

Time for Plan B

Getting Back to Basics to Improve Advertising Performance

When sales lag, marketers would be well-served by taking a closer look at the basic fundamentals of the strategy driving their advertising decisions, primarily the targeting and positioning that has been developed for their product.

BY KEVIN CLANCY AND
ERIC PAQUETTE

» Life was already pretty rough for OTC marketers. For the most part, OTC divisions represent a small portion of their pharma-giant parent companies. “OTC divisions,” as a Booz Allen consultant once said, “often feel like unloved stepchildren.” “We’re a pimple on the back of big pharma,” complained another disillusioned consumer healthcare manager. Struggling for single-digit growth rates, OTC brands face fierce competition from private labels with heavily restricted options for true innovation to regain market share.

Unfortunately, it’s not getting any better out there. Recessionary pressure has every marketer in the country under the gun to show a positive return on investment even as their budgets get cut. Meanwhile, a recent Nielsen Consumer Research study found that just 12% of U.S. consumers consider whether an OTC product is one they usually use and only 7% consider whether or not they recognize the product when choosing an OTC medication. So much for product loyalty.

We admit it may be hard to see right now, BUT there IS a silver lining in the dark cloud hanging over OTC categories.

As a recent Allstate Insurance



commercial explains, “a funny thing happens” during tough economic times, “It’s back to basics...and the basics are good.” To put this in a business context, in better times, companies in every industry often respond to flagging performance by pouring more dollars into advertising. You want to make more, the thinking goes, you’ve got to spend more – 25% more; 50% more; double your budget! In reality, pouring dollars into advertising **rarely increases** profitability. Sometimes it doesn’t even boost sales, and certainly doesn’t guarantee improvements in marketing effectiveness or

ROI. In the current economic climate, it is almost irrelevant because the vast majority of firms, OTC brands included, don’t have the option to spend more anyway.

Enter Plan B, taking a closer look at the basic fundamentals of the strategy driving advertising decisions, primarily targeting and positioning. And the truth of the matter is Plan B has been a long-time coming.

NO TIME LIKE THE PRESENT

Way before anyone was talking about the next Great Depression, improving advertising performance

was a hot topic across the marketing world. Headlines swirled in the industry press as study after study, using very different approaches and methodologies, came to the same jarring conclusion that most advertising campaigns yielded disappointing ROI. Some of the lowlights included:

- Marketing Management Analytics, a marketing ROI measurement company, discovered that in the short term, consumer packaged goods advertising returned only 54 cents for every dollar invested. Non-consumer packaged goods advertising yielded 87 cents on the dollar – better, but still a losing proposition.
- A Deutsche Bank study of packaged-goods brands found that just 18% of television advertising campaigns generated a positive ROI.
- Dominique Hanssens of UCLA's Anderson School of Management reported that doubling advertising expenditures for established products increases sales just 1% to 2%. If GlaxoSmithKline, for example, hypothetically doubled the approximately \$150 million it spends on advertising the weight-loss pill Alli to \$300 million, it would enjoy a 1% increase in net revenues from the \$304 million level, the last report we've seen on Alli's sales. In other words, it would spend \$300 million to make an incremental \$3 million.

Mirroring the results of published studies are the personal experiences of many marketers. At the end of the year, many would add up what they spent on TV, print, radio, Internet and other media, and wonder why, if the tracking research told them 57% of people were aware of the cam-

aign but sales were flat, isn't the advertising contributing to sales? Or if sales were increasing but not at the same rate as the advertising budget, what exactly are we getting for our money?

Consider the real-world case of a recent runaway cold-cough remedy success story and what is generally-accepted as its advertising-driven success story. In 2006, this brand

“In reality, pouring dollars into advertising rarely increases profitability.”

actually did nearly double its advertising spend from the year prior, to \$65 million (in “reported” spending). Sales of the product (two versions) increased to roughly \$200 million (excluding sales at Wal-Mart Stores) from \$175 million in 2005. The final tally: the brand spent \$65 million on advertising to make another \$25 million (roughly) in sales. Throw in Wal-Mart's sales and maybe – MAYBE – it makes up the difference, but we still have to think the brand's managers wondered about the pay-out at the time.

