Branding

Another way to describe a product's image in the marketplace, **branding** differentiates products, goods, and services (Murphy, 1987). In branding, both tangible and intangible values work together to create an image of a product in the mind of the consumer. For instance, many people do not think in terms of soap when they need to do laundry. Instead, they may think of products, such as Tide, Cheer, or All. Any of the products will clean their laundry, yet most people would differentiate the quality of each product based simply on its brand name.

Branding triggers both emotive and rational responses in people. Brand image is influenced by many factors, including the product, packaging, name, price, advertising and promotion, and the method of distribution (D'Alessandro, 2001). To establish an effective brand image, managers must consider ways to make all these aspects work together.

Think for a minute how electronic media companies use branding. Radio stations identify their formats with phrases like "classic rock," "Mexican regional," and "hip hop." Television stations use branding to distinguish their style of newscasts. Satellite channels such as MTV, USA, TNT, and ESPN use distinctive logos and styles of presentation to create a brand for their channels. Branding is a critical marketing strategy. Large corporations like News Corp., Disney, and NBC Universal are in one sense a collection of many well-known and established media brands.

The marketing strategies presented in this section—segmentation, positioning, and branding—form the basis for a basic marketing plan in any business. Segmentation requires analyzing a market to identify underserved audiences, while positioning fills audiences' needs. Branding establishes unique selling points for the audience to differentiate one entity from its competitors.

Sales versus Marketing

Electronic media companies have long moved away from simply selling advertising time to clients. As competition for audiences has escalated, electronic media firms have recognized the need to emphasize marketing in order to attract revenues. Let's examine the differences between the concepts of sales versus marketing.

Expanding Selling to Marketing

Until the 1970s, electronic media companies concentrated most of their efforts on selling advertising time to clients, or transactional selling (Shane, 1999). Time was sold in 30- or 60-second units or as sponsorship of an entire program. Because there were fewer choices, programs attracted larger shares of the audience, and advertisers eagerly bought time. As the number of stations and channels grew, competition for audiences intensified. Broadcasters could no longer just sell advertising time to waiting clients. To maintain a competitive position, companies had to shift from a sales-oriented to a marketing-oriented philosophy.

Each industry established its own advertising bureau to help local stations and cable systems market themselves. The Radio Advertising Bureau (RAB), the Television Bureau of Advertising (TVB), the Cabletelevision Advertising Bureau (CAB), and the Interactive Advertising Bureau (IAB) provide members with many resources to aid local marketing efforts. Electronic media professionals keep abreast of the latest marketing techniques through seminars, conferences, and other educational opportunities.

The telecommunications industry also emphasizes a heavy marketing orientation, with the major players AT&T and Verizon offering bundled services for all types of communication needs and video services. These carriers fight for customers, with cable companies also competing for bundled services.

VOIP (voice over Internet telephony) has emerged as another competitor for telephone services and will continue to grow. The telecommunications industry has considerable resources to put forward in marketing, and one of the biggest opportunities for telcos lies in mobile video applications, which are expected to mushroom over the next decade. Some estimates have suggested the mobile video market good generate as much as $2 billion in revenues by 2012 (Ducey, Fratrik & Fraemer, 2008).

Understanding Clients and Their Needs

A key difference between a selling and a marketing orientation is the genuine recognition and goal of serving a client's needs. A sales-oriented approach focuses on the product (e.g., advertising time). A marketing-oriented approach is designed to help clients meet the goals and objectives of their business. To achieve this goal, many firms position their account executives as professional marketing consultants rather than just salespeople pitching packages of time units.

Recognizing the needs of clients requires a clear understanding of their business objectives. During the 1980s, the radio industry introduced consultancy interviews as a tool to learn about clients and their needs. The consultancy interview evolved into what the Radio Advertising Bureau calls the Client Needs Analysis (CNA), designed to draw out information about the client's business, which is then used to formulate a marketing plan involving radio as part of the advertising mix. Consultative selling also occurs in selling television and other types of advertising.

The General Sales Manager

In traditional electronic media enterprises such as radio and television, the General Sales Manager (GSM) oversees all operations of the sales or marketing department and reports to the General Manager. Two other middle managers—the Local Sales Manager (LSM) and the National Sales Manager (NSM)—assist the GSM. Some operations may employ someone charged with developing cooperative (or co-op) advertising that also reports to the GSM.

