

Appendix AOverview of Media Planning

Overview of Media Planning

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Advertisements are delivered to consumers via a media mix of newspapers, television, cable TV, radio and magazines. Radio is just one of many mass media vehicles that are capable of delivering an advertisement message. An important role for the media planner is to determine when radio should be utilized based upon its entertainment or informational appeal to consumers. In conjunction with ad agencies, media planners also determine which radio format(s) are optimally suited to convey an advertisement to the targeted audience. Hence, decisions made by media planners, ad agencies, and other marketing executives determine the fate of radio stations in a very practical way.

The process of media planning, however, does not begin with media buying. Determining the role of radio in a media mix is the outcome of a series of decisions that begins with an assessment of the marketing problem (e.g. company sales have been slipping due to increased market penetration by a competitor). Next, a marketing strategy is devised followed by the adoption of a creative strategy. Media planners have very little to do with the development of these components of the media plan. Usually marketing and marketing research people conduct the situation analysis and prepare the market plan. Copywriters and art directors are responsible for the creative strategy.

Media planners begin their work once the marketing plan is in place and focus upon developing the media objectives and overseeing media buying.

The following is intended to provide an overview of the decision-making process involved with media planning. It will also explain the practice of buying commercial time on radio formats that have audience demographics that match those of the target market.

Media Planning in Six Steps

The goal of media planning is to link media buying decisions with marketing objectives. If advertisers and ad agencies neglect marketing objectives when buying commercial time, money is spent ineffectively. Media buying should be the end result of a logical sequence of steps that begins with an assessment of the advertisers marketing problems, a set of marketing objectives that address the problems identified, a profile of the consumer target, and a media mix and creative theme that will deliver the targeted consumer.

The following table illustrates a logical sequence of steps that should be involved with media planning.

Logical Progression of Steps in Media Planning

1. Marketing Objectives	2. Marketing Strategies	3. Media Objectives	4. Media Strategies	5. Decisions Implementing Strategies (Tactics)	6. Media Buying
<p>A number of marketing goals for a given brand, presumably, based on best opportunity for sales or solving other marketing problems.</p>	<p>A number of broadly conceived marketing decisions, organized into a unified plan of action aimed at attaining marketing objectives.</p>	<p>A number of media goals, all related in some way to helping attain market objectives, or related to marketing strategy.</p>	<p>A number of broadly conceived media decisions, organized into a unified plan of action aimed at attaining media goals.</p>	<p>A number of very specific decisions that implement the media strategy. In many instances, these decisions serve as a basis for media buying.</p>	<p>Actual purchasing decisions involving the selection and use of media.</p>
<p>Example</p> <p>Increase brand share of market by 5 percent over last year, nationally.</p>	<p>Example</p> <p>Concentrate on winning customers from competitors by using ads that show ways in which our brand is better than theirs.</p>	<p>Example</p> <p>Plan media selections to deliver at least 80 percent of both our and competitors target markets (targets are defined demographically).</p>	<p>Example</p> <p>Frequency goal: 4.5 use network TV, day and late fringe, spot TV in top 30 markets. Use: 30s. Buy 600 gross ratings points in spot markets.</p>	<p>Example</p> <p>Eliminate newspapers, spot radio, spot TV, and billboards from consideration. Use network TV or magazines. Find which gives 80 percent net reach of target at lowest cost per thousand.</p>	<p>Example</p> <p>Make purchase of best alternative media according to the specifications laid down in strategy and tactical plans, and according to any other specifications (e.g. creative requirement)</p>

In practice, however, media buying does not always follow the company's plan. For example, cost considerations may overshadow objectives set forth in the media plan. Or, the so-called "media plan" may merely consist of a set of loosely organized decisions. In such instances, the interests of the advertiser are not well advanced.

