MEdiA Generations

Media Allocation in a Consumer-Controlled Marketplace

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PROSPER

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Chapter 3

How Knowing Media Consumption Changes Media Planning

The approach to marketing communication media planning, and especially inter-media allocation decisions, using information from the SIMM studies is quite different from traditional approaches. As before, the approach begins with a consumer-centric model, rather than a media-centric approach.

A consumer-centric model is exactly what is needed in the new customer-driven marketplace. It simply means that organizations must understand that their guiding business practice must recognize the consumer has multiple choices in products and services and also has multiple media channels from which to select. The marketer does not own the customer, as has been the belief for so long, including the supposedly more sophisticated customer relationship management (CRM) systems which are now all the vogue. Rather, the customers and the various stakeholders actually and literally own the marketer's businesses, since they control the income flows to the firm. Thus, a consumer-centric approach is mandatory.

The daily time constraints of the consumer and the increasing fragmentation of the media are of significant importance to all marketers. It not only verifies the push-pull media marketplace, it helps explain the consumer's disconnect with traditional media forms. In short, it explains many of the changes currently seen in the media distribution and consumption models.

Thus, we start with a look at the conceptual differences between distribution and consumption as they relate to media communication channels.

Distribution Programs

Distributive approaches to resource mobilization require fundamentally different ways of organizing resources and management techniques relative to how those distribution systems are or can be maximized. Distributive approaches are typified by formal programs, tightly scripted specifications of activities, designed to be invoked by known parties in predetermined contexts. This would seem to closely resemble the present media distribution models and the advertising messages distributed through those media forms.

Consumption Channels

Consumption approaches, in contrast, can be implemented through various channels. They are designed to flexibly accommodate diverse providers and consumers of those resources. These channels are much more open-ended and have been designed to evolve, based on the participants' learning about their use and their own changing needs.

Figure 5 presents a comparison of push and pull models in more detail. It can be summarized as programs versus channels.

We argue that marketer media allocation approaches have been, historically, and still are, essentially distribution programs. What is needed in today's consumer-driven marketplace are consumption approaches. Thus, we see the apparent conflict between what marketers want to do, what consumers want to do and what both are actually doing.

FIGURE 5: Distributive Programs vs. Consumption Channels

Distributive Programs	Consumption Channels
Demand as controlled anticipation	Demand is highly variable
Centralized control	Decentralized initiative
Procedural	Modular
Tightly coupled	Loosely coupled
Resource-centric	People-centric
Participation restricted (few participants)	Participation open (many diverse participants)
Efficiency focus	Innovation focus

As shown in the chart above, traditional media planning approaches are essentially distributive programs. The marketer controls all the variables: determining what media will be purchased and in what amount; how often messages will be distributed; and designing the messages to achieve marketer goals. It is all based on an allocation of available funds, with participation limited to those consumers who use the media form the marketer has purchased.

Alternatively, what is needed in a consumer-controlled marketplace is a consumption channel approach. This system recognizes that demand is in the hands of the consumer; that it is modular, which means that the consumer determines what media will be consumed and in what combinations; that other people can be involved in the media form, as seen in the new social networks, such as Facebook; and that the system is essentially people-centric.

The reason the distributive approach was developed, and is still in use today, is that advertisers and media planners still assume individuals (consumers) are calculatively rational as well as acquisitive. It also assumes they have roughly accurate information about the market and are continuously seeking information or knowledge that will improve or enhance their personal well-being. Given these assumptions and the consumer's traditional paucity of easily available information, the marketer doled out product information as he or she saw fit through the media forms which were perceived to be the most efficient. Since the consumer had few other resources or information alternatives there was an ongoing consumer demand for product or service information. And because the marketer knew the consumer had a lack of market and product information and the consumer assumed that it would require time or money to acquire it, the consumer was willing to give up time to acquire the information the marketer made available through media advertising. This model has been the presumptive approach to mass market/mass media advertising for the past seventy-five or so years.

It All Comes from the "Four Ps"

The basic media advertising model is closely aligned to, and generally derived from, the "four Ps" marketing mantra. This management approach espouses the importance of product, price, place and promotion and gives no heed to the consumer or the situation in the marketplace. Thus, even though it is internally focused and assumes the goal is to dispose of the products the marketer has available it is the driving force in marketing management around the world.

