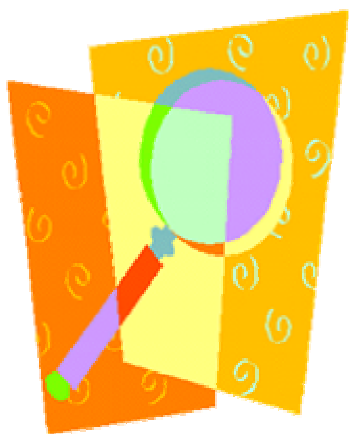


MEDIA-MIX NEEDS TO THINK SMALLER

There are only three national media in the US today.



Big media agencies like big media ideas. *Data fusion, optimization, media-mix.* But big media agencies hate small media. *Too many pieces, too many touch points, too many posts.* Big media are more cost effective and a far better cultural fit. That's why network TV and magazines get most of the dollars.

Yet commercial practice and planning theory are on a collision course and big agencies don't seem to see it. They preach the value of media-mix without considering the consequences. It's not just that most sales are local; half our media are local, also.

There are only three truly national media in the US today, TV, magazines and the Internet. Outdoor, Newspapers and Radio, the juicy fruit of media-mix, are quintessential spot media, planned and purchased market-by-market. Add spot TV and local wins the mix derby handily.

So when agencies talk about media-mix, agencies need to talk about spot planning, if not in the same media breath, at least in the same media plan.

That isn't happening. Most agencies that push media-mix don't bother to plan geography.

Diminishing marginal response

The argument for media-mix is based on diminishing marginal response. Research shows that the next dollar added to a medium produces less response than the one before. So although a medium may start-out being more cost-effective, there will come a point where the next dollar should be spent elsewhere.

The argument for geographic planning is complementary. It allows a wider choice of media (six instead of three). It is a powerful way to target consumers. And it is one of the few areas left where the cost-benefit of targeting still goes to the buyer. This last point is as big as a blimp, but seldom seen.



Let's compare the benefits of geo-targeting and demo- targeting, using a real brand with TV as the medium.

- The demo-target is Women 18-to-49. This group has a purchase index of 115. (It can't index much higher because 62% of all women are 18-to-49.)
- The demo-targeted TV schedule covers 18% more Women 18-to-49 (index 115) per impression than an average schedule. But Women 50+ have value (index 55). And

for each Woman 18-to-49 added, more than one Women 50+ is lost, so the net gain is less than nine percent.

- The geographic-target is 34 markets comprising 33% of the US population. This group has a purchase index of 130.

The point is geo-selectivity is usually greater than demo-selectivity for major brands. This is the result of the brand's history, distribution, ethnic appeal, climate, a better regional sales force. You name it.

Not only is geography more selective than demography, but you don't give any of it back. With demo-targeting you trade viewers. With geo-targeting you pick markets. The result in this case is a 30 percent versus a nine percent gain. Let's continue:

- When we buy Women 18-to-49, we pay a higher CPM because the TV networks price on the target demo. So the cost advantage produced by demo-targeting goes to the seller, not the buyer.
- We buy the 34 markets that are our geo-target and we pay much the same CPM as we would pay for the average market. The 30 percent cost-advantage produced by geo-targeting goes entirely to the buyer.

Sellers are able to price on demo targets because most advertisers want the same ones. Sellers cannot price on geo-targets because the best markets vary widely from brand to brand.

That's the scorecard and the clear winner is the brand. Since demography and geography are not associated, (i.e., there aren't large differences in percent Women 18-to-49 by market), the targeting effects are multiplied.

A brand indexing at 115 with Women 18-to-49 and 130 in Cincinnati, will index at whopping 150 among Women 18-to-49 living in Cincinnati.

The new media-mix

The old media planning was about picking media one-by-one (dominate a medium and then move on). That is media-add. The new media planning is about picking combinations of media. That is media-mix. A big idea.

Media-mix gives advertisers a way of beating the falling response curve. Where market-driven CPM's reflect relatively comparable media value, spending the dollars in more media can produce a greater response. But effective mix planning needs to consider brand geography, if only to have more media to mix.

Sometimes big ideas come in smaller packages.

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