Matching Media with Targeted Markets

One of the goals of media planning is to make efficient use of marketing resources. In order to do this, advertisers strive to allocate advertising budgets to media with audiences that closely parallel their target market. The closer the match between a media vehicle and the market target, less money is wasted on delivering messages to consumers for whom the product is not intended. Hence the need to match market targets with appropriate media vehicles.

During the past decade, market research has become increasingly sophisticated in terms of identifying targeted markets. Three types of variables are used to define a market target: demographics, socio-psychological and product usage. Demographic variables include age, sex, race, income, education, occupation, marital status, family size, locality etc. As the number of demographic descriptors increases the more narrow the target market. Marketing executives strive to achieve a balance between precision and size, such that the market is not so narrowly defined that it excludes a significant number of people likely to buy the product.

Under the socio-psychological umbrella there are lifestyle and psychological variables. Psychological characteristics include leadership, compulsive, aggressive, conformist behavior, and need achievement. Such data enable copywriters to create a message that appeals to a consumer's psyche. Lifestyle data tells an advertiser how a prospective customer uses their leisure time, what kind of entertainment they enjoy, and the extent of their community involvement.

Product usage variables generally fall into four segments: heavy users, medium users, light users, and non-users. Market objectives that seek to increase consumption find product usage data especially useful. There are no hard and fast rules for guiding advertisers about whether to pursue heavy, light or non-users. Industry growth or a brand's position in the marketplace may justify investing in promotion among light and non-users.

Two examples of target market descriptions are:

Glenfiddich Scotch Whiskey (William Grant & Sons, Inc.)- males, aged 25 to 49, with household incomes of \$40,000 or more. In addition, they are people who are constantly searching for "premium" products, new experiences. They love challenges and new experiences. An important characteristic of these customers is that they believe they have specific criteria for judging the quality of Scotch whiskey. They believe they can accurately evaluate the

“smoothness” of Scotch whiskey, and that smoothness is a surrogate for quality.

Long Term Disability Insurance (New York Life Insurance Company) – “male, white-collar professionals, between the ages of 25 and 45, who understand that illness, not an industrial accident, is the biggest threat to family breadwinners.”¹

In addition to market research on product consumption, millions of dollars are spent annually to obtain profiles on the viewing/listening habits of consumers. The following profile, prepared by Mediamark Research, Inc. (MRI), describes the media habits of frequent flyer travelers.

Demographics: males age 25 to 54

Product Usage: flying 6 or more times per year

Media Habits:

More likely to

Listen to:

Adult Contemporary, All News, Classic Rock, Classical, News/Talk

Read magazines on:

business, computers, cities, news, science, sports, travel

Watch:

baseball specials, basketball specials, news, general drama primetime, golf or tennis,

Own home computer

Drink imported beer

Own American Express Gold Card

Less likely to

Listen to:

Album-oriented rock (AOR), Country

Read magazines on:

fishing, mechanics

Watch:

adventures/westerns, comedy/variety pageants, detective/suspense, situation comedies,

