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**A description of the advertising
and direct marketing decision processes
of the New Zealand marketing managers**

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ABSTRACT

A critical component of the marketing mix for most organisations is the development and execution of an effective communications strategy. Yet managers often have little guidance in advertising and promotional decisions other than past practice within their own organisations, or rules of thumb formed over years of training and experience. The New Zealand Advertising and Direct Marketing Project was initiated as a baseline study with the objective of better understanding the beliefs, opinions and practices of marketing managers in respect of marketing communications within their organisations.

A sample of about 200 large companies known to have reasonably significant advertising budgets was surveyed late in 1991. A usable sample of 91 actual responses forms the basis of a generally descriptive survey which examines: what managers believe about advertising and its effects, how the advertising function is organised, the setting and allocating of budgets, rules of thumb which guide advertising practice, measures of advertising effectiveness, and general issues to do with the future of advertising and direct marketing. The results provide an interesting benchmark against which practitioners can assess their own particular beliefs and practices, as well as a good overview of management practice for marketing students and educators. Where appropriate, the results are broken down into four predominant industry categories: fastmoving consumer goods, consumer durables, financial services, and business to business marketers.

KEY WORDS

Advertising, direct marketing, beliefs, practices.

1. INTRODUCTION

In December 1991 the first ever national survey of advertising and direct marketing was initiated by the Marketing Group at Victoria University. The research objectives of this first stage were to increase understanding of the beliefs and principles which underlie sound advertising and direct marketing practice, so as to assist New Zealand marketing managers in making better advertising decisions through gaining insight into generally accepted views and practices. A further benefit of the study was to assist marketing students in better understanding the practical aspects of advertising decision-making and budgeting in medium to large enterprises.

An increasingly important goal of any marketing department should be to strengthen the links between practitioners and the university itself, so as to provide mutual understanding and support. This project has provided an opportunity for marketing practitioners to contrast their own views and practices with other managers, as well as highlighting some important relationships and rules of thumb uncovered during the study. A number of the participating managers commented that the survey form provided a useful self-audit of advertising within their own firms, and were optimistic about the benefits to be accrued from similar studies being conducted on an annual basis to monitor trends and shifts over time.

The principle objective of this survey was to solicit information about the advertising and direct marketing beliefs, opinions and practices of marketing managers (or their equivalent) in medium to large enterprises throughout New Zealand. The information obtained provides a baseline against which future similar studies can be compared, and as a point of reference for other surveys exploring specific aspects of the subject area in greater depth. The insights gained in this base-line study are only the beginning of an ongoing programme of research aimed at gaining further insights into existing beliefs and practice in the area of advertising and direct marketing. It is hoped however that these preliminary results will be of value and interest to marketing managers, advertising executives and academics involved in business education generally in enhancing our understanding of communications decision processes within organisations.

We are grateful to the many managers who took a genuine interest in this study, and gave freely of their scarce time resources in completing the detailed questionnaire. It is our hope that this first output from the New Zealand Advertising and Direct Marketing programme will be of interest and value, and we thank you particularly for the support provided.

We also gratefully acknowledge the financial support of the Graduate School of Business and Government at Victoria University, and of New Zealand Post, without whose support this study would not have been possible. This study was conducted entirely independently of these sponsors however, and any responsibility for omissions or oversights rests entirely with the authors.

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2. RESEARCH BACKGROUND AND METHODOLOGY

This research programme grew out of the somewhat surprising recognition that there has never been a systematic study of advertising and direct marketing decision-making processes within New Zealand companies. This is despite the fact that millions of dollars are spent annually by managers in this area, and that mass media advertising in particular is the most visible element of the marketing mix. The initiation of this study also reflects a degree of frustration with the dearth of New Zealand material on an area which is long on anecdotal evidence but short on practical guidelines and rules of thumb for the many hundreds of managers who must make important communications decisions. Often these managers have had to act with little guidance other than past practice within their organisations, and the input of advertising agencies who are generally very professional in their approach but nevertheless not impartial participants in the process.