As noted, consumers, customers, users or purchasers, that is, whoever buys and consumes the products or services, are ignored in the four Ps model. This is a problem that continues to grow in the push-pull marketplace surrounding marketers today.

The four Ps approach was developed in the late 1950s, and while there have been numerous marketplace changes, marketers have religiously held on to this "marketer-in-control" management approach. It assumes that if the four Ps are done right, customers will magically appear and will buy and continue to buy whatever the marketer is trying to vend.

A further assumption of the four Ps model is that the marketer and the media control the commercial marketplace. That is, when it comes to promotion, the fourth of the four Ps, the marketing organization is assumed to be in complete control of the system. The marketer develops the messages and incentives and then contracts with the various media organizations to distribute those messages through the media owner-controlled communication forms. This is a clearly outbound only, mass communication, efficiency-based approach.

The model assumes that distributing more messages is always in the marketing firm's best interests. Thus, there is a built-in incentive for marketers to overspend in media, assuming that more messages distributed is always better than fewer.

The current media model is supported by the three factors that are the foundation for present media planning methods.

Influences on Traditional Media Planning and Push Media Models

Three major factors greatly influenced media planning in its early stages and continue to dominate media planning to this day: a) mass communication theory, b) "hierarchy of effects" models and c) probability sampling techniques.

1. **Mass Communication Theory**

   Early advertising practitioners, and especially media planners and buyers, borrowed from mass communication theory to provide a basis for understanding media distribution and, thus, the diffusion of advertising messages.

The media planning model evolved from the Schramm and Roberts (1971) approach to explaining how mass media works. It presented the mass media as a simple, linear system in which the communicator selected the media form and the receiver received and accepted the messages sent.

Sender → Media → Receiver

As can be seen, the sender is always in control of the distribution system, a fact that is somewhat outdated in today's fragmenting media marketplace.

2. "Hierarchy of Effects" Models

Early media planners accepted and embraced the "hierarchy of effects" models developed by Lavidge and Steiner (1961) and Colley (1961). These provided a hypothetical series of measurable steps marketers could use to move consumers through on the way to a purchase decision. The simplified model looked like this:

Awareness→Knowledge→Preference→Conviction→Purchase

Both the Lavidge & Steiner and Colley hierarchy of effects models were based on the behavioral psychology that was in vogue at the time. The basic premise was that consumers could be trained to purchase, similar to the way Pavlov trained dogs or Skinner trained pigeons, namely, through conditioned-learning. It was a stimulus-response model that posited that the number of times the person saw the message (frequency) had a direct impact on how quickly they would respond to the marketer's offerings. Thus, there was an emphasis on message frequency, which worked to the advantage of the media organizations who charged for media message distribution.

The model was primarily focused on new customer acquisition, which was quite relevant at the time. As markets mature, however, acquisition becomes less and less important, being replaced by customer retention and growth. So, today, media planners are saddled with the models that were appropriate in the 1970s and 1980s, but, are less relevant today.

3. **Probability Sampling Techniques**

   As the marketplace expanded and media forms accumulated larger audiences, media planners began relying on probability sampling techniques to identify the size and descriptors of the audience. Media evaluators began to use relatively small, statically relevant samples of the entire population, then they projected the results of those samples to the entire universe. Thus, they were able to generalize and speculate on audience size, make-up and value. That's the same approach Nielsen uses today to define the viewing audiences of television programs.

   This approach worked then because media audiences were fairly general, for example, women 18–49 or men 25–59. As markets fragmented, and marketers began to focus on more targeted audiences, consumption categories had to change to include more than age and sex. Gross audience estimates were no longer appropriate.

   In addition, all audience size and make-up estimates were based on a normal distribution of the population, or what is called the "normal curve." For the most part, there are few normal distributions of populations in any marketing audiences or among any product purchasers. Thus, there is increasing concern on how relevant our statistical approaches and models are today. Upon investigation, one almost always finds the 80/20 rule prevailing or some variation on that idea of heavy users who dominate both brand purchases and product or service consumption.

None of these theories of mass media/mass communication or the hierarchy of effects were proven in the marketplace. While they make intuitive good sense, they lack any real substance, although they have been widely accepted by the marketing community, particularly media planners.

