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Industry Insights

Eliminating Advertising ROI Anxiety in 2012

As 2011 winds down, forecasters are out in force with prognostications for ad spending in 2012 and beyond. With U.S. presidential elections, the summer Olympics, and European soccer championships on the horizon for next year, not surprisingly, so is growth in ad expenditures.

“There has been some downgrade in spending in the fourth quarter, but we are quite reassured,” Steve King, CEO of media firm ZenithOptimedia, explained to The Hollywood Reporter about current ad market trends. “There has been no dramatic change like we saw in 2008.”

He described the 2012 ad market as one characterized not by “the exuberance of the 1980s and '90s, but continued spending on proven, trusted ways of getting returns” like TV and the web.

Likewise, Brian Wieser, senior research analyst at Pivotal Research Group, predicts that in 2012, “ad media will feel a ‘haves versus have-nots crunch.’” As he clarified, “simply put, in scarce times, marketers are concentrating their budgets among their primary medium (often network TV for large brands seeking awareness) and a secondary medium (often digital platforms for traditional brand marketers, who typically pursue engagement-based outcomes among a subset of the population who are aware of their brand attributes).”

Our takeaway from these observations: yielding a highly-positive return on investment has not decreased at all in importance. Marketing accountability is as important as it has ever been.

Sticking with tried-and-true media vehicles that have performed reliably may be one way marketers can alleviate advertising ROI anxiety. We have five more solutions to knock it out all together in 2012:



1. Get a revolutionary selling message.

As much as many marketers rely on TV and the web to yield a solid ROI, much of traditional and online advertising remains a complete mystery to target customers. A shocking number of prime-time television spots, for example, consist of 27 seconds of an unrelated, irrelevant, perhaps humorous story and 3 seconds of brand mention. You can't build sales or a brand by communicating either a non-message or a message that no one understands. You **HAVE TO** give people a reason to buy your brand.

2. To find a revolutionary selling message, start with an audit of brand perceptions and preferences.

Any firm or organization can ask target customers what they think of your brand and its competitors—does it have a clear or fuzzy brand image? How does your brand compare to competitors on characteristics that your target customers would like to see in a product or service in the category or industry? It's also possible to ask which brands they prefer.

3. Communicate the SAME revolutionary selling message across all mediums.

If you're a McDonald's and you're spending, for the sake of argument, \$300M in measured media, you can afford to communicate a somewhat different message through different media. But there are very few McDonald's. The overwhelming majority of brands, in the overwhelming majority of product categories should communicate the same message. It should be the same message in every media and in every communications vehicle. Not just advertising, but packaging, PR, the website, everything.

4. Test your way to a 3-sigma execution.

Research firm Dynamic Logic found creative quality is 50% to 75% responsible for a campaign's success or failure. Yet more often than not, companies develop and test too few commercials. While many companies regularly test hundreds of product and service concepts, getting a read on only one or maybe two ad campaign concepts is pretty commonplace. Expanding the number of ad concepts tested **BEFORE** developing a campaign will dramatically increase the probability of finding truly breakthrough creative.

5. Get to know digital behaviors.

Taking the time to research the digital behaviors of your target customers—where they go, what they do, what they search for, how they search, and what they need in a website—is absolutely necessary to dominating the internet. With all the attention on social media, “websites haven't been bright and shiny for years now; they're more *de rigueur*,” wrote David Armano on the *Harvard Business Review* blog. “I have to conclude that getting your website to completely satisfy business, brand and user goals is still elusive for many companies.” As a result, many marketers are increasingly

coming back to their websites and evaluating them in terms of untapped ROI opportunities.

As Scott Briskman, now of Signal to Voice, once famously wrote, “It doesn’t matter how good your delivery system is if the creative sucks.” Using consistently-performing media certainly makes sense as far as taking steps to ensure you achieve highly positive ROI. Going a few paces further to get other inputs to performance in exceptional working order will greatly enhance the power of your advertising in the year ahead.

Marketing Cartoon



“The world is changing and we need to get **SERIOUS about our targeting decisions! Instead of targeting 25-to-54-year-old women, we need to go after super heavy users!”**

Illustrated by C. Madden

Copernican Exploration

The “Disappearing” Middle Class: Is It Really Time to Shift Your Strategy?

“As income falls and diversity rises, a smaller, less homogeneous middle class is emerging—and you’d better shift your strategies,” urged an article in *AdAge*.

“A wide swath of American companies is convinced that the consumer market is bifurcating into high and low ends and eroding in the middle. They have to alter the way they research, develop and market their products,” reported the *Wall Street Journal*.

“Companies have thought that if you’re in the middle, you’re safe. But that’s not where the consumer is anymore,” warned Deborah Weinswig, an analyst with Citigroup.

Whether or not every product, service, and brand marketer in America needs to shift their strategy, of course, is not as straightforward a question to answer as these statements from authoritative sources may make it sound. There are at least a few reasons why a marketer may want to think twice.