The project commenced with a general assessment by the two authors of earlier (overseas) research in the field, together with input from practitioners in Wellington and Auckland whose input was invaluable to the areas subsequently addressed during the formal data collection stage. Even overseas, it is somewhat surprising that little systematic work has been done examining general attitudes and practices among managers in the area of advertising and direct marketing. The one exception would be the well publicised and ongoing "PIMS" project¹ which, through a series of published studies based on the PIMS database, does provide some econometric and statistically-based insights into important relationships between advertising expenditure, market shares, and overall corporate performance. At the level of management attitudes and decision-making processes within firms however, little empirical work is evident.

Given the research objectives and generally straightforward nature of the information required, a mail questionnaire was selected as the most appropriate form of data collection. While it is acknowledged that personal interviews generally provide the greatest depth of insight and lead to high response rates, the costs and logistics of conducting over 200 personal interviews around New Zealand were prohibitive in this instance. The questionnaire was also rigorously pretested among marketing and advertising managers, with a number of useful modifications being incorporated into the final design.

The sampling frame was drawn from the *Management Magazine*² survey of 200 largest advertisers in New Zealand. The initial covering letter requested that the questionnaire be completed by the most senior marketing executive, or the person who makes marketing decisions within an organisation. Overall, 91 usable responses were obtained representing a 45% response rate. This was judged to be high enough for the results to adequately characterise the range of attitudes and practices held by marketing managers, although only limited formal testing was conducted in respect of possible non-response bias. The response rate obtained was particularly satisfying given the large numbers of surveys presently being directed at marketing managers within New Zealand.

The data were coded and analysed using the "Statview" statistical package on the Macintosh.

2.1 Overview of the paper

The primary objective of this working paper was to summarise and comment briefly upon the descriptive findings of the baseline study, and most of the findings in this preliminary paper are reported in descriptive form using summary tables and simple bar charts. A limited amount of crosstabulation and statistical analysis (analysis of variance and simple regression) has also been undertaken and summarised to provide additional insights not immediately apparent in the descriptive tables. The section on marketing rules of thumb, for example, is more usefully considered within the context of specific product and service categories, rather than across industry categories as a whole where more important relationships tend to get blurred. Some interesting findings were also obtained on the relationship between present market share and the expected loss of market share as a result of reducing the advertising and promotional spend.

Subsequent papers arising out of this study will explore more fully the interrelationships between important advertising and direct marketing attitudes, behaviours and ideas.

¹ A project developed by the Harvard Business School which analyses data from a wide range of companies.

² *Management Magazine*, December 1989/January 1990.

2.2 Sample Characteristics

The characteristics of the sample itself provide some interesting insights into the profile of marketing managers and decision makers within New Zealand. The trend over recent years of women entering and attaining more senior positions in management is confirmed, with almost 40% of respondents under age 30 being female but with only one of the respondents over age 40 being female.

	Under 30	30 - 39	40 - 49	50 - 59	Totals:
Male	62.5%	87.5%	96%	100%	86.81%
Female	37.5%	12.5%	4%	0%	13.19%
Totals:	100%	100%	100%	100%	100%

Over half of the respondents described themselves as Marketing Managers or Directors, with a further 15% being General Managers, MD's or CEO's with primary responsibility for marketing decisions. About one quarter of the respondents held positions such as Brand, Advertising or Promotions Manager, and reported to the Marketing Manager or equivalent within their respective organisations.

Present position of Respondent managers	Frequency	%
Marketing Manager	46	50%
Marketing Director	5	6%
General Manager	8	9%
Managing Director	2	2%
CEO	4	4%
Communications Manager	1	1%
Advertising Manager	5	6%
Business Development Manager	3	3%
Promotions Manager	1	1%
Brand Manager	6	7%
Other title	10	11%

