

Take this ad and stick it...where?

A primer on how to place local advertising to achieve maximum return on investment

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Decisions on how to place national advertising are usually made by media specialists earning six-figure salaries, using millions of dollars worth of demographic, psychographic and behavioral research. But decisions on how to place advertising in local markets are often left to otherwise competent business managers who have no idea how to calculate reach and frequency and wouldn't know a GRP if it came up and bit them on the behind. This article is intended as a primer for people faced with media placement decisions which may be well outside their areas of expertise.

1 Treat advertising as an investment, not as an expense.

The difference is not just semantic. An expense is something spent, gone, over with, done. An investment is something from which you expect a return. Under current accounting rules, advertising must be budgeted as an expense, but it functions as an investment. Here's just one example of how positioning advertising as an investment rather than an expense changes management thinking: Expenses can be cut or deferred, with little impact. Investments cut or deferred clearly have consequences. Managers should ask themselves for every advertising investment, "Exactly what return do I expect for this money? And how will I measure it?"

2 Don't confuse advertising with goodwill donations.

There's an argument to be made for local businesses supporting community activities and causes. Maybe "ads" in the high school yearbook or the college game program are appropriate as a demonstration of a business's involvement and community spirit -- but they're not really advertising. They're donations, and should be budgeted as such.

3 Remember that the only purpose of advertising is to change someone's behavior.

Too many advertisers settle for changes in awareness or favorability. The theory goes, "If a lot of people out there know about us, something good is bound to happen." Problem is, they're not too specific about exactly what. The inevitable result? Wasted money, perhaps a lot of it.

Some advertisers think they're doing better if they measure improvements in favorability (the number or percent of people in their target markets who profess positive feelings about the advertiser's business). That still doesn't get to real return on investment. Want proof? Despite the fact that virtually 100% of their prospective customers are aware of them and say that they like them, one major greeting card company now finds its market share is only 39% -- and it's falling. Hmmm. Their advertising wins awards, but is that the result that matters? Perhaps they are measuring the wrong things.

The critical factor here (and for every other business) is customer behavior. If people aren't going out of their way to buy your products or to do business with you, the return on your advertising investment will decline, no matter how many awards your ads or commercials may win. No one makes any money until somebody buys something. Managers must tie advertising investments to behavior change (or perhaps in the case of current customers, behavior reinforcement), asking themselves, "Exactly what do I want exactly whom to do? What is the role of this investment toward making that happen? And how will I measure success?"

4 Figure out exactly whose behavior you want to change.

Another major mistake managers inexperienced in media make is to treat all customers and prospects as though they were the same. They're not. The research director for one of the leading advertising agencies in the world wrote a book titled, "All Customers Are NOT Created Equal." His point was not just the Pareto Principle (which says that 80% of a company's profits typically come from just 20% of its customers), but also that different customers think differently, behave differently and need to be communicated with differently. Advertisers seeking to maximize return on investment need first to figure out which of their current customers are their own particular company's most profitable customers (many managers have never thought to make this crucial analysis), then figure out how to define and reach prospects who are most like those best customers.

5 Learn how your best customers made the decision to do business with you.

A man who ran one of the best sales forces in U.S. business history once shrewdly observed that "the longer we've had a customer, the less we may know about him." His main point was that we take long-time customers for granted, but there's another point here, too. We may have forgotten what brought these customers to us in the first place, how they found us, and what finally persuaded them to do business with us. Those lessons, relearned, can

guide us toward more productive placement of advertising, among other things. One of the easiest and most valuable kinds of research a manager can do is to interview his or her best customers to try to find out how the whole relationship started and grew. Customers are usually flattered by the attention and more than willing to talk about how they found you, how their dialogue with you developed, and how they decided to choose your company. Not only will you get some insight into how to connect with prospective clients like them (such as where they looked for advertising, what they responded to, and how), you may also uncover opportunities to expand your relationship with these most valuable current customers.

6 Set specific, measurable behavioral objectives for your advertising.

Example: “To produce 150 leads from qualified new business prospects in the tri-county area by August 31, 2003.” The primary reason to do this is because it focuses everyone’s attention on the objective, not the advertising. People working on the project no longer say, “What shall we say in the ad?” What they say is, “What is the best way to make this response happen?” That in turn forces people to think about the target prospect and what he or she wants and opens up decisions on which medium (or which media, in what combinations) should be used, based on the target prospect’s media habits and preferences (partly based, of course, on what you learned in your interviews with your current best customers).

7 Don’t spread yourself too thin.

Opening a dialogue with prospects like your best customers is your most important mission, which means that to be most efficient, you will choose media which reach these people with as little waste as possible. Think of your advertising as a sales call. Would you want your salesperson to go door to door, spending most of his or her precious time calling on people who didn’t fit the profile of the customers you wanted? Of course not. Similarly, you don’t want to pay for your advertising to reach thousands of non-prospects if you can help it. Concentrate your precious advertising investments just as tightly as you would direct your sales force. Which media vehicles reach exactly those people you want to reach and very few other people? Think rifle shots, not the shotgun approach.

8 Measure results in real time.

Too many advertisers wait until a program is over before measuring and evaluating the results. While that can help make the work better the next

time, it's too late to make sure that the current program is paying off. It's far better to track results while the program is running. In the case of the objective in 6), above, if the advertiser discovers a few weeks into the program that not enough leads are coming in, or the wrong kinds of people are responding, there's time to figure out why and fix it.