The GSM's primary responsibilities include the development of sales policies and objectives in conjunction with the GM. However, there are many other tasks, including coordinating sales with other departments in marketing the facility; maintaining budgets and quotas; supervising personnel; new business development, nontraditional revenues, working with advertising clients and agencies at all levels (local, regional, and national); approving copy and contracts; where applicable, consulting with and selecting the national representative firm; and working with the business department on the credit, collections, and processing of various accounts. Due to consolidation, a GSM may supervise several stations (as in radio) or two television stations (in cases of a duopoly/LMA). One of the most important managers in an electronic media facility, the GSM usually has several years of sales experience. Many General Managers have prior experience as a GSM, whose success is a direct result of the sales efforts at the local and national level.

Local Advertising

The radio, television, and cable industries depend on local advertising as part of total revenues. Of the three, the radio industry depends heavily on local advertising, as local sales account for approximately 77 percent of total radio revenues. In television, local advertising sales account for approximately 33 percent of total industry revenues. Local sales average around 22 percent of total advertising revenues in the cable industry.

The Local Sales Staff: Account Executives

In the radio, television, and cable industries, the local sales staff must generate new advertising business, also called new business development. Commonly referred to as **Account Executives**, AEs are supervised by a Local Sales Manager or a GSM. The size of the local staff varies according to market size. Larger markets tend to require larger, more specialized sales staffs than smaller markets.

Regardless of market size, account executives tend to draw higher salaries because they often receive **commissions** paid as a percentage of advertising sales. Actual commission rates vary among stations and industries. For example, accounts serviced by an advertising agency will pay a low commission (3–5 percent) compared to new business development, which pays a higher rate (10 percent or higher).

Local AEs concentrate most of their efforts on what Warner and Buchman (1991) refer to as *developmental selling*, which focuses on the customer rather than the product. Developmental selling integrates knowledge of the client's needs and business with creative approaches. In addition to finding and developing new accounts, local AEs prepare and present various types of sales presentations, provide service to existing clients, and often assist in preparing advertising copy.

Sales managers find the selection of new AEs a difficult task. Employers widely agree that AEs need experience, motivation, attention to detail, organizational ability, strong communication skills, professional appearance, integrity, creativity, imagination, and persistence. Unlike the situation in many other departments, part-time

AE positions and internships are uncommon. The sales assistant is one entry-level position that may lead to an AE job. A sales assistant helps prepare presentations, analyzes research, and serves clients. Industry consolidation has displaced many former sales managers, returning many to the ranks of AEs or forcing them out of the business altogether.

Selling media advertising is a challenging profession, primarily due to the fact that salespeople experience a great deal of rejection and the heavy competition for ad dollars. Turnover is high in sales, particularly among new AEs. Continuing education is a priority if one aspires to be an AE, not just to keep current with the industry but also to understand client needs. Electronic media firms attempt to counter AE turnover with careful recruiting and selection, followed by rigorous training programs to orient and prepare new AEs for success in their career.

The RAB, working with the radio industry, offers three different certifications for Account Executives. The Radio Marketing Professional (RMP) is an orientation of the entire sales process and is ideally suited for new AEs or those in the first year of employment. The Certified Radio Marketing Consultant (CRMC) is a more detailed program, requiring several years of experience. The Certified Radio Marketing Expert (CRME) is the most prestigious certification, requiring the most significant experience and a considerably expanded knowledge of radio marketing. More information about these certification programs is available at the RAB Web site (http://www.rab.com).

Role of the Local Sales Manager

The Local Sales Manager (LSM) is responsible for the performance of the local sales staff. The LSM usually reports to the GSM. In large markets, a single television station may employ several LSMs, with each manager responsible for a team of AEs. Local Sales Managers typically have several years of successful experience as an AE. In addition to drawing relatively high salaries, LSMs often receive additional compensation in the form of an *override*, a term used to represent a commission on total sales achieved above monthly or quarterly goals.