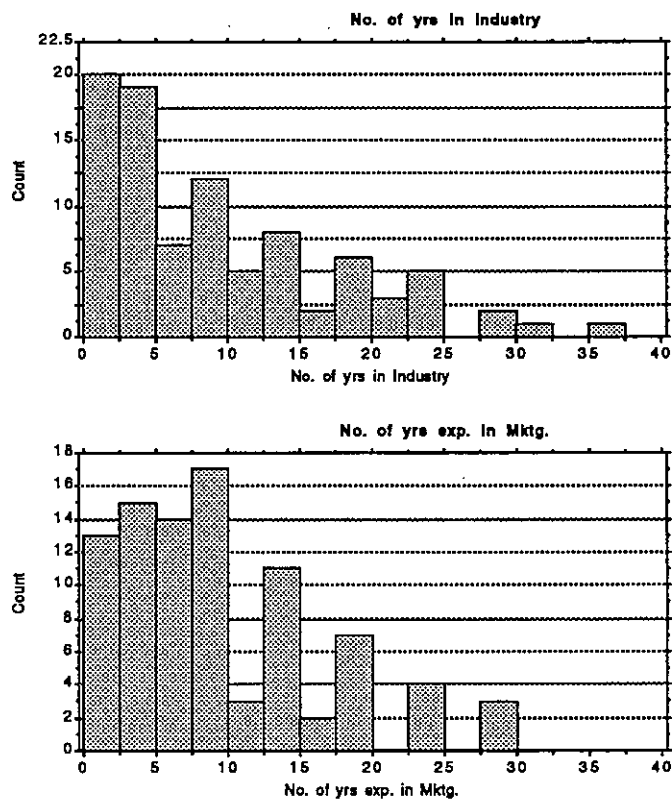
A large proportion of respondents was qualified to at least degree level, with less than 16% having a qualification of University Entrance or below. There was also a strong correlation between age and qualifications, with only one of the managers under age 30 not having a degree.

	Under 30	30 - 39	40 - 49	50 - 59	Totals:
School Cert	0%	2.56%	16.67%	20%	7.95%
U.E	6.67%	5.13%	8.33%	20%	7.95%
University d...	66.67%	48.72%	37.5%	0%	43.18%
Tertiary qual.	0%	23.08%	8.33%	30%	15.91%
Postgrad. qu...	26.67%	20.51%	29.17%	30%	25%
Totals:	100%	100%	100%	100%	100%

The principle area of degree specialisation acknowledged by managers was, not surprisingly, in marketing. The remainder had backgrounds spread evenly across the arts, sciences, accountancy and business generally.

Area of specialisation of respondent managers	Frequency	%
Not applicable (no tertiary qual')	17	20%
Marketing	38	44%
Accountancy	6	7%
Business	5	6%
Communications	1	1%
Arts	6	7%
Sciences	5	6%
Other area	9	10%

The level of experience also varied widely, from less than one year in the industry or within marketing, up to 38 years experience in the industry in one instance. The following charts show this diversity of experience, with a concentration of "experience in marketing" within a ten year or less time frame being particularly noticeable.



Overview, the sample profile shows a well educated and proficient group of respondents. There was a good mix of experience and formal qualifications in marketing, with increasing numbers of women making their way into senior marketing positions over time. It is the view of the authors that the respondents were more likely than non-respondents to have university training, hence in some respects the findings reported below will characterise the attitudes and opinions of the "newer breed" of marketers emerging from tertiary institutions rather than the more traditional domain of marketers which was strong on industry and sales experience but put less emphasis on formal professional training in marketing skills.

3. OVERVIEW AND DISCUSSION OF FINDINGS

The main findings of the research are reported in the next section in tabular and graphical form. The questionnaire was divided into seven main sections covering the major decision areas faced by managers when formulating their marketing communications programmes and strategies. These sections are as follows:

- Beliefs and opinions about advertising
- Organising the advertising and direct marketing function
- Setting and allocating the budget
- Marketing rules of thumb
- Measuring advertising effectiveness
- Advertising and direct marketing issues
- Background information on respondent companies

As these sections logically follow the key aspects of advertising and direct marketing planning, a similar format is followed in the overview and discussion.

3.1 Beliefs and opinions about advertising

Managers generally accept that recall of advertisements is important irrespective of whether the consumer attitude is positive or negative, and most also see a direct relationship between recall and sales. It is still the prevailing view that good advertising needs a unique selling proposition (USP). Managers still see positioning as the key strategic issue facing their organisations. They downplay however the importance of creative execution, despite the fact that many advertising experts rate this as the most important aspect in determining advertising effectiveness, and certainly an important determinant of positioning.