For one thing, the notion of a “vanishing middle class” of Americans itself has long been a controversial topic, primarily because the very definition of “middle class” is so ambiguous. A quick internet scan of definitions of “American middle class”, for example, yielded wildly different sizes ranging from 25% to almost 70% of the population.

Some say “middle class” is more a state of mind than an economic distinction anyway.

“Historically, sociologists have defined ‘middle class’ as those with salaries,” explained one sociologist from the National Council of Applied Economic Research. “I think ‘middle class’ is very much a state of mind.”

“Everyone wants to believe they are middle class,” said Dante Chinni, journalist and founder of the Patchwork Nation. “For people on the bottom and the top of the wage scale the phrase connotes a certain Regular Joe cachet.”

If membership in the middle class is, in fact, self-determined, we haven’t seen any evidence that a decreasing number of consumers define themselves as Middle Americans.

Many self-described Middle Americans do indicate they have less discretionary income to spend. Just-published analysis done by the non-partisan Congressional Budget Office revealed that the middle three-fifths—60% of the U.S. population—has essentially the same share of after-tax income now as it did 20 years ago. Meanwhile, the cost of living has increased dramatically over the course of that time and everyone cut back during the recession. The middle class specifically decreased spending between an estimated 10% to 13%.

Yet even *AdAge* admits, “clearly, people [in the middle class] are still spending money and buying products.”

Maybe the middle three-fifths isn’t spending at the same level or rate as the top fifth of the population, but that doesn’t mean there isn’t a healthy-sized segment of middle income Americans ready to make a purchase and with money to spend. Considering that globally the middle class is surging—*The Christian Science Monitor* reported that by 2030, the global middle class will at least double in size to 5 billion—to the extent that products, services, and brands in a category can be cross-marketed among the middle classes in different countries, continuing to target middle class America could be quite cost-effective and lucrative. Especially if all these other companies have abandoned them.

The squeeze on the middle market of brands in some categories is much more likely the result of the increasingly indistinguishable differences between the quality of brands along the pricing spectrum than it is the contraction in the size of the American middle class.

Regardless of their income bracket, if consumers can get the same level of quality, don’t need the cache of a brand name, and can save a few bucks in the process, they just might “trade down” to a lower-priced dish soap, clothing brand, or car. In 2008—before the recession hit—estimates already put the “trading down market” at \$1 trillion in the U.S. (out of consumer spending of \$3.7 trillion), up from \$700 billion in 2005.



At the same time, as the gulf between the prices of high-end and middle market brands have narrowed, there’s much less of an economic impediment to “trading up”—paying a 50%-200% premium to get what’s perceived as a better product or experience.

Middle class consumers may trade up or trade down in some categories, on some purchasing occasions, but it appears they’re doing it because marketers—either through pricing, product quality, packaging, customer experience, and more—are supplying them with compelling reasons to do that. A bifurcating market may just be marketer-made.

Bemoaning the death of a middle class of people and brands seems premature as does an across-the-board shift in strategy. Though many in the middle three-fifth are quite pressed financially, that doesn’t mean there are fewer consumers looking for a superior balance of price and value in most product and service categories. A two-pronged market where only high-end, prestige brands and low-end, lowest-possible-price products and services will survive is not a *fait accompli*.

Discovery of the Month

Steve Jobs: Facts and Fictions

Since his death a few months ago, Steve Jobs has been heralded as many things. A visionary, a true inventor, a business hero—the list is long and makes it clear that the man and the products Apple sold were/are greatly admired.

As with any legend that gets told and retold though, sometimes the facts get glossed over, toned down, or even left out all together. As a result, every behavior ascribed to the champion of the story contributes mightily to success and are, therefore, worth emulating. Before the tales of Jobs' alleged propensity for going on gut feel alone and how much his intuition-driven decision-making style contributed to his success gets blown too far out of proportion, let's take a closer look at history.

While we haven't personally come across an interview or speech he gave where he actually utters the words himself yet, Jobs reportedly abhorred all forms of consumer research. He's purported to have believed that research reflected the needs, wants, attitudes, habits and preferences of today, not tomorrow. Rumor has it that he trusted in his innate ability to make a marketing decision—whether about a new product, an ad campaign, packaging, or store layout.

Assuming for the sake of argument that the *zeitgeist* has it right, the real question to consider is how did this intuition-driven decision-making style fare?

“Everyone thinks of Jobs as the genius who gave us the iPod, MacBooks, the iTunes store, the iPhone, the iPad, and so on,” wrote Nick Schulz in a piece for the *National Review Online* this past summer.

“Yes, he transformed personal computing and multimedia. But let's not forget what else Jobs did:

- Apple I – failure
- Apple II – failed to take off until the floppy disk was introduced
- Lisa - “an epic failure”
- NeXT computer – a “big nothing-burger of a company”

Even the iconic Macintosh was not successful initially and Jobs famously got the boot from the division for failing to spur sales.