Own truck

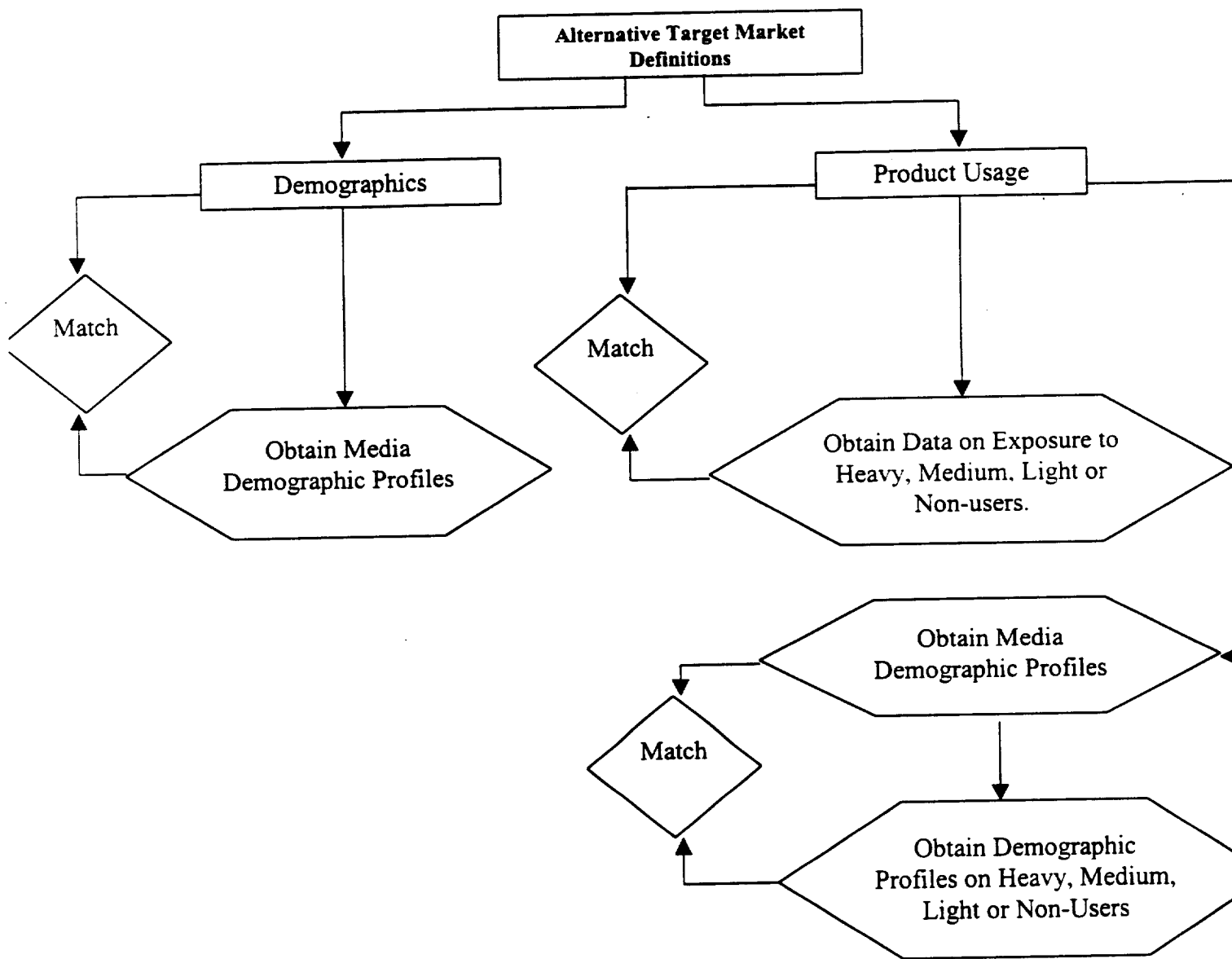
Drink domestic Beer

1. See, James W. Taylor, *How to Develop a Successful Advertising Plan*, NTC Business Books (1993) at 75.

In order to make cost efficient use of the media, the characteristics of various radio and television audiences are compared with the target market definition in order to come up with an appropriate match.

As summarized by the following diagram, different approaches are used to link market targets with related media.

Diagram A. Alternative Approaches to Matching Media with Market Prospects



See: Essentials of Media Planning, Second Edition, NTC Business Books 1987.

The approaches include: a) selecting the station(s) whose audience most closely approximates a demographic profile (e.g. white, male, college educated); b) selecting the station that is listened to by a targeted audience defined in terms of product usage (e.g. heavy and moderate users); and 3) ascertaining the demographic profiles of the radio audience and match them with the demographic profiles of heavy, medium, light or non-users.

