

MODELS IN ADVERTISING

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There are three major approaches:

- Commodity
- Institutional
- Functional

Functional approach has three major functions:

- Physical
- Exchange and
- Facilitating

- Functionally there are 12Ps of marketing
- Transactional Ps –
 - a.Product b.Price c.Promotion and d.Place
- Service/ Relationship:
 - e. People f. Process g. Physical evidence
 - h. Probe
- Societal:
 - i. Policy j. Public k. Purse l. Participation

Promotional mix elements

- Sales force training
- Public relations
- Corporate image
- Advertising
- Direct marketing
- Personal or Door to Door Selling

Advertising decisions center around

- What
- When
- Where
- How
- What Freq / duration?
- What cost?
- How to build a brand?
- How to measure responses?

The Thought Process:

- Intuition
- Reasoning
- Experience

Ad Models are of Different Types:

- Input-output
- Individual – aggregate
- State of competition / Action
- Shape of Response
- Static – Dynamic
- Market Demand / Share

Market Response Models:

- Linear / Non-linear
- Decreasing Returns / Concave
- Saturation
- Increasing Returns
- 'S' shape
- Threshold
- Super-saturation

These models examine sales-Ad expenditure relationship.

Mathematically

- $S = a + bAd$ – linear
- $S = a_0 + a_1Ad + a_2Ad^2 + a_3Ad^3 + \text{polynomial} \dots\dots$
- $S = a_0 + a_1Ad$
 - returns to scale model
 - (=1=) constant returns
 - (<1=) decreasing returns

The ADBUG model

- When $C > 1$, the model is 'S' shaped,
- When $0 < C < 1$, it is concave. The values of parameters lie between a and b
- **Calibration:** assign values to parameters – subjective or objective (market data)
- **Marketing mix models:** elements of marketing mix are combined in – additive, multiplicative or mixed forms.

Effects -

- **Cause – Action – Effect**---Paradigm is used
- Marketing Effect
- Delayed response / customer holdout Effect
- Hysteresis Effect
- New trier Effect
- Stocking Effect

- Market share models

Brand sales(Y) = product class (V) Sales (v) x
market share (M) i.e., $Y = V \times M$

Three major decisions in advertising

- Objective setting and budgeting (how much to spend?)
- Developing copy – (message)
- Choosing media (media choice)

Ad budget decisional

- Affordable method
- % of sales method
- Competitive parity method
- Objectives and task method
- Model based approaches

Objective function

Max $Z = \sum \sum S_i(t) A_i(t) - \sum \sum C_{ij}(t) A_i(t)$

Subject to: $\sum A_i(t) \leq B$ (budget constraint)

$L_i \leq \sum A_i(t) \leq U_i$ (regional constraint)

$S_i(t)/A_i(t), \{C_{ij}(t)\}$ – sales in

Area i at time t as a function of current and brand
and competitive and v

$C_{ij}(t)$ – competitive ad for comp j in area i at time t

$\{A_i(t)\}$ – active ad programme over planning horizon

U_i, L_i – upper, lower, regional constraint

B – Budget constraint

Individual – market model

- $S_t = a_0 + a_1 A_t + a_2 \lambda a_{t-1} + \dots + u_t$
- S_t = market share at t
- A_t = Adr spending at t
- C_0, C_1, λ - constraints $0 < \lambda < 1$
- M_t – random disturbance

Media Decisions

- Reach (R)
- Frequency (F)
- Impact (I)
- $WE = R \times F \times I$
- WE – Weighted exposure

Copy Effects – Developing Message

- Contents, elements, treatment , structure, code

Communication models:

Aware, Inquire, Desire, Action

Defining advertising goals for measured advertising results (DAGMAR)

Hierarchy of effects

- Awareness
- Knowledge
- Liking
- Preference
- Conviction
- Purchase

FCB Grid

- Type of involvement i.e., high and low
- Sensory perception i.e., feeling / thinking
- Left and right brains coordinate

Physically Attractive Models

- Feeling thin
- Slim orientation
- Evaluation effect

Advertising communication model consists of:

- Buyer – Action objectives
- Brand - Common objectives
- Ads – Processing objectives
- Media – Exposure plan