We should clarify here that we're not calling into question the brand's status as a marketing success story. Not by any means. What we are saying, however, is that EVERYONE in OTC – even the category killers and big brands – has reason to take a closer look at advertising ROI and how to improve it. Especially now.

THE NILE IS JUST A RIVER IN EGYPT

“The Nile has held mysteries for thousands of years,” explained Neil McGrigor, the British co-leader of the Ascend the Nile expedition, which went to what he believes is the Nile's longest source in 2006. “The Egyptians sent whole armies to discover its source. In the 1800s it became almost a British Imperial obsession to find the starting place. All the greatest names failed.” Luckily for OTC marketers, tracking down the origin of advertising ROI shouldn't take quite so long. Though there are many tributaries to the ultimate performance of a campaign, we think Phil Kotler, the doyen of marketing strategy, said it best, “Everything flows from targeting and positioning. Nail these and everything else will fall into place.”

One leading brand we worked with, for example, managed to navigate its way back upstream to the root cause of its advertising woes. Faced with flagging sales, and new upstarts that had changed the way that people think about the category, our client struck out to discover why sales had faltered and, more importantly, what they could do about it. The mission was to find new “white space” in the category that could become the new brand-growth driver. Instead, what we found is that simply getting “back to basics” was all that they required.

The company had for years used a media database-based approach to segmenting the market. The resulting target, the 35- to 54-year-old women demographic, gave the brand an above average share. This group proved easy for media to handle – planners could find the target in databases and most efficient

opportunities – and they were easy for the rest of the marketing organization to understand. Research revealed, however, that the current target was anything but **efficient** when it came to reestablishing brand growth. While these women gave the brand disproportionate share, they actually tended to be below average in terms of category use. Put another way, the brand was getting a reasonably big share of a pretty small pie. There were other targets that provided much greater profit potential for the brand, if only they were the target of advertising activity.

Worse yet, the 35-54 year old female target had a set of needs, wants and motivations that were distinctly different from the best potential targets. When ads were developed to appeal to 35-54 year old women, they were actually off-putting to the best targets for potential brand growth. Not only was our client aiming at the wrong target, but when they had the good fortune of advertising inadvertently “spilling over” to the right target, it was with the wrong message altogether. Their selection of a weak target contributed to the “double-whammy” of an inefficient target and an ineffective message.

These discoveries, in our experience, are not all that uncommon. The most frequently used approaches to segmenting the market for OTC products include needs/attitudes, lifestyles, or media databases. While each method has its unique pros and cons, the problem that universally plagues them all is there’s no guidance on which group (or groups) will bring in the most money for a particular brand’s marketing dollar. As a result, a company has little choice

but to select a target based on some other criteria such as “easiest to find in media databases,” and more or less rolls the dice as to whether the folks in the group offer the biggest bang for the buck.

It doesn’t get much better when it comes to identifying a motivating positioning. These traditional approaches don’t offer much in the way of insights into the differential problems buyers in the group have that the brand could solve. One

“Positioning opportunities abound where target consumers say they have a need yet no one offers a solution.”

unfortunate side effect of trying to find a common appeal for a large, heterogeneous target group such as 35-54 year-old-women is a bland, price-of-entry positioning that doesn’t help a brand breakthrough the clutter. When it comes to “white space” positioning opportunities where a brand could expand and bring in new customers and ring up more sales – something a whole lot of brands could use right about now – there’s even less assistance.

If the experiences and discoveries of our client brand demonstrate anything, it’s that Plan A (a.k.a., spend more on advertising) isn’t going to help the situation and certainly will do little to demonstrate improving

advertising ROI. Unless, that is, a brand puts equal effort into finding an exceptional market target and positioning first.