Most managers recognise or are beginning to recognise direct marketing as a central element of their marketing communications strategies. This extends to a realisation that customising product and service option to individual consumer needs is a commercially viable proposition, and recognition that a database-driven programme is essential for success in the nineties. The prevailing view is that direct marketing is becoming a more important component of corporate marketing strategies.

Opinion is divided on whether sales promotions are more effective than advertising in generating additional sales, and this pattern does not vary by industry type. Opinion is also divided on the relative importance of new versus existing customers, with the number of "neutral" responses suggesting that a number of managers view both categories as equally important. In a similar vein, respondents had polarised views on whether a push versus pull strategy was more appropriate for their respective industries. This reflected in part the nature of different businesses, with fastmoving consumer good and consumer durables marketers relying more upon pull strategies, while those in other industry sectors relied more upon push strategies.

3.2 Organising the advertising and direct marketing function

The vast majority of respondents (70%) indicated that the marketing function within their organisations is managed either as a functional group or as a separate department under a marketing manager. In 11% of firms a product/brand management structure was adopted, and in a further 11% of cases marketing was managed by the general manager or CEO. No particular pattern emerged across industry sectors, although the use of product/brand management structures was greater within consumer durable companies. The advertising function was generally managed as part of the marketing function, although 10% of firms had a separate department or at least a separate advertising manager.

Responsibility for preparing marketing plans typically rests with the marketing manager, with only a small minority of respondents admitting that their organisations do not formally prepare a marketing plan. In product/brand management oriented firms, marketing plans are generally prepared by individual product managers. Consumer analyses and positioning strategies are prepared by the same managers as part of the marketing planning exercise.

Advertising agencies are involved in the development of creative strategies, although not to the extent that conventional wisdom would suggest. Only 18% of respondents specifically volunteered that development of the creative strategy was solely the responsibility of the advertising agency, with a further 13% indicating that the strategy was determined jointly by the marketing manager and the agency. A similar pattern emerged with development of the media plan, where many managers like to maintain total or a high level of control over the process.

The actual use of advertising agencies is widespread, with almost 90% of organisations having at least one agency. In a related series of questions about the relative responsibilities of company managers and agencies, a significant number of "joint responsibility" responses were recorded in relation to campaign development and modification, and media selection. Agencies are also significant players in the media selection and placement aspects of advertising and promotional activities.

3.3 Setting and allocating the budget

The setting of advertising and promotional budgets appears to rely heavily upon the objective and task method for existing products and services, although almost equal numbers of managers qualified this by adding "executive judgement" as an important aspect. Almost half of the respondents admitted to using "percent of sales" and/or "same as last year", with a number using "all they could afford" or "to match competition" as a guide to setting budgets. Allocation methods were similar for new products and services, although somewhat greater use was made of the objective and task method.

The principle advertising objectives reported were to create awareness, build loyalty, position the brand, and encourage repeat purchase. It must be recognised however that these responses to an open-ended question echoed the set of "examples" provided to guide respondents. There is therefore some doubt about their true representativeness.

Advertising and promotional spends are typically timed to coincide with peak sales periods and/or to coincide with specific sales promotions, with "concentrated bursts" also being a common pattern of spend. In about 18% of cases managers report that spending is evenly spread, and similar numbers report that budgets are spent to match competitor advertising activity.

3.4 Marketing rules of thumb

An important aim of the present study was to gain some insight into the heuristics or "rules of thumb" used by marketing managers when making advertising decisions. Since such rules were observed (not surprisingly) to vary by product category, the results of section D were analysed and reported separately for each of four industry categories, as shown.

Product Category	Freqncy	%
Fastmoving consumer goods	28	32%
Consumer durables	21	24%
Financial services	19	22%
Business to business	12	14%
Other category	8	9%

3.4.1 Purchase cycles, market shares and levels of spend

In each instance, managers were asked to report on the purchase cycle for a "typical" product or service. Respondents were asked what was considered to be an acceptable market share target required to justify the launch of a new product or service within the selected product/service category, and to estimate the minimum annual advertising/promotional spend (excluding sales force and price discounting) required to achieve the stated market share target.