True, no one could claim with any certainty that marketing research could have helped avoid those failures or with resuscitating the product when sales proved disappointing. At the same time, it's at least safe to say pure gut instinct didn't reliably contribute to Jobs' market or early career success either.

For an alternative theory to Jobs' more recent product and business triumphs, consider his ability to focus the company entirely on consistent delivery of the clear and compelling positioning, "easy to use." In all the commentary about Jobs, the vignettes about the hard—sometimes viewed as questionable—trade-offs he made in order to ensure that Apple's products worked seamlessly together and were something that anyone without a tech background or engineering degree could operate indicate that this guy understood the power of making a brand stand for something.



Instead of "plug and pray," as one commentator describe other technology products, Apple offered products that were truly "plug and play."

Was it a gut instinct that led Jobs to "easy to use?" It certainly could have been, though it's hard to believe there wasn't some awareness among decision-makers at Apple about how other companies were developing and marketing their products, not to mention what users of those products complained about.

The information doesn't come direct from the horse's mouth, but in an interview with *The Hub* a few years ago, Apple's co-founder Steve Wozniak, for example, described the early computer market: "Here was the world in 1975, and a whole bunch of people were trying to make money on low-cost microprocessors and build computers with switches and lights—like every computer ever had been." This knowledge inspired him to do something different and design a computer that a "normal, average" person could use.

Apple's cult following also afforded it a variety of resources as far as finding out what users like and don't like, would like but can't find, etc. Not too many companies have a *MacWorld* magazine and annual trade show event, blogs, and websites independently operated and dedicated to all-things related to the brand and using its products. It's hard to believe at some point Jobs and others at Apple didn't tap these sources to at least do some informal customer research.

Now an argument could be made against the necessity of certain kinds of marketing research in some technology categories that are changing every six months. Jobs may have had a point that if you ask consumers how likely they are to buy a product or service that's entirely new and never been seen before—as was the case at one point in time with home computers—they'll most likely tell you that they won't buy the product.

The fact remains, however, that most categories aren't even changing every five years, let alone six months. Practically-speaking, most new products and services aren't as

radical, game-changing, or so totally breakthrough that potential target customers couldn't offer some insights into their viability or direction on how to market them most effectively and efficiently.

In our experience, the heroic tales of going on gut feel alone turn out to be much less the stuff of business legend than they first appear. Reports of terrific performance are more often than not greatly exaggerated just as the role of research, business experience, and the market knowledge of the individual are often minimized for effect. With that in mind, we suspect Steve Jobs made a whole lot more informed gut-decisions, at least in Apple's more recent history, than ones based purely on hunch alone.

What We're Reading



Leading-Edge Marketing Research: 21st Century Tools and Practices

Edited by Robert Kaden, Gerald Linda, Melvin Prince (Sage Publishing, November 2011)

A just-published anthology, *Leading Edge Marketing Research: 21st-Century Tools and Practices* showcases the excitement of a field where discoveries abound and researchers are valued for solving weighty problems and minimizing risks. Nearly 40 other authors—many considered visionaries in the field of research and marketing—provide rich new tools to measure and analyze consumer attitudes, combined with existing databases, online bulletin boards, social media, neuroscience, radio frequency identification (RFID) tags, behavioral economics, and more.

Truth be told, we're partial to this book for a reason.

Copernicus' Kevin Clancy and Ami Bowen contributed Chapter 6, "State-of-the-Science Market Segmentation: Making Results Actionable for Marketers," to this exciting compilation of industry best-thinking.

The duo make the case that a truly state-of-the-science approach to market segmentation focuses as much on ensuring the relevance and applicability of the outcome to fundamental strategic decisions as it does on the technical complexity of the algorithm or analytical technique used to sort buyers into groups.

“For approximately 50 years,” say Kevin and Ami, “knowledge of how a market segments and what constitutes a good market target has been the *sine qua non* of marketing strategy. No wonder most marketing textbooks include among their introductory chapters a discussion of market segmentation and targeting.”

“Yet some in the research industry say market segmentation is no longer relevant in today’s marketplace. We say unless it achieves state-of-the-science standards of actionability, it probably isn’t.”

With an eye towards who within an organization will use the results and how they will use them, along with clever measures of profitability and a range of descriptive variables to test, the two describe how marketers can tap into the full potential of this critical strategic research tool to improve performance and ROI.

To learn more about *Leading Edge Marketing Research* and order a copy, visit Amazon.com.

Coming Attractions

Kevin Clancy to Speak at Local AMA Chapter Events

AMA Boston

Topic: “Inspiration, Aspiration and Transformation: Overcoming Testosterone-Driven Decision Making and Problematic Research to Build Extraordinary Strategies”

Tuesday, February 28, 2012

6:00 PM

Hyatt Regency Boston

AMA Richmond

Topic: “Inspiration, Aspiration and Transformation: Building Extraordinary Marketing Programs”

Thursday, March 15, 2012

12:00 PM

University of Richmond Jepson Alumni Center

Happy holidays and best wishes for 2012 to all!