segment in which Baunat is situated, the branded diamond jewelry e-boutique, a segment in which there are currently virtually no players. Baunat offers its own design collections, reflecting specific brand values and style. The brand focuses upon only high quality diamond jewelry, in line with heritage brands, and a strong price/quality proposition. Barriers to entry in this segment are high. It takes a very long time to develop a brand with consistent and well-founded values. Established heritage brands cannot enter this segment due to their heavy worldwide brick-and-mortar retailing network, as a result of which dramatically lowering prices is no option. On the other hand, large (Indian, Chinese) diamond conglomerates lack the necessary expertise in branding and designing, which is a European legacy. In sum, Baunat positions itself in a largely unoccupied segment, namely the online diamond jewelry brand: digital native, vertically integrated, catering to the ‘smart buyer’ by offering exceptional service and high-quality products at unbeatable prices. Baunat’s culture, attitude and communication reflects a ‘modern classic’ style, innovative and authentic at the same time, only eye-catching for those who know (discrete class), no show off, linked with its Antwerp - Belgian - European roots, down to earth, balanced and pure, and a client-oriented, participative and interactive company culture.

Figure 2 shows the different types of diamond jewelry consumer segments. From this figure, it becomes clear that the ‘smart shopper’ segment is large and growing. Smart shoppers are qual-

ity-seeking and price-conscious, internet savvy and open for e-commerce, critical and intelligent, open-minded and pro-active, and down to earth, balanced and pure. Upcoming generations (millennials) are core, but also older consumers belong to this segment.

## Smart shopper segment is big & growing



## BAUNAT

Baunat's business model is based on three pillars:

1. Access to **diamonds at the very source**

Diamonds are by far the most important cost component of a diamond jewel. BAUNAT has the exceptional ability, via a carefully developed network of 'niche' diamond manufacturers, to buy diamonds at the source at the best possible prices.

2. Using cost-efficient **digital** state of the art techniques

The online B2C segment is since 10 years by far the fastest growing segment in the global diamond jewelry industry. From the start, Baunat has consistently opted for an e-commerce set-up, based on the insight that - in line with the general trend across industries - the entire diamond jewelry industry will be transformed into a "bricks & clicks" experience. Digital techniques are used in every aspect of the company; from marketing to communication, administration, buying diamonds and gold, stock monitoring, sales, etc.

3. Selling diamond jewellery based on a **unique brand proposition**

Baunat has consciously opted for selling its diamond jewelry as a brand. Today, the branded online diamond jewelry segment is quasi unoccupied. This branded approach

is a strong factor of differentiation towards competition. It is also a strategy that creates extra margin and strengthens the relation with consumers.

Baunat's brand proposition is shown in Figure 3.



Workshop with Callebaut & Co - 2008

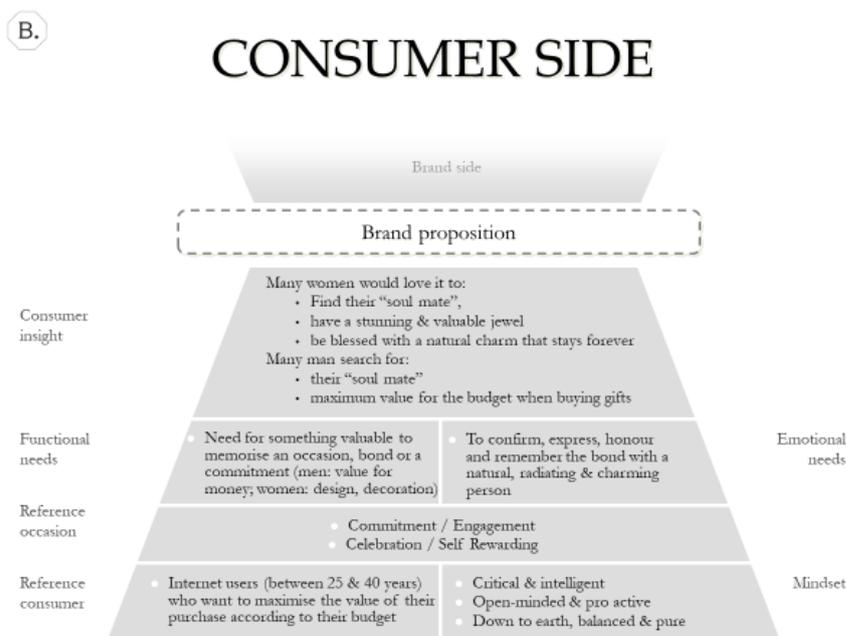


Figure 3. Baunat's brand proposition

## **Marketing: the 5 Ps**

Besides positioning, Baunat organizes its marketing efforts based on 5 other tools: product, place, price, people and promotion.

### **Product**

Baunat emphasizes the exclusive Belgian design of its jewels. The company uses a combination of guest designers and own designs. The focus is on artisanal Antwerp craftsmanship, superior traditional methods during the complete process, leading to excellent finished jewels, and innovative technology (such as 3D design). Baunat consistently uses top-quality materials (18 carat gold, 950 platinum and 100% natural conflict-free diamonds, certified by GIA, HRD or IGI), handpicked directly at source taking into account the actual radiance of the diamond. Baunat has a very large assortment. It offers more than 3000 products, each of them in all possible jewelry sizes. Delivery is very fast (on average eight days for every continent), safe and free of charge, with tailor-made services. Baunat has a 30 days free return policy and offers a 20 year product warranty.