Managers were also asked, for a typical existing product/service in the selected category, to estimate the minimum annual advertising/promotional spend (excluding sales force and price discounting) required to maintain market share.

The average responses by product category are summarised below. Response distributions are shown in full in the main results section.

Product Category	Acceptable mkt share new product	Min spend to <u>achieve</u> new prod mkt share	Min spend to <u>maintain</u> existing prod mkt share
Fastmoving consumer goods	7%	\$290,000	\$370,000
Consumer durables	15%	\$320,000	\$490,000
Financial services	12%	\$275,000	\$380,000
Business to business	17%	\$355,000	\$165,000

3.4.2 Communications mixes

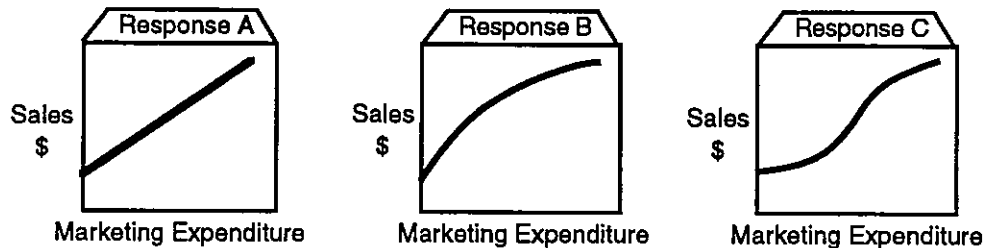
An important decision for any manager is the actual allocation of an agreed budget across media types, and the extent to which this might vary for existing versus new products. In this study managers were asked to indicate the media mix they would employ for a typical product or service in their industry. The appropriate proportions for existing products are summarised below by product category. The mix for new products is reported in the summary findings section, although the pattern did not differ significantly from that shown below.

Media Types	Product/service Category			
	Fastmoving Consumer Goods	Consumer Durables	Financial Services	Business to Business
Advertising: Television	43%	42%	27%	6%
Radio	7%	2%	8%	1%
Newspapers	5%	9%	14%	5%
Magazines	11%	11%	7%	16%
Direct marketing	4%	6%	20%	16%
Sales force	10%	14%	19%	44%
Sales promotion/Coop advert'	17%	10%	1%	5%
Public relations	3%	6%	3%	6%
TOTAL	100 %	100 %	100 %	100 %

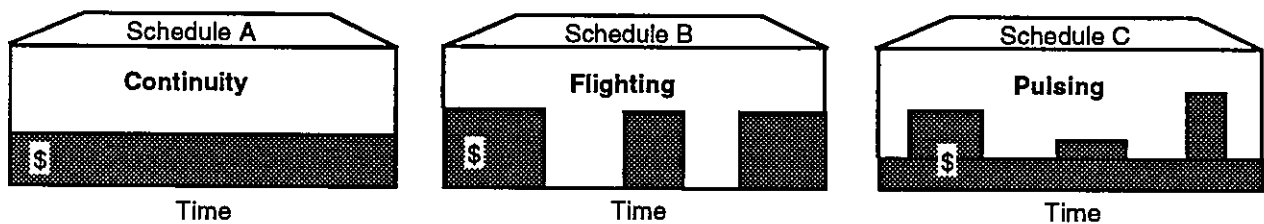
3.4.3 Sales responses and media scheduling

Apart from issues of budget size and media mix, managers also define certain rules of thumb about the responsiveness of sales to advertising expenditures, the relative sensitivity of market share to changes in advertising spend, and media scheduling.