In addition, the systems described were all push or outbound oriented. The consumer was never part of the equation and the metrics, where they were used, referred to push, that is, outbound message distribution opportunities on the part of the marketer, such as CPM (cost per thousand) gross rating points (duplicated audiences), reach (unduplicated audiences), frequency (gross audience/reach), and so on. All served as surrogates for real consumers whom the media planner likely never saw nor with which they interacted.

These theories have been used as the basis to build econometric models to attempt to gage advertising impact, effects and return-on-investment models. They work from the hierarchy of effects model, using norms that measure the media, which then have the greatest amount of dollars allocated to them. Other media are then viewed in terms of whether they are capable of (or incapable of) providing incremental increases in audience size or scope.

Dealing with Dynamism

Dynamic market surveys, such as that provided by BIGresearch, which provides consistent and continuous media measures, is the solution to the push marketing tradition and allows movement toward a consumer-oriented pull approach. The historically difficult inter-media comparison problem is, therefore, readily solved by using the SIMM syndicated studies.

Because marketers are now recognizing that consumers and the marketplace are dynamic, in our computationally driven culture, we have witnessed the emergence of an increasing focus on networked and automated apparatuses to measure media engagement and the various arenas for security, combat and navigation. And, we have also seen the promulgation of the Personal People Meter (PPM), Pioneering Research for In-Store Metric (P.R.I.S.M.) and Radio Frequency Identification (RFID) technologies, all designed to measure or estimate the involvement of consumers and customers in the marketplace. For some marketers, these have now been nominated to be the ears and eyes for understanding the behaviors of consumers.

Yet, electronic surveillance techniques do not provide an understanding of the "whys" of consumer actions and activities. In fact, it is becoming apparent the closer the technology invades, the further it gets from human action. Thus, less intrusive methodologies and more insightful approaches are clearly needed.

With the multiple functions of the media comes the ever-present specter of surveillance through mobility. Twenty-first-century mobility techniques constitute a major threat to privacy. This is significant not only in regard to ethical and legal issues surrounding privacy, but technological resistance also creates its own inhibitions among consumers. For the reasons, participatory consumer research such as the SIMM data moves the marketer closer to the marketplace than ever before.

Evolving from the Push/Distribution Model of Advertising

The traditional assumption of the passive, predictable model of consumer consumption is clearly outdated. Consumption spending as measured now comprises roughly 70% of the gross national product (GNP), and it has typically been understood as passive and predictable. Spending on food, clothing, and typical non-durable goods has been taken for granted. It is assumed consumers go about their normal activities and are motivated and impacted by marketers activities.

This passive predictable model does not assume such spending to be completely constant. It has periods of disruption built in, such as war and inflationary times, and it takes into account other circumstances, such as seasonality, as well. For instance, swings in auto purchases might occur due to high costs or fears of gasoline shortages. However, during the normal course of things, counter to the passive predictable model, no matter how intense the wants may be, consumers still cannot buy more unless they have more income to make purchases. Of course, credit and borrowing on accumulated savings may provide a burst in spending, but the effect of that will always be limited by the reality of income and expenses. Clearly, a new model and new approach is needed.

Consumer-Centric Research: What Is It and Why Is It Important?

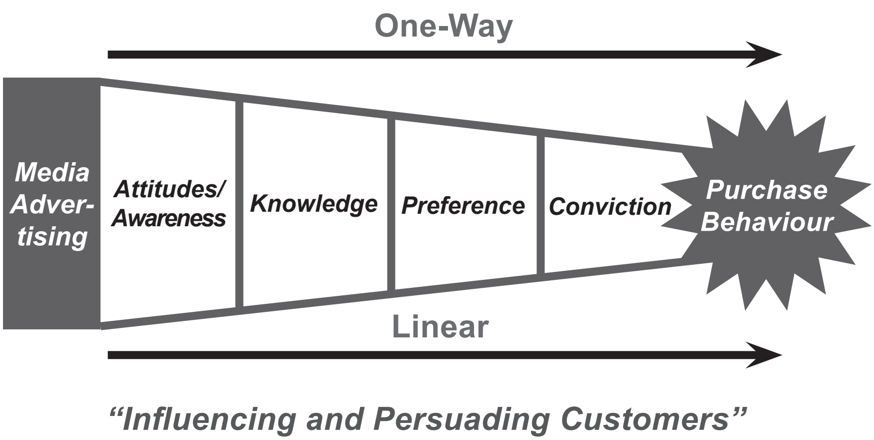
To understand and explain various consumer actions, the best approach is to investigate the typical everyday behavior of consumers. That would allow the marketer to understand the irregularities and anomalies often found in consumer purchasing behavior. Consumer-centric research is developed with the goal of understanding consumers' interests, intents, expectations and the resulting expenditures they make. The ideal situation for marketers would be to know how these concepts can or could be integrated into a media consumption and purchase action survey. In that way, continual consumer actions could be placed in the context in which they occur and thus provide the marketer with a realistic version of why consumer behavior occurs as it does.