Buying Radio

Although radio does not offer the visual impact of television, it does offer advertisers the ability to reach targeted audiences with frequency and at relatively lower cost. Radio is more local oriented compared to television. During 1995, nearly 95 percent of radio's advertising dollars came from spot sales bought on individual stations on a market-by market basis. Levels of radio and television listening also complement each other; radio listening is at its highest in the morning, while TV's highest listening is in the evening.

Both radio and television contain formatted programming (e.g. daytime serials, games, sports and news for TV versus urban, country, classical, rock for radio). Radio, however, maintains a consistent format throughout the broadcast day, and therefore tends to attract a loyal audience following. Radio is useful to advertisers interested in targeting specific consumers and taking advantage of the local appeal of the medium.

In order to buy commercial time the media planner must know: a) the market and media objectives; b) the demographics and other variables concerning the target market; c) the number of people to be reached with the advertisement (**reach**); d) how often they are to be reached (**frequency**), e) the time periods, and f) the budget.

Reach is generally expressed as a percentage of the number of individuals or homes in the community (e.g. forty percent of the New York market) and denote the number of different people exposed at least once to an advertisement within a given time period. **Frequency** is the average number of times that individuals (or homes) are exposed to the advertisement.

Reach multiplied by **frequency** equals the duplicated percentage of the audience that will be reached, commonly referred to as the **gross rating point (GRP)**. If, for example, the population base of a community is 10 million, and 7.5 million people, or 75 percent, receive on average three exposures to an advertisement, the **GRP** is 225% ($3 \times 75\% = 225\%$).

One additional kind of information required by the media planner is the **continuity**, the timing of the media scheduling. This could be either constant or periodic advertising throughout the

campaign period.

The following example summarizes the information needed by the media buyer.:

Media Objective	Reach and Frequency	Continuity
Concentrate message delivery toward users of dry cat food, with primary emphasis on women, age 25 to 54, who live in metro city and suburban areas, and who have household incomes of 20,000+. The psychographic profile includes current user of Brand C who have high emotional involvement with their cats, consider their cats as a good friend or companion, and take pride in and get satisfaction from their cats	Achieve a minimum level of 75 % reach against the target market with an average frequency of 3.0 over an average four-week period. The GRP target is 225.	Maintain competitive levels of frequency throughout the year in an effort to work in conjunction with flat seasonality.

Armed with this information a buyer is prepared to enter negotiations for the purchase of commercial time. Given a **GRP** target, a buyer examines the ratings and formats of all the radio stations in a particular market. The ratings of the stations selected to carry the advertisement must total the **GRP** target. Secondly, the demographics of the station's listeners must be consistent with those of the targeted market.

Ratings, like **GRPs**, are a percentage and simply indicate the proportion of individuals in a community that are tuned to a particular station. In the following example, each of the radio stations have a rating ranging from 3 to 8 percent. The rating of each station multiplied by the number of announcements provides each station's contribution towards the overall target of 225 GRPs.

	Ratings (%)	# Announcements	GRPs (%)
Station A	4	9	36
Station B	5	10	50
Station C	5	9	45
Station D	4	6	24
Station F	8	5	40
Station G	6	5	30
Totals		44	225

In order to keep the cost of a media campaign within budget constraints, buyers often calculate the **cost-per-rating point**, or what it costs to advertise to 1 percent of the audience within a given market. The **cost-per-rating point** is an estimate that varies from market to market and from station to station. As a preliminary idea of the cost of commercial time, it enables a buyer to estimate how many people they can reach for a given budget. The **cost-per-rating point** is also a starting point for negotiations with radio stations.

Sources for the **cost-per-rating point** for particular markets are estimator books published by advertising agencies and other organizations.² Other factors that influence the final price of advertising time include daypart, ratings, discounts, preemption,³ and program format.

2 . Examples include Media Market Guide published quarterly by Media Market Resources, Inc

3 . Preemptible spot discounts can be purchased with the understanding that the commercial can be preempted by another advertiser paying the full price.