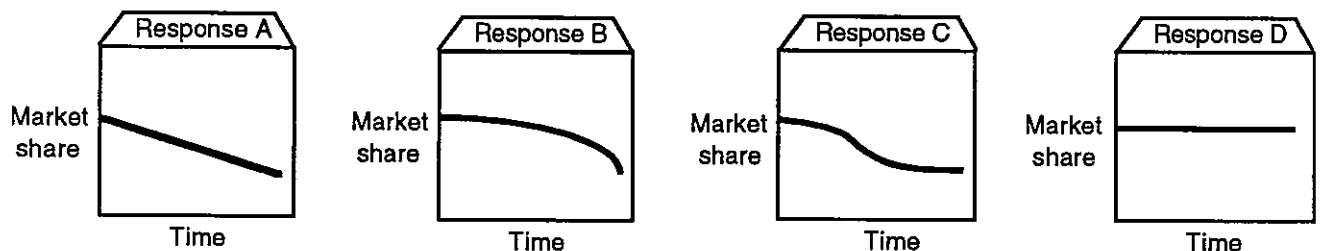
Managers were first asked to consider which of the three illustrated sales responses in relation to varying levels of advertising/promotion expenditure best characterised a typical product or service within their particular industry. The most common response was "B", closely followed by "C". Some differences were observed across industry type, with managers from fast moving consumer goods and financial services recognising that some threshold level had to be crossed before some sales response to advertising spend was experienced.



Managers were next asked to consider which of the three illustrated media spend schedules for a given target audience best characterised a typical product or service within their particular industry. The most common response was "flighting", followed somewhat closely by "pulsing." The pattern varied across industry categories however, with managers of consumer durable products giving more weighting to "continuity" as a viable basis of scheduling.

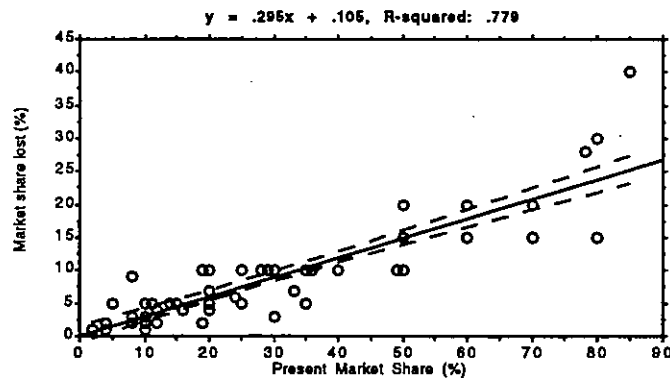


The third decision rule put to managers was the anticipated effect on market share as a result of reducing the advertising/promotion spend by 50% for the chosen product/service category. The most common response was "C", followed somewhat closely by "B", although this pattern was reversed in the case of managers within the financial services sector.



An extension of this question was the view of respondents about the magnitude of market share lost as a result of reducing advertising/promotion expenditures by 50%, and the period of time over which the loss would occur. A remarkably consistent relationship was found between present market share for the chosen product or service, and the magnitude of market share loss resulting from reduced expenditure. The following chart shows this relationship for all product categories combined. Similar charts are reproduced in the main findings section for each product category separately.

Expected Market Share Loss relative to Existing Share All categories



A simple interpretation of the graphed relationship is that, in general, managers would expect to lose about 30% of their present market share as a result of reducing advertising expenditures by 50%. This proportion varies however from a low of 22% loss of present share for fast moving consumer goods to a high of 38% loss of present market share for consumer durables.

The time frame over which the effect would be expected to take place was an average of twelve months overall, although this increased to around 16 months for financial services and 18 months for business to business marketers.

3.5 Measuring advertising effectiveness

A critical aspect of all advertising and direct marketing decisions is the extent to which their effectiveness can be measured and assessed over time. One of the reasons cited for the growth in popularity of direct marketing is its accountability, where alternative approaches and executions can be tested over time in a systematic and generally quantifiable way. Measuring the effectiveness of advertising on the other hand can be more difficult, given the somewhat tenuous link between attitude formation and subsequent actions such as brand choice.

Historically, the debate over advertising effectiveness has centred around the extent to which a given manager believes that the relationship between advertising expenditures and ultimate sales can be quantified. At one extreme, a manager will claim that all good advertising must lead to a demonstrable increase in sales. At the other extreme another manager will claim that any attempt to directly measure effectiveness is little more than educated guesswork. To provide some sense of how managers in the present study viewed this issue, each respondent was asked to rate him or her self on the following scale which reflects a range of beliefs about the extent to which effectiveness can be measured.