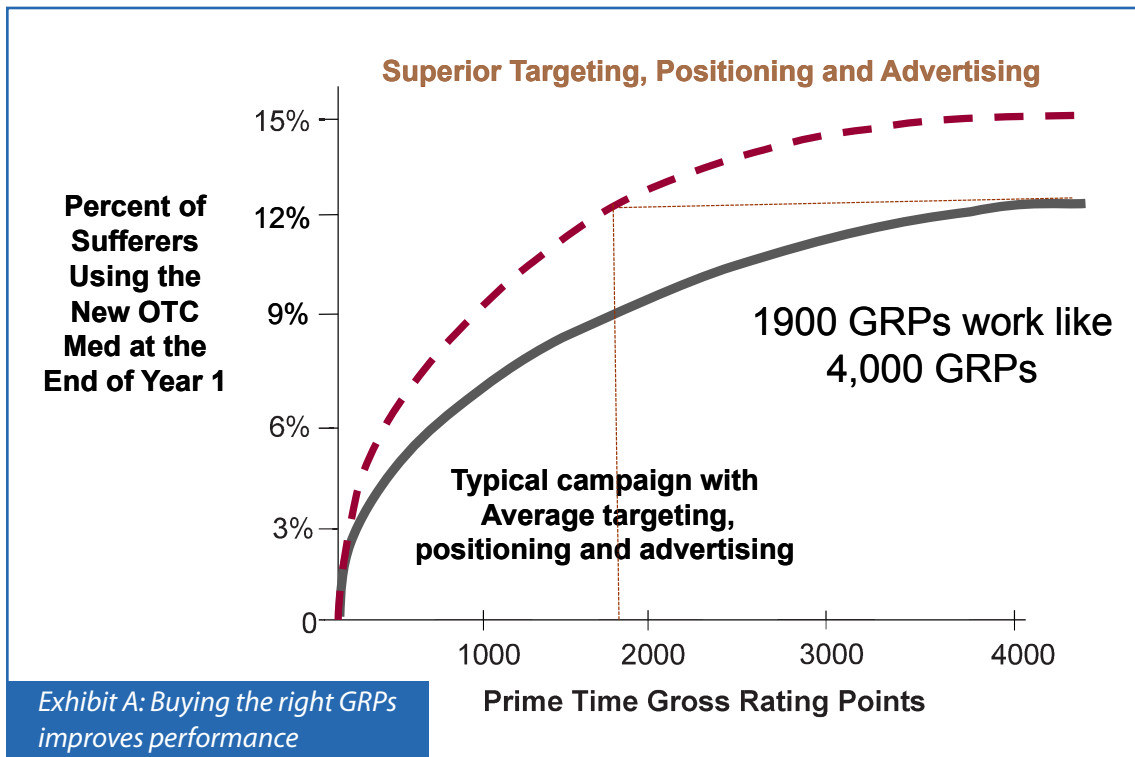
SWITCH TO PLAN B

Perhaps the most important question smart brand management should want to answer is which customers and which segments of customers will be the most profitable for the brand to pursue. If your current segmentation does not offer clear direction on which group or groups offer the highest return on the marketing investment, you can rest assured you’ll see advertising ROI numbers climb if you address the situation head-on by identifying the high-value buyers.

In addition to financial measures of the revenue (e.g., lifetime value, current share for your brand, among other metrics) and cost (e.g., cost to reach and influence with media, etc.) sides of profitability, there are also several stand-ins that reflect:

- How hard it’s going to be to get and keep a particular sufferer
- How enabling they will be to marketing efforts
- And, most importantly, future behavior

An OTC marketer, for instance, would probably like to know how “open” a buyer is to their brand. There are folks who are willing to consider and try your brand if they’re not already using it. They know your brand exists and have positive feelings about it. On the flip side, there are people who have no interest in or even HATE your brand. They are unlikely to ever consider let alone use your brand **NO MATTER WHAT YOU DO**. Hand them a free sample or coupon on the street and they’ll throw it right back. One recent client



need yet NO ONE offers a solution. For OTC marketers, this means moving beyond efficacy. As Nielsen-Health's Matt Dumas put it, "Manufacturers need to ensure they develop and invest in their brands instead of simply focusing on the efficacy of their products in order to vie in such a competitive price-driven environment."