The LSM's duties include administering all local sales activities, supervising local Account Executives, establishing individual

projections and quotas for each AE, and evaluating individual and unit performance. Local Sales Managers may also have their own list of clients with whom they maintain regular contact. In conjunction with the GSM, the LSM establishes several important policies, such as setting revenue projections for the local sales staff and monitoring rates for advertising. In any broadcast station or cable system, the amount of advertising is limited to a certain degree and is affected by available supply, as well as demand by clients. In the radio industry, the amount of time available for advertising is referred to as **inventory**; in the television and cable industry, the term **availabilities** (or **avails**) is used as well. These terms are discussed in the following sections. However, one advantage to selling advertising on the Internet is there are no inventory considerations. On Web sites, advertising can be combined with existing database marketing to tailor messages based on the user's history and preferences.

Radio Revenue Projections and Rates

Assume a radio station has a policy of offering no more than 10 minutes of commercial matter per hour to maintain a steady flow of music to the audience. Broken into 30-second spots, the available inventory consists of 20 spots per hour, 480 spots per day (24 hours), or 3,360 spots per week. However, this figure is somewhat misleading in that stations rarely sell much advertising during the overnight time period (midnight to 5:00 A.M.) because the audience is small. Let's assume a station sells most of its advertising time between 6:00 A.M. and midnight, Monday through Sunday. With a maximum of 10 commercial minutes per hour, the total available inventory declines to 2,520 spots.

Continuing this example, let's also assume that about 20 percent of the station's inventory is reserved for national advertising (discussed in the next section). This represents 500 spots, leaving a weekly inventory of 2,020 spots for local advertising. The price for these spots depends on the demand by advertisers. When demand is high, stations can charge premium rates for advertising. Conversely, when demand is low, stations may charge the minimum amount required per spot to break even. The cost of each spot is further affected by the quantity demanded by each advertiser (clients who buy more spots usually receive a lower cost per spot), competition, and local economic conditions.

Sales Managers know exactly how many spots must be sold at the minimum price to meet all the station's financial obligations (review break-even analysis from Chapter 5). But how does a Sales Manager determine a minimum price? Again, let's assume that the station must generate weekly revenue to cover approximately $100,000 of expenses. Managers always take into account a **sellout rate** for their particular station. Sellout rate refers to the actual percentage of inventory sold over a given time. Using a conservative sellout rate of 50 percent, the station can expect to sell 1,000 spots in a week. Therefore, the minimum amount the station can offer a single spot for is $100 ($100,000 divided by 1,000 spots = $100). In other words, selling spots consistently below $100 would have a negative impact on the station's bottom line, while selling spots consistently above the $100 minimum will increase the station's profit performance.

This simple example gives you some idea of how Sales Managers determine revenue projections and department or unit quotas on a weekly, monthly, or annual basis. While rates for individual spots are always negotiable in markets of all sizes, supply and demand of inventory has the greatest impact on advertising prices. In major markets, advertising rates can even change by the hour during periods of peak demand, much like any commodity.

Television Revenue Projections and Rates

Establishing rates and revenue projections for television stations requires a similar approach, although not as simple as for radio. Several factors make inventory much more variable in the television industry. First, the number of available spots varies according to the daypart—prime-time programs naturally draw more viewers (and advertisers) than early morning or late evening. Second, television spots are tied to ratings performance—stations guarantee that a certain estimated part of the audience will see the program. If a station does not actually generate the promised audience, the station must provide a **makegood**, usually in the form of additional, free announcements as a supplement. Makegoods represent a cost to the station, not a benefit. When a station provides a makegood, it loses inventory that could be sold to other clients. A third factor is the reliance on barter in program acquisition. Recall from Chapter 8 that barter is used extensively in the licensing of syndicated programs. Though barter may provide programs at a lower cost, it also limits the available inventory stations can sell.

Television and radio stations depend on their traffic departments to help the sales staff maintain control over available commercial inventory. Without coordination between traffic and sales, chaos would reign. Fortunately, a number of software packages are available to provide constant updates on available inventor for scheduling.

Cable Revenue Projections and Rates

The cable industry approaches local advertising differently. Local cable advertising revenues originally represented a small percentage of the cable revenue streams, but that is no longer the case. Local cable advertising revenues have steadily increased, according to the NCTA Web site. In 2007 local cable advertising reached $4.7 billion, approximately 18 percent of total cable advertising revenues according to SNL Kagan data from *Broadband Cable Financial Databook, 2007* (cited in National Cable & Telecommunication Association, n.d.). Cable rates tend to be priced lower than radio and television spots and are often offered as insertions on a package of the most popular cable channels.