1	Advertising is an art rather than a science. If we are honest, any attempt to measure its effectiveness is little more than educated guesswork under the guise of management judgement.	4%
2	Advertising is essentially a creative process. Some attempt at evaluating its commercial impact is appropriate, although fraught with difficulty.	7%
3	Advertising is a mix of art and science. While no direct link between advertising and sales should be sought, there are at least some meaningful indicators of its effects and impact.	10%
4	Advertising is a logical process of setting objectives and measuring outcomes. While the desired effects can vary, there should be some demonstrable impact from any advertising effort.	53%
5	Advertising is more science than art. While creativity is very important, it is often used as a cop-out - all good advertising must lead to a demonstrable increase in sales over time.	26%

It can be seen that around 80% of managers accept the need for a reasonable degree of accountability in advertising effectiveness, with relatively few claiming that measurement is very difficult if not impossible.

Over 80% of respondents made use of one or more quantitative measures of effectiveness, the most popular being straight sales response followed by market share shifts, brand awareness and message recall. A minority of managers rated ultimate profitability highly as a direct measure of advertising effectiveness. The pattern of responses was similar for new as against existing products, except that intention to buy scores were an more significant indicator in the case of new products.

About 57% of respondents indicated that they use some form of qualitative measure to complement other measures of advertising effectiveness. The most popular technique was focus groups, followed by trade feedback and general surveys of target market attitudes and behaviour. Only a small minority (4%) use qualitative techniques to pretest advertisements before actual use.

3.6 Advertising and direct marketing issues

One section of the questionnaire allowed for open-ended responses on what managers considered to be the key advertising and promotional issues facing them as marketers. They were also asked to anticipate any significant changes in the way they might carry out advertising and promotion over the next five years as a result of changes in technology, the advertising industry itself, or changes within their own company.

On the more general question, respondents raised a number of issues including segmentation and differentiation, media clutter and media mix planning, pressures to ensure greater accountability in assessing advertising cost effectiveness, and general budgetary constraints.

On the future outlooks question the list was headed by direct marketing, followed by equal mentions of database management, segmentation and aspects of planning the media mix. Comments were also made on the general impact of technological change over time on advertising and direct marketing practice, with a further mention of budgeting and cost control within the context of technological advancements.

Managers were asked to comment upon what they saw as the key differences between advertising and direct marketing. The most commonly mentioned difference was the ability of direct marketing to specifically target consumers, with its "personalised selling" potential also being highly rated. The following table summarises the range of differences reported.

Key differences between advertising and direct marketing	Count	%
Specific targeting	27	23%
Personalised selling	19	16%
Measurable	16	14%
Requiring response	13	11%
Cost related	13	11%
Direct communication	11	9%
Use of database	8	7%
Rifle versus shotgun	6	5%
Different objectives	3	3%

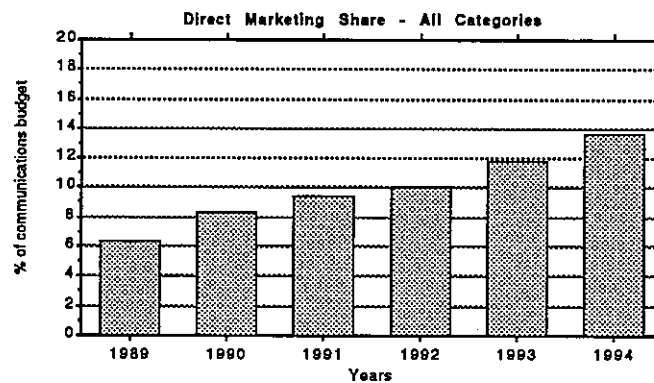
This section also raised specific questions about the understanding and use of direct marketing as part of a total communications programme. There was generally good understanding of what the term direct marketing encompasses, with reference to terms such as "specific/direct targeting/communication", "requiring a response", "personalised selling", and "use of a database." Only a small minority of respondents admitted to being unsure about what direct marketing actually means.

A similar question on what managers saw as the key differences between advertising and direct marketing led to similar comments about "specific targeting", "personalised selling", "measurability/requiring response", "cost related", and "direct communication." Broadly speaking, a clear picture of greater perceived precision and accountability in the use of direct marketing emerges for the large majority of marketing managers. There was no evidence of direct marketing being seen as a "fringe" activity, and a question specifically on the role of direct marketing within the overall advertising and promotional programme yielded the following range of responses.