Any type of consumer-centric understanding must take into account the values, norms and behavioral meaning of the consumer. Those would provide the context for consumer self-understanding and, therefore, the marketer's interpretation of those behaviors. Consumer action does not follow causes, however. Rather, it springs from valuations and norms of the competitive situation and collective behavioral expectations of the consumer and his or her relevant cohorts.

Unfortunately, many years ago, marketers, lacking this consumer-centric knowledge, sufficed with assumptions and hypotheses of how consumers behaved in the marketplace. They built their models in the mid-twentieth century using the various psychological concepts then in vogue. The basic approach, which still underlies most marketing and communication models, was the hierarchy of effects — two versions of which were popularized by Lavidge and Steiner and Colly in the early 1960s and were described earlier.

The hierarchy of effects model represents the traditional or push distribution model. It is shown in Figure 6 below.

FIGURE 6: Hierarchy of Effects Model



It is important to note that most of the hierarchy of effects models stop short of the ultimate consumer response: purchase behavior. These models are focused only on what are called "communication effects," that is, what the marketer wants the consumer to remember and recall. The argument for this inability to track to the end of the model is that the marketplace presents too many intervening variables for an actual connection to be predicted between media advertising and sales. Consequently, current assumptions about "how media advertising works" generally only apply to the idea of transforming or changing attitudes held by consumers as a result of exposure to media advertising messages. This, then, leads to the vague notion that the attitude change (or reinforcement) will eventually impact consumer purchase behaviors on behalf of the advertised product or service.

This is an absurd fiction that benefits the augurs of conventional wisdom (Schultz & Pilotta, 2004). In fact, media that the consumer controls—such as TiVo, Internet surfing, researching of products, blogs and word-of-mouth—are not under the marketer's control anyway. The purchase funnel, based on the assumption of a hierarchy of effects model or approach, cannot and does not work with the new media forms. In truth, the sales-oriented purchase funnel is simply the hierarchy of effects turned on its side—these are two sides of the same coin. Given these challenges, the answer has to lie in more extensive consumer-centric research such as that provided by the SIMM data system.

Defining Media Engagement

In an attempt to maintain traditional media planning models and approaches currently in use, various media researchers and experts have suggested the importance of understanding media engagement—in other words, the assumption that consumers engage differently with various media forms. By adopting this concept, the hope is that the traditional outbound planning model, where distribution reigns supreme, can be retained. Engagement, pure and simple, is an act of communication. The term signifies a pledge or a promise. It requires a relationship in which two sides are brought together. Sending out messages, no matter how involving or exciting, does not create engagement; nor does the medium itself create value, if it is not consumed. Thus, while the concept of "engagement" is engaging, it has real problems when it is attempted in the marketplace.

In our mobile, multitasking society, engagement with media is generally intermittent; it is not sustained. It is also accompanied by background activity, such as listening to the radio or television, talking on the cell phone, reading the newspaper and being plugged into an MP3 player—all of this potentially occurring simultaneously. Thus, while engagement is an interesting concept, it really has little to do with how media planning can be improved or enhanced. That is all in the hands of the consumer—the person who consumes the media form and the content carried in that form and the ultimate decision maker as to whether or not to engage with the media form or the message.

Accountability

Consumer-centric media planning changes the face of media planning to address the demand for media accountability, in other words, the calculation or estimation of ROI. The methodologies used in many ROI estimates or calculations have typically neglected the front end of the process, that is, the planning and anticipation of sales based on verifiable purchase decisions. So, the allocation of media forms is predicated upon the expectation that they will result in positive returns to the advertiser. Negative ROI, regardless of the model employed, is a direct result of the weakness of front-end media planning models, since they commonly ignore or neglect the consumer. For example, current ROI models commonly assume that all humans have fixed tastes and expectations, attend to the same media forms and that one person's behavior has little or no effect on others. Clearly, all these are questionable assumptions but they make up the basis for much media planning.

