Chapter Four

The IMC Planning Process
PetSmart

Pets are now part of the family.

- Attitudes have changed.
- New animal care products.
- New animal care services.
- Prices are secondary.

Why the Change?
Chapter Objectives

1. How can the three Cs of the IMC planning context form the basis for an effective advertising program?
2. What categories are used to identify consumer and target markets or market segments?
3. What categories are used to identify business-to-business market segments?
4. How do the various approaches to positioning influence the selection of target markets?
Chapter Objectives

5. How do the marketing communication objectives interact with the other elements of the IMC planning process?

6. What are the relationships between communications expenditures and company sales?

7. What types of marketing communications budgets may be used when developing the IMC planning program?

8. In addition to advertising, what other IMC components are selected as part of the IMC planning process?
The IMC Planning Process

Chapter Overview

- IMC planning
- Target markets
- Market segmentation
- Positioning strategies
- Communication objectives
- Budget
- IMC components
Figure 4.1

The IMC Planning Process

Context
- Customers
- Competitors
- Communication

Objectives

Target Market

Product Positioning

Budget

IMC Component
Customers
The IMC Planning Process

- Current customers
- Former customers
- Potential new customers
- Competitors’ customers
Competition

The IMC Planning Process

• Identify major competitors.
• Identify communication strategies and tactics of each competitor.

Sources of information

• Primary research
• Secondary data
• Research what others say
Communications

The IMC Planning Process

- Company communications
- Industry communications
- Competitor communications
Target Markets

- Target markets
  - Consumer markets
  - Business-to-business markets
- Market segment
- Market segmentation
Tests to Determine if a Particular Market Segment Is Viable

• The individuals or businesses within the segment are homogeneous.
• The market segment is different from the population as a whole and distinct from other market segments.
• The market segment is large enough to be financially viable to target with a separate marketing campaign.
• The market segment must be reachable through some type of media or marketing communications method.
FIGURE 4.2
Methods of Segmenting Consumer Markets

- Demographics
- Psychographics
- Generations
- Geographic
- Geodemographics
- Benefits
- Usage
Gender

Segments Based on Demographics

- Gender based products
- Gender difference in communications
- Female consumers
  - Control 66% of spending ($12 trillion)
  - Involved in purchasing high-priced electronics (96%)
  - Deal with financial advisors (90%)
  - Buy and sell stocks (80%)
  - Household’s primary accountant (70%)
• Focus on how brand can improve life
• Engage them with the brand
• Focus on practical, not trivial
• Tell a story that resonates
• Provide details
• Be positive
BMW Motorcycle ad directed to men as the primary purchaser and women as the decision-making influencer.
Age
Segments Based on Demographics

- Target specific age group
- Combine with other demographic variables
- Children attractive group
Segments Based on Demographics

- **Income**
- **Ethnic groups**

Ad directed to “exhausted affluent”
Psychographic Segmentation

• Describe consumers
• AIO measures
  • Activities
  • Interests
  • Opinions
• Combine with demographic profiles
VALS 2
Psychographic Segmentation

- **Innovators** — successful, sophisticated — upscale products
- **Thinkers** — educated, conservative, practical — durability, value
- **Achievers** — goal-oriented, conservative, career, and family
- **Experiencers** — young, enthusiastic, impulsive, fashion, social
- **Believers** — conservative, conventional, traditional
- **Strivers** — trendy, fun-loving, peers important
- **Makers** — self-sufficient, respect authority, not materialistic
- **Survivors** — safety, security, focus on needs, price
## FIGURE 4.4

Characteristics of Generation Segments

<table>
<thead>
<tr>
<th>Name of Segment</th>
<th>Year of Birth</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials</td>
<td>1978-2002</td>
<td>Spend money on clothes, automobiles, college, televisions, and stereos. Ninety percent live at home or in a dorm or rent an apartment.</td>
</tr>
<tr>
<td>Generation X</td>
<td>1965-1977</td>
<td>Focus on family and children. Spend on food, housing, transportation, and personal services.</td>
</tr>
<tr>
<td>Younger Boomers</td>
<td>1954-1964</td>
<td>Focus on home and family. Spend on home mortgage, pets, toys, playground equipment, and large recreational items.</td>
</tr>
<tr>
<td>Older Boomers</td>
<td>1952-1953</td>
<td>Spend on upgrading homes, ensuring education and independence of their children, and luxury items, such as boats.</td>
</tr>
<tr>
<td>Seniors</td>
<td>Up to 1951</td>
<td>Most have fixed incomes. Spend heavily on health care and related medical items.</td>
</tr>
</tbody>
</table>

Ad targeted to seniors.
Geodemographic Segmentation

• Combines
  • Demographic census data
  • Geographic information
  • Psychographic information

• PRIZM
  • 62 market segments
    • Southside City
    • Towns and Gowns
Benefit Segmentation

**Fitness Industry**

- Winners
- Dieters
- Self-improvers
Usage Segmentation

- Usage or purchase history
- Create clusters
- Target specific clusters
- Create marketing programs for each cluster
- Measure growth and migration
Methods of Segmenting B-to-B Markets

- Industry (NAICS/SIC codes)
- Size of business
- Geographic location
- Product usage
- Customer value
A business-to-business advertisement based on the product usage segmentation strategy.
Product Positioning

- Is the perception created in the consumer’s mind regarding the nature of the company and its products relative to the competition?
- Positioning is created by factors such as product quality, prices, distribution, image, and marketing communications.
FIGURE 4.6
Product Positioning Approaches

• Product Attributes
• Competitors
• Use or application
• Price/quality
• Product user
• Product class
• Cultural symbol
A business-to-business advertisement positioned by the product’s attributes: the brightness of the Sony projector.