Inventory is also an issue in cable television. Local cable advertising is confined to one to three minutes per hour on most of the popular, advertiser-supported cable networks, such as CNN, MTV, ESPN, and USA. Systems follow one of three options regarding local cable advertising. One is to employ a local marketing staff to call on clients in the same way that radio and television stations do. This option is usually the most expensive for local cable systems because of the cost of salaries and benefits for marketing personnel. These local sales staffs tend to be small.

A second option is to outsource advertising sales to a company that specializes in marketing insertion advertising to local businesses. Cable systems receive a set amount of money each month, and the company provides the necessary production and the actual tapes of all commercials sold on a weekly basis. Local clients can advertise on popular cable networks, usually at a rate comparable to that of local radio stations. Clients purchase insertion advertising for a number of weeks at a time; spots are rotated among various cable networks on a random basis and air several times a day.

A third option involves the use of **interconnects**. Interconnects exist where two or more operators join together to distribute advertising simultaneously over their respective systems. Interconnects

increase advertiser effectiveness by offering the efficiency of a multiple-system purchase and save time in that only one contract must be initiated. Interconnects are widely found across the cable industry in the United States. The Cabletelevision Advertising Bureau (2005) reported 106 interconnects as of 2005, with more growth expected.

National Advertising

National advertising is another important source of revenue for the electronic media industries. National advertising also encompasses regional advertising. There are two categories of national advertising—**spot** and **network**. Spot advertising represents the local inventory on a broadcast or cable outlet that is sold to clients at the national level; this type of advertising is referred to as **national spot** or just *spot* for short. Network advertising represents the advertising dollars sold by the various broadcast and satellite networks; these commercials are eventually presented during network programming.

Spot Advertising

To supplement national campaigns, clients at the national level advertise in local markets around the United States. Some of the more prominent national advertisers include automobiles (Ford, General Motors, Toyota), soft drink companies (Coke, Pepsi), fast food (McDonald's, Burger King), breweries (Anheuser-Busch, Coors), airlines (American, United), and various other products (Procter and Gamble, American Home Products).

In radio, national spot accounts for approximately 18 percent of total revenues, while network advertising accounts for about 5 percent. In television, national and network spot sales account for approximately 62 percent of total revenues. The cable industry commands a small portion of national spot; most systems do not separate local sales from spot sales. Network advertising is the biggest category for the cable industry, accounting for approximately 75 percent of all advertising revenues.

National Sales Staff

The national sales staff is smaller than the local sales staff. In some stations, the staff is limited to the National Sales Manager (NSM) and an assistant. To be promoted to the position of National Sales Manager, an individual usually needs several years of experience in the sales department as an AE or as an assistant to the NSM. National sales tend to be concentrated in the top 50 markets. Because smaller markets receive limited national spot revenue, there is no need for a separate NSM. In such cases, the GSM or the GM coordinates national spot sales.

Role of the Rep Firm

National and regional sales are coordinated with a **national representative firm,** also known as the *national rep* or *rep firm*. Most of the transactions for national advertising occur in major media centers such as New York, Los Angeles, Chicago, and Dallas, homes of the largest advertising agencies. Because each local station cannot afford a National Account Executive in each city calling on the agencies to solicit national business, stations contract with a rep firm to handle national sales.

In representing local stations, the rep firm acts as an extension of the local sales force in the national and regional markets for advertising. Firms are usually contracted on an exclusive basis, meaning they represent only one station owner in a market. Rep firms are compensated through a commission on all advertising placed on local stations. Rep commissions vary from a low of 2 to 5 percent in television to as much as 10 to 15 percent in radio.

Here is an example of how the national sales process works. Reps build on relationships with agencies to solicit advertising for the stations they represent. Agencies specify the criteria they desire for a client. In most cases, the "buy" for a client requires a particular demographic group such as women 25–54, men 25–49, adults 18+, or teens. Usually the buy is based on quantitative requirements, such as a specific *cost per rating point* (CPP) (discussed later in the chapter) and the number of rating points required. The rep firm obtains a list of availabilities (unsold inventory) from each station able to meet the criteria desired by the client and negotiates the individual transactions for each station it represents.