The return on customer investment (ROCI) data collected in the BIGresearch system serves the growing need for such a consumer-oriented metric—one based upon consumer media consumption, not just upon marketer message and media distribution. Consumers clearly are not just passive receptacles of pleasure, or even of media entertainment. Instead, they appropriate and make investments of time, money, knowledge, information, trust and taste as key elements in their media consumption activities. This is the work that consumers do to participate in the interactive marketplace. Thus, consumers are also looking for a return on *their* investment from the retailers and manufacturers to enable them to most effectively allocate their most valuable asset, time, and to select which of the multitude of messages being directed toward them.

There are several key assumptions for a true consumer-centric model. First, customers must be viewed as assets. Second, the lifetime value (LTV) of the customer must equal the net present value (NPV) of the future customer. The classic ROI formula is as follows:

$$\text{ROI} = \frac{\text{NPV of incremental profits} - \text{NPV expenses}}{\text{NPV of expenses}}$$

There are, however, critics of the above formula. Some favor a direct NPV formula. Net present value is certainly better than ROI when ROI takes the rear-view mirror approach. NPV pretends to be a window on the future. However, it's merely a point in time just ahead of the rear-view mirror. It has little to do with what customers can or might do in the future.

The NPV is a financial metric that utilizes the Markov chain, which is a statistical term for an unconditional measure going into the future. That means it is a static model, which has to make assumptions about the future. It assumes that the future will be like the past. It cannot, however, identify the drivers of future expenditures and monitor those drivers monthly—a critical variable in media planning.

This issue revolves around the nature of the data used, the statistical tool employed and the assumptions the media planner makes. It is sufficient to say, future-oriented customer data that is conditional—what people say they intend to purchase going forward—takes those measures out of the static NPV mode and gives real-life possibilities for future customers, rather than made-up possibilities.

BIGresearch's consumer-centric data, as gathered through the SIMM system, is future oriented ; that is, what consumers anticipate or expect to do in the future. NPV, the discounted value of money received today versus in the future, is the critical component of an estimated ROI calculation. That makes the entire discussion meaningless although it continues to occur.

Return on Customer Investment

The return on customer investment (ROCI) model has been discussed in some detail by Schultz and Walters, who present it as a better way to measure the impact and effect of media advertising activities. It is based on the following key assumptions:

1. The customer is an asset.
2. The customer is a value creator.
3. Lifetime value should be based on NPV.

Additional elements in ROCI typically include channel performance, channel stock, market ratio of channel, macro-economic indicators, competing activity, economics, social concerns and media. These elements are better addressed by BIGresearch's orientation and data, which includes issues of ethnicity, as well as a variety of other variables than the traditional methodologies that simply assume these factors away.

BIGresearch's Consumer-Centric Elements for ROCI

BIGresearch regularly measures a number of variables that support the development of a sophisticated ROCI model.

For example, to better understand the consumer's point of view, BIGresearch, through the SIMM studies, captures information on thirty-one separate media forms which are designed to reflect the impact of media influence on purchase decisions, experiential time of media usage, daypart usage of media, simultaneous media usage, multitasking activities and media combinations, synergy by customer choice of media on purchase decisions and retail channel, likelihood of media allocation on success on purchases and in-store promotion. It is this type of consumer media usage and consumption that radically changes how media purchases can be planned, purchased and measured. Clearly, these are consumer measures, not media distribution measures which constitute the key element in the SIMM approach.

On the following pages, we identify the concepts, recommendations and expected outcomes possible through the use of the BIGresearch SIMM studies.

There is little question the media and purchasing consumption measures, using the new metrics founded on consumer-centric principles, are critical to marketing and advertising planning and management. The subject is all about changes and change and transformation. All key elements in today's very complex media marketplace.

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BIGresearch is a consumer intelligence firm providing analysis of behavior in areas of products and services, retail, financial services, automotive, and media. Their Consumer Intentions and Actions (CIA) Survey monitors more than 8,000 consumers each month and delivers fresh, demand-based information on where the retail consumer is shopping and their changing behavior. BIGresearch's Simultaneous Media Usage Survey (SIMM) of more than 15,000 consumers is conducted twice each year and gauges consumption across media, products and services. BIGresearch's large sample sizes and methodology provides highly accurate consumer information with a margin of error of +/- 1 percent. www.bigresearch.com