Station format and ratings, more than any other factors, determine whether a station will be included in a buy. Formats consist of entertainment and informational programming designed to appeal to a particular audience segments (e.g. upscale young adults). The buyer will be concerned about whether the format of a particular station appeals to consumers who use their products or can be persuaded to use their products. If not, the station may be excluded from the buy or bought for a lower price. Stations, advertisers and ad agencies invest heavily in qualitative research that provide demographic, lifestyle and product usage data about radio audiences according to format. Examples of services that provide such data are the Media Audit⁴ and Scarborough.⁵

By definition **gross ratings points** only specify a level of exposure to a station's signal; it does not adjust for multiple exposures to an advertisement. Therefore, when buyers are negotiating a final price the central concern is how many *different* people will hear the advertisement. **Cume rating**, or the *unduplicated* size of a radio station's audience, has a great bearing upon the buying decision-making process. Data on levels of listening for radio stations are provided by companies that also publish qualitative data (e.g. The Arbitron Company).

In theory, the cost of radio buys is fixed. Stations have rate cards that list the price of commercial time based upon the length of the advertisement (e.g. 30 sec., 60 sec.). Some prices permit preemption while others are guaranteed. Published discounts permit cost savings based upon volume purchases, daypart, and two or more station combination purchases.

In practice, the cost of commercial time is negotiated. Rate cards serve as mere guidelines. Typical negotiations between buyers and radio station salespeople begin with a discussion of the **cost-per-rating point**. The **cost-per-rating point** approach permits the buyer to concentrate upon achieving a particular **reach** objective. Assuming, for example, that the **cost-per-rating point** for the Detroit market is \$300 (i.e. \$300 to reach 1 percent of the population), then the budget for achieving a GRP target of 225, as illustrated in Table A, would be \$67,500.

The buyer will entertain bids from all stations in a market that have listening audiences with demographics that approximate the target market before making a decision. The buyer will negotiate for the least amount of money for the commercial time. Station salespeople seek to get the highest price without disclosing their total amount of inventory (thus preventing the buyer from knowing how low a price the commercial time is worth). After receiving price bids from several stations, the

4 . Published by International Demographics, Inc.

5 . Published by The Arbitron Company.

buyer may negotiate for lower prices or certain types of promotional concessions. The latter might consist of a sweepstakes contests or remote site broadcasts from the advertiser's place of business. Once all of the complex set of factors, including daypart, are evaluated the final prices and terms are agreed to and the buy is made.

Buying Time on Minority Formatted Radio

A small percentage of the commercial time that is purchased on stations that target the Hispanic and Black audiences is bought on the basis of the Hispanic or Black cost per rating point. Costs per rating points for Hispanic and Urban formatted radio are published by The Arbitron Company. Normally, the price paid for an advertisement is based upon a station's rating for an entire metro market. The Hispanic and Black rating point is based upon a station's rating for the Hispanic or Black population.

For example, urban formatted station WXYZ may have low penetration for an entire metro market which may include surrounding suburbs and extend to neighboring states. But its rating for the Black population, concentrated in the urban neighborhoods, may be very high. Cost per rating point, as discussed earlier, is what it costs to advertise to one percent of the population. Therefore, the cost to advertise to one percent of the entire metro market versus one percent of the Black audience is based upon entirely different population bases. The Black population base may be relatively small, but the ratings for an urban formatted station for the Black population may be very high. It is not unusual for a station to reach 30 percent of the entire metro market and 80 percent of the Black market.

The actual number for the Black cost per point may be low compared to the general market cost per point. But, because a station, such as WXYZ, has many more rating points for the Black population, the price that it will receive for a 60 second spot is equal to if not greater than one based upon the general market cost per point. Purchases based upon the Black cost per point are estimated to account for only five to ten percent of the advertisement revenues of urban formatted stations. The body of this study concerns the remaining 90 percent of minority formatted revenues which are reported to be discounted to a substantial degree.

References

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