### **Place**

Baunat operates on the basis of a 'bricks and clicks' model. It has 9 showrooms, in Amsterdam, Antwerp, Düsseldorf, Geneva, Hong Kong, Mumbai, Nice, Paris and Zürich. New showrooms will be opened in Japan and the U.S.A. They can only be visited on appointment and are mainly for building trust and for extra service. In showrooms, consumers can have a look at the jewels and fit them. They can talk to advisers and purchase jewels. Sometimes the showroom visitor can take the jewel with him or her, but in most cases it is first made in Antwerp and then sent to the consumer. All sales, also those in showrooms, are processed online. Showrooms account for 40% of sales.

The other 60% sales are online. Baunat operates two business-to-consumer websites. The first one ([www.baunat.com](http://www.baunat.com)) is for selling mainly 'classics' and medium end design. The second one ([www.baunatdiamonds.com](http://www.baunatdiamonds.com)) is for selling diamonds as investment. It accounts for 10% of turnover. Baunat does not actively promote this second website. It is used internally by Baunat's salespeople to make quotes for tailor-made jewelry. Baunatdiamonds is also a tool that increases the company's credibility, because it shows that Baunat is a specialist that has direct access to high-quality diamonds.

### **Price**

Baunat positions itself as 'the best possible prices in the category 'high quality diamond jewelry'', due to its online sales model, buying diamonds at the source, just-in-time and on-demand pro-

duction, efficient stock management, low overheads, and focused and cost-efficient (innovative) marketing.

## People

Baunat considers 'people' as its most important P. The company has a team of 25 people on the payroll, and works with 50 freelancers. It is very important that these people adhere to the rules that are laid down in the 'value charter'. Core values in this charter are: adhering to the business strategy, organizational culture, and core values, providing a high level of service to create an emotional experience, a passion for the company, its business model and its products, responsibility, involvement, flexibility and a sense of duty on all levels, reliability towards customers, partners and colleagues, and thorough knowledge about the business model and the products. Baunat stands for an international and innovative approach, a corporate culture based on customers, service and efficiency, dynamic and talented employees, and a remuneration policy based on performance and alignment with the core values of the company.

Employees are hired on the basis of their personality, not knowledge. They are expected to be personal and involved. For Baunat, personal service and support are key, also when communication is via email or chat. Customers are kept posted about every step in the production process of their jewel. They are personally contacted about the delivery date. After the delivery of the jewel, customers are contacted to make sure that the customer is satisfied. If needed, customers are invited to a private meeting in a showroom.

## Promotion

Contrary to many of its competitors, in its marketing communication, Baunat does not invest in celebrity endorsers, print ads, events or fairs, because they feel that they do not provide real value for smart buyers. Instead, the brand invests in digital marketing, which makes it easier to target specific consumer segments and measure the impact of campaigns. The largest part of the yearly marketing communications budget is allocated to three activities. First, Baunat increases traffic to its website by means of Search Engine Optimization (SEO), Search Engine Advertising (SEA) and via campaigns on social media. The company uses all major social media platforms.



Second, Baunat stimulates organic viral growth by means of newsletters, social media, rewards, affiliates and word-of-mouth. Baunat constantly ranks high on Trustpilot, a third-party review site, and uses these reviews and testimonials to drive viral growth. Social media posts and ac-

tions are shared by stakeholders and trigger reactions of customers and fans. Affiliates are people with an interesting network who receive a commission for bringing in customers, such as private bankers, personal shoppers, tour guides, bloggers, etc. Baunat's online promotion activities are automated, self-learning and internally competing. Online campaigns are based on programmatic advertising. Internal algorithms develop detailed profiles of customers, and these profiles are then used to search for new customers online, by showing ads to people who have the right characteristics. This process is continuously repeated and self-steering. As a result, the Baunat increasingly better understand which ads appeal to which types of prospective customers. All marketing communication activities are constantly monitored and measured, and internally competing, between SEO, SEA, social media, countries, languages, ads and products. The best performing channels and ads get more budget. If, for instance, SEA performs better than other channels (for instance, SEO, social, newsletters, etc.), then more budget goes to SEA, and within SEA, the same holds between countries, products, ads, etc. Third, Baunat increases conversion rates from visitors to customers by adding on its website new languages, new currencies, better pictures and videos, 3D design, testimonials, user experience studies, etc.

Across all this promotion activities, building trust is the main challenge. To that end, Baunat uses reviews from Trustpilot, safe SSL technology (HTTPS), diamond & Jewellery certificates, market leading services (shipping, paying, insuring, etc), a 30 day return (no reason asked), and professional, transparent and clear communication from the whole team.

### **Questions**

1. Describe Baunat's market segmentation, targeting and positioning approach. Do you think it makes sense? Why or why not?
2. Critically analyze Baunat's business model and customer approach. Does it makes sense? Are there any pitfalls or areas of improvement?
3. Are Baunat's marketing and marketing communications activities consistent with their STP approach? Why or why not?
4. What else could Baunat do make its marketing communications more effective and expand its operations?

### **Source:**

Steven Boelens, executive director Baunat

[www.baunat.com](http://www.baunat.com)

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