Role of direct mkt in advert & promo prog	Count	%
None	25	29%
Limited part of strategy	23	26%
Increasing use	22	25%
Significant role	16	20%

A significant finding in this study was the dramatic increase in direct marketing as a proportion of the total communication budget which has already occurred and/or is planned over a six year time frame. The average reported share of direct marketing was 6% in 1989. This has risen to around 10% this year, and it is projected to approach a 15% share of the total budget by 1994. Most dramatic however is the trend within the financial services category, where direct marketing is projected to grow from a 4% share to an 18% share of the total communications budget. Growth in the business to business sector is also quite rapid, to an expected level of over 18% share by 1994.

The following chart highlights expected growth across all product categories. Specific breakdowns by product category are reported in the main findings section.



3.7 Background information on respondent companies

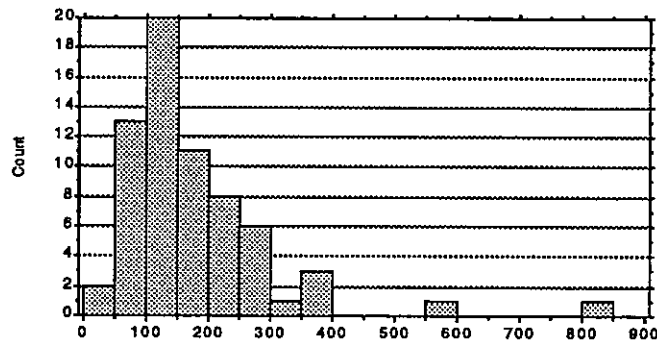
The sample for this study was, as reported earlier, drawn from the top 200 companies listed by *Management Magazine* in 1991. The list was also supplemented by a few other companies known to be large spenders on advertising.

As expected, the sample of respondents represents larger companies and SOE's within New Zealand, with median sales in the range \$50 to 100 million.

Company sales volume 1990	Freqncy	%
\$1 million - \$5 million	4	5%
\$5 million - \$10 million	4	5%
\$10 million - \$50 million	19	24%
\$50 million - \$100 million	22	28%
\$100 million and above	29	37%

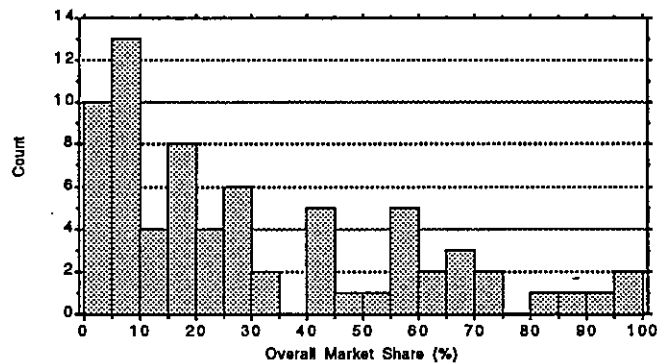
Sales growth was also measured from 1985 to 1990 on an index basis, with results ranging from 30 (ie sales in 1990 were only 30% of sales in 1985), to over 800 (ie an eight-fold growth in sales).

Sales in 1990 relative to sales in 1985 (100 = static sales)



Overall market share was measured, and again reflecting a wide distribution from under 5% of the defined industry to almost 100% of the sector.

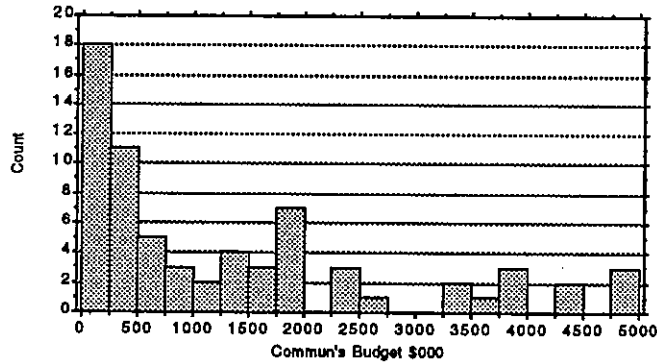
Overall market share distribution of respondent companies



