Evaluation Before Is More Valuable than After

You should realize at this point that if the evaluation of the incremental revenue attributable to the campaign is not sufficient to justify its opportunity costs, then the campaign should not have been run. The funds for that campaign would have been better used in other ways. If you can find ways to evaluate campaigns *before* they are executed in the whole market, then you can only execute campaigns that will justify their expenditures. The *planned experiments* described previously are a very good way to evaluate campaign *mple* of the market instead of the whole market *before* the ill be executed for the entire market. You need to balance c evaluation before the campaign is widely executed versus the value of only executing those campaigns that are likely to be productive. This balancing act can be difficult for large consumer packaged goods firms, but for the typical entrepreneur, it is relatively easy. You just have to think about evaluating the campaigns in a reasonable way before they are widely executed.

For any one-to-one marketing vehicles, such as the Internet, direct mail, or telesales, it is feasible to test campaigns on selected samples and only broadly execute those that return more than their opportunity costs. On the Internet, it is easy to test a campaign based on a specific number of impressions. For direct mail, you may test a campaign on every *n*th name on a list before sending the advertisement to the whole list. For broader reach media such as radio, TV, magazines, or newspapers, more ingenuity is needed. If the firm has operations in more than one metropolitan area, then it can test campaigns in some areas, using some other areas as controls. What is important in these experiments is to match the areas based on forecasted revenues for the test period and to *randomly* decide which areas are the test and which are the control. Flipping a coin or rolling dice to make the choice is perfectly appropriate. The use of chance makes it much more likely that the differences in revenues that are seen in each market are really due to the advertising campaign versus some other reason that caused a person to choose one market versus another. An example of how matched market experiments helped Franklin Electronic Publications, Inc., to evaluate alternative media and campaigns prior to national rollout is shown in the box.

Franklin's Ad Experiment Design

The following are excerpts from a presentation that describes Franklin Electronic Publications' advertising test of three alternative campaigns before a choice would be made of which, if any, was to be run. The three campaigns were spot television, cable television, and radio.

Franklin BOOKMAN Advertising Test

- **Purpose:** To evaluate the impact of advertising on retail movement of Franklin product, especially Franklin BOOKMAN.
- **Methodology:** A controlled test will be conducted to evaluate the following:
  1. **$4MM Spot TV plan.** If successful, this plan would be implemented in approximately 30% of the U.S., representing a combination of high-impact retail markets and more highly developed Franklin markets, as measured by warranty card returns. It is believed that these markets would yield a 95 reach and a 7+ frequency in the advertised markets. See theoretical plan.
  2. **$4MM Cable TV plan.** If successful, this plan would be implemented nationally. Implementation of this plan would yield a 60 reach and a 6.6 frequency in the advertised markets. See theoretical plan.
  3. **$3MM Radio plan.** If successful, this plan would be implemented nationally. Implementation of this plan would run approximately 100 announcements per week.

The Franklin marketing manager had done a careful job of developing payback criteria.

- **Measures of Success**

  In order to be deemed a success, the adjusted unit volume increase within the test markets would need to rise sufficiently to pay back the advertising investment. Based upon current volume, this would translate to an increase of approximately 200,000 units or an 11% increase in volume on an annualized basis. Volume increases would be measured across all Franklin volume—not just BOOKMAN.

- **Evaluative Criteria in Reading Test Results**

  Adjustments must be made to data in test versus control to reflect the following:

  - Seasonality.
  - Market strength.

- Only portion of entire media plan implemented.
- Translation of national theoretical plan especially in cable markets: buying specs issued to deliver overall reach and frequency and not number of spots. Desired Daypart Mix would include a greater degree of prime and weekend than could be purchased on local cable basis.

- **Payback Criteria by Market**

  Sacramento ($4MM Cable):

  200,000 annual units × .72% US / 1.32 Index × .60 half the schedule × .60

  (seasonality index for April/May) / 12 months per year × 2 (May/June)

  Volume increase over two months in Sacramento would have to be 54 units over control.

  Portland ($4MM Spot):

  200,000 annual units × .84% US / 1.28 Index × .60 half the schedule × .60

  (seasonality index for April/May) / 12 months per year × 2 (May/June) / .85

  Adjustment for spot-only control.

  Volume increase over two months in Portland would have to be 77 units over control.

  Bakersfield ($3MM):

  150,000 annual units × .25% US / 1.45 Index × .60 half the schedule × .60

  (seasonality index for April/May) / 12 months per year × 2 (May/June)

  Volume increase over two months in Bakersfield would have to be 13 units over control. The test design was structured with the three test areas and a control area.

The test results showed that the spot TV campaign increased sales 66% higher than the control, better than the productivity of the cable or radio options.

However, because the number of reporting stores was small and sales per week were small, there was a higher variability than the company anticipated in the sales estimated from the tests. There was still a big probability that the spot TV campaign could have been no better than the control. There was not enough upside for the company to risk its resources on such a risky payoff.

Media Planning

If the discussion of campaign creativity and evaluation were not enough to get your entrepreneurial juices flowing, then the next discussion of choosing media should do it. Just as there are big opportunities for increasing revenue with nonstandard campaigns, there are also big opportunities for increasing revenue by choosing the most productive among a wide variety of creative media options. The key in media planning is finding the media option that has the most likelihood of generating incremental revenue per dollar spent. We call this "bang per buck" analysis. There are a number of factors that should be considered in generating and evaluating media options. We have been able to distill experience and research over the past 30 years to develop a methodology that can guide the entrepreneur toward "vaguely right" choices.

Again, here the product positioning strategy (the market segmentation and product differentiation discussed in Chapter 1) and the firm needs to *drive the process.* The entrepreneurial marketer must eliminate any options that are inconsistent with the firm's basic strategy. The media chosen can be an excellent way of implementing a segmentation strategy. One of the reasons for Tandem's East's success is the availability of targeted media that reach their target customers cost effectively. Aside from reaching the targeted segment(s) cost, the media options chosen should also be able to convey the firm's advertising message in an effective manner. For example, even though the audience of *Hustler* or *Playboy* magazine may be very appropriate targets for life insurance products, they would probably not be good environments for the typical life insurance ad. The male reading these magazines is probably not thinking very long term or is not very receptive to arguments against current pleasure.

The media chosen need to be evaluated not only on who will likely see or hear your ad, but on how potentially effective the option will be in motivating people who will hear or see the ad. Thus, the media options chosen will be directly related to the campaign that will be used. Some campaign options will be more effective in some media options than others. Again, this is not a simple problem. We have developed a relatively simple ranking and evaluation procedure to get right at the basic trade-offs that are essential for evaluating the relative "bang per buck" of the available options. The methodology considers the relative value of reaching different target market segments, the