Many OTC brands have effectively offered a reason-to-buy message that moved beyond the symptoms they address. K-Y, for

discovered that some buyers in its category wanted to take as little medicine as possible when they got sick. No need to waste marketing dollars on them.

The level of influence a buyer has among their family, friends and acquaintances would probably be another great thing for an OTC marketer to know. Again going back to our client brand, there were buyers in the category who considered themselves more influential among their friends and were more likely to spread the word about a product they found really works.

Price sensitivity is another important indication of a buyer's value to a brand and one particularly relevant for OTC marketers as they combat encroaching private labels. According to the Nielsen study we mentioned earlier, 30% of U.S. consumers consider price important when choosing OTC products. The sunnier

side of this discovery is that 70% of consumers are less price-sensitive and more likely open to paying a little more for the added value your brand might offer. Other possible proxies include interest in new products and services, decision-making power, growth potential, and magnitude of problems that – if solved – would lead to brand consideration or a switch.

Speaking of problems, you might be interested to know exceptional positionings that truly motivate buyers often address problems – and the bigger the problem a brand can solve for the target group, the better the market response. When we say "problem," we're not necessarily talking about fixing symptoms of an underlying condition, particularly if there are a host of branded and generic competitors doing the same thing. Positioning opportunities abound where target consumers say they have a

instance, a treatment for vaginal dryness, became the "intimacy experts" with products for all kinds of "intimate occasions." As another example, our leading brand client found an emotional appeal that played to the target groups desire to be in control of their illness could help the brand break through. They also discovered a potential white space positioning opportunity in not just alleviating the symptoms, but also actually reducing their duration.

One way you can go about uncovering big problems starts with compiling a list of about 300 or so problems in a product category. Since Americans love to complain, this is not difficult to do. Then do a survey and ask 300 buyers in the category to rate the problems on three dimensions. Better yet, do the survey among the target group found to be the most profitable target for the brand to pursue.

1. **Dream Detection** – the desirability of tangible and intangible attributes
2. **Problem Detection** – desirability vs. satisfaction
3. **Brand Preference Detection** – relationship between brand perceptions and overall preference

Weight and average No. 1, No. 2 and No. 3 and you've got a "motivation score." Now rate how complicated and costly it would be to correct each problem – on a scale of 1-5, where 1 is "this would be difficult and expensive to fix" and 5 is "there's an easy, inexpensive solution." Multiply the motivation score by the implementation rating and you have a useful ranking of the best positioning opportunities.

THE BASICS ARE GOOD

Don't mess with the media mix, don't fiddle with the creative message, at least not until you've gone ALL the way back to the beginning and taken a hard look at the merits of the target and positioning you used to make your current campaign decisions. Advertising decisions driven by a responsive and profitable target and a motivating positioning not only will help a brand make more money, but it'll also save a lot, too. As exhibit A demonstrates, instead of buying thousands of GRPs to reach your goals, an OTC marketer can buy a few hundred to get the same market share results.

In the words of motivational business speaker Jim Rohn, "Success is

neither magical nor mysterious. Success is the natural consequence of consistently applying the basic fundamentals." As basic as it may sound, pursuing Plan B by identifying a superior targeting and positioning is the way for OTC brands to survive and thrive in the recession and beyond. <<

Kevin Clancy is chairman of Copernicus, a research-driven marketing consulting firm. Clancy can be reached by e-mail at kevin.clancy@copernicusmarketing.com or by telephone at (781) 392-2500. His colleague, Eric Paquette, is a senior vice president at the company and the resident pharma industry expert. He can be reached by e-mail at eric.paquette@copernicusmarketing.com or by telephone at (781) 392-2527.

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