An advertisement by Stetson positioned by cultural symbols.
Elements of Positioning

- Never completely fixed
- Applies to business-to-business also
- International positioning important
- Critical component of image and brand management
- Develop brand awareness
- Increase category demand
- Change customer beliefs and attitudes
- Enhance purchase actions
- Encourage repeat purchases
- Build customer traffic
- Enhance firm image
- Increase market share
- Increase sales
- Reinforce purchase decisions
Marketing Communications Budget

- Budgets based on
  - communication objectives
  - marketing objectives
- Budgets vary from consumer to B-to-B markets
- Unrealistic assumption to assume direct relationship between advertising and sales
Factors Impacting Relationship Between Promotions and Sales

- The goal of the promotion
- Threshold effects
- Diminishing returns
- Carryover effects
- Wear-out effects
- Decay effects
- Random events
A Sale-Response Function Curve Combined with the Downward Response Curve and Marginal Analysis

An unrealistic assumption about the relationship between promotional expenditures and sales.

Sales
Promotional Expenditures

Dollars
Advertising and Promotional Expenditures

Sales
Diminishing Returns
Concave Downward Response Curve

Threshold Effects
Marginal Analysis Curve

Profits
A sales-response function curve combined with the downward response curve and marginal analysis.
**Carryover effects** are important in advertising products such as boats.
Figure 4.9
A Decay Effects Model

Sales

Decay Effects

Advertising Campaign

No Advertising

Time
FIGURE 4.10
Methods of Determining Marketing Communication Budgets

• Percentage of sales
• Meet-the-competition
• “What we can afford”
• Objective and task
• Payout planning
• Quantitative models
Types of Budgets

• **Percentage of Sales**
  - Sales of current year, or next year
  - Simple
  - Tends to work in the opposite direction
  - Does not meet special needs

• **Meet the competition**
  - Seeks to prevent market share loss
  - Highly competitive markets
  - Dollars may not be spent efficiently
## FIGURE 4.11

Ad Spending, Brand Recognition, and Market Share

<table>
<thead>
<tr>
<th>Auto Insurer</th>
<th>Ad Spending (millions)</th>
<th>Brand Recognition</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geico</td>
<td>$600</td>
<td>98%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Progressive</td>
<td>$506</td>
<td>92%</td>
<td>7.5%</td>
</tr>
<tr>
<td>State Farm</td>
<td>$455</td>
<td>76%</td>
<td>18.6%</td>
</tr>
<tr>
<td>Allstate</td>
<td>$369</td>
<td>63%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Farmers</td>
<td>$203</td>
<td>59%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Types of Budgets

• What we can afford
  • Set after all other items budgeted
  • Not understand importance of marketing

• Objective and task
  • Budgets determined by objectives
  • Best method of budgeting
  • Used by 50% of firms
Types of Budgets

• **Payout planning**
  • Ratio—advertising to sales or market share
  • Larger percent at product launch
  • Lower percent when brand established
  • Based on threshold effect

• **Quantitative models**
  • Computer simulations
  • Develop models based on historical data
IMC Components

- Traditional advertising
- Trade promotions
- Consumer promotions
- Media spending
- Alternative media spending
- Business-to-business media spending
FIGURE 4.12

Breakdown of Marketing Expenditures

- Advertising, 41.1%
- Consumer promotions, 27.9%
- Trade promotions, 27.5%
- Other, 3.3%
FIGURE 4.14

U.S. Alternative Media Spending

- **Online/Mobile**: $29.94 (40%)
- **Interactive Marketing**: $11.91 (16%)
- **Brand Entertainment**: $22.30 (30%)
- **Entertainment/Digital out-of-home**: $9.28 (12%)
- **Social Media**: $1.43 (2%)

FIGURE 4.15

U.S. B-to-B Direct Marketing Spending

- TV advertising, 18%
- Direct mail, 14%
- Email, 10%
- Inside sales/Telemarketing, 16%
- Online Display ads, 7%
- Outdoor, 9%
- Print advertising, 13%
- Search marketing, 12%
- Radio, 8%
- Public relations, 11%
- Trade shows, 20%

• Understand the international market
• A borderless marketing plan
• Thinking globally but acting locally
• Local partnerships
• Communication segmentation strategies
• Market communication analysis
• Solid communication objectives
Segmentation

- VALS2 – Thinkers, Achievers, Believers
Positioning

• Product class → Local Bank

Theme of campaign - Local people, local trust
Communication Objective

- Build brand preference.
Integrated Campaigns in Action

Skyjacker