Besides contracting national advertising for individual stations, the rep firm may provide other services, such as audience research,

assistance with sales and promotion strategies, revenue projections and trends for individual markets, and advice on the purchase of television programming. Key rep firms in the radio industry include Interep, Katz, and CBS. In the television industry, some established rep firms include Katz Continental, Petry Media Corporation, and its subsidiary Blair Television.

Working with the Rep Firm

For both parties to accomplish their tasks, the rep firm and the National Sales Manager need to be in close communication. To compete effectively for national ad dollars, rep firms need to be kept aware of any changes in the local station's market, programming, competition, and rate structures. An important partner in generating national sales, the rep firm should be a partner in the station's marketing planning and projections.

As in any business relationship, problems can occur between rep firms and stations. Either may switch affiliations at the end of a contract period if one is unhappy with the performance of the other. Attention to detail is important in coordinating national sales. Miscommunication, inaccurate information, and failure to follow up are other common problems encountered in rep–station relations.

Cooperative (Co-op) Advertising

Cooperative or co-op advertising is another category of advertising revenue found in the electronic media, although it works differently than local and regional accounts. In **co-op advertising**, manufacturers share in the advertising costs with local retailers. For example, Maytag manufactures appliances available at many local retailers. If the local retailers meet the specific requirements of the manufacturer's co-op plan, Maytag may reimburse them for part or all of their advertising costs.

The money available for co-op is directly related to the amount of **accruals**, or dollars credited for advertising, for each retailer. Tied to the amount of products purchased by the retailer from the manufacturer, accruals are usually subject to a dollar limitation. A simple 3 percent/$3,000 co-op plan would indicate the local retailer could request advertising dollars based on 3 percent of the products purchased from the manufacturer, up to a total of $3,000. If the retailer bought $60,000 worth of products from the manufacturer, then the maximum available for co-op purposes would be $1,800 ($60,000 × .03 = $1,800).

It is estimated that millions of dollars of co-op advertising are left unused each year by retailers. Why? First, many retailers may not be aware of co-op opportunities. Second, many retailers tend to favor newspaper over broadcast and cable advertising. Third, retailers and stations dislike the paperwork required for co-op. Because co-op plans vary among manufacturers, stations can employ a coordinator to work exclusively on co-op plans. The co-op coordinator works with retailers to set up the individual contracts, prepares paperwork required by the manufacturer, and sees that the copy adheres to all requirements set by the manufacturer.

Internet Advertising

The Internet has become a vital component of electronic media advertising. Advertising dollars continue to transition to the Internet from traditional media outlets such as newspapers and magazines, and this trend will continue for many years. According to one report (Malone, 2008), local online advertising reached $8.5 billion in 2007, while national online advertising exceeded $10 billion. By 2008, total Internet advertising will move ahead of radio advertising in to third place behind television and newspapers.

Electronic media companies now offer online advertising options with their local and national buys, and also offer Internet-only packages. Some operations are now employing Internet-only salespeople.

One new area of development has been the growth of services such as Google Audio and eBay selling or auctioning unsold advertising revenue directly to advertisers, typically on a late or last-minute basis. Both Google and eBay started selling local advertising time in 2007 after negotiating deals with major station groups and other large clients. Bid4Spots.com is another firm specializing in selling unsold inventory; the company now is partnering with eBay to sell time (Carnegie, 2007). This practice began in radio, but has already transitioned to television, cable and newspapers.

Sales Terminology

A sales staff regularly uses audience research data to help market the station to advertisers. National sales are almost always structured around performance metrics—that is, *selling by the numbers*. Local sales may also be quantitatively driven, particularly in larger markets. Marketing professionals use many formulas to create an advantage over other competitors.

Common terms used in marketing media advertising include *gross impressions* (GI), *gross rating points* (GRP), *reach*, *frequency*, *cost per thousand* (CPM), and *cost per point* (CPP). Gross impressions, gross rating points, reach, and frequency all involve audience estimates and the number of commercial announcements in a schedule. Cost per thousand and cost per point are measures of efficiency that take into account price as well as audience estimates and commercial load. Each of these terms is discussed in more detail as follows:

Gross impressions (GI) is a measure of the total media weight and refers to the total number of people reached by each commercial in a campaign. Though GIs can represent different time periods, they must always use the same demographic group. Primarily used in radio, GIs are calculated by multiplying AQH persons by the number of spots and summing for each daypart. The following example shows the total GIs for women (W) 18–49 across three dayparts:

DAYPART	AQH	NO. OF SPOTS	GIs
6–10 A.M.	6,000	12	72,000
10–3 P.M.	2,400	6	14,400
3–7 P.M.	3,000	10	30,000
Total gross impressions			116,400

Note that you *cannot* add all the AQH estimates and multiply by the total number of spots to find the GIs; each daypart must be calculated separately as in the example.

Gross rating points (GRPs), another measure of media weight, is the sum of all rating points generated in an advertiser's schedule. GRPs are used in both radio and television, but as with GIs, the same audience base must be used. Radio GRPs are calculated by multiplying the total number of spots by the AQH rating. The next example uses hypothetical data for men (M) 25–54:

DAYPART	AQH RTG	NO. OF SPOTS	GRPs
6–10 A.M.	9.5	12	114
10–3 P.M.	3.0	6	18
3–7 P.M.	5.2	10	52
Total gross rating points			184

Like GIs, GRPs must be calculated separately for each daypart. In television, GRPs are calculated by multiplying the rating for a program by the number of spots and summing the total. Again, the same audience base (M 25–54) must be used.

DAYPART	RTG	NO. OF SPOTS	GRPs
Monday Night Football	13.5	6	81
Lost	6.0	2	12
Desperate Housewives	10.0	2	20
Total gross rating points			113

Reach is a measure of how many different people are exposed to at least one commercial advertisement. Think of reach as a measure of width in a media plan. A radio station's cume audience is equal to the size of the station's reach. Different estimates can be used for reach, such as a rating or a cume.

Frequency, used in combination with reach, can be thought of as the depth in a media plan. Frequency refers to the number of times the average person (in radio) or household (in television) is exposed to the same advertisement. Reach, frequency, and GRPs are interrelated, as seen in the following simple formulas:

$$\text{Reach} \times \text{Frequency} = \text{GRPs}$$
$$\text{GRPs} / \text{Frequency} = \text{Reach}$$
$$\text{GRPs} / \text{Reach} = \text{Frequency}$$

If 100 GRPs are purchased to reach an audience with an average frequency of 5, the reach will be 20.

Gross impressions, gross rating points, reach, and frequency all use audience estimates. The final terms discussed in this section, cost per thousand and cost per point, take into account the negotiated price for advertising as well as audience estimates.

Cost per thousand (CPM) describes the cost to reach 1,000 people; with it, one can compare competitors, advertising media, time periods, and so forth. (Note the abbreviation is CPM. The *M* is derived from the Latin word for thousand, *mille*.) CPM is calculated

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by dividing the cost of the advertising plan by gross impressions (measured in thousands). For example, if the total cost of an ad campaign is $35,000 and the gross impressions total 700,000, then CPM equals $50. Some texts divide the cost of the ad plan by 1,000 and then divide by gross impressions; either way will produce the same measure.

$$\text{CPM} = \frac{\text{Total cost}}{\text{(Gross Impressions / 1,000)}}$$

$$\text{CPM} = \frac{\$35{,}000}{700}$$

$$\text{CPM} = \$50.00$$

Note that CPM is a comparison tool; a single CPM calculation is meaningless. In broadcast and cable selling, CPM is often used to compare advertising costs with costs of similar competitors as well as other media (e.g., newspapers).

Cost per point (CPP), another measure of efficiency, is the cost of a single rating point. CPP is calculated by dividing the total cost of the ad plan by the total GRPs. Another useful comparison tool, CPP serves as a negotiating point in the sales process. In the following example, if the total cost of an advertising plan is $35,000 and the total number of GRPs equals 630, then CPP equals $55.55.

$$\text{CPP} = \frac{\text{Total cost}}{\text{(Gross Rating Points)}}$$

$$\text{CPP} = \frac{\$35{,}000.00}{630}$$

$$\text{CPP} = \$55.55$$

CPP is sensitive to the characteristics of a market. Advertisers expect to pay more money to buy rating points in Seattle or Denver than in Knoxville or Gainesville. Again, CPP must be used as a comparison measure of cost estimates.

Do not be intimidated by all these formulas and calculations. Most software packages generate many types of cost and audience analysis estimates for use in preparing client presentations. Understanding how to interpret the numbers and use them to your competitive advantage is far more important than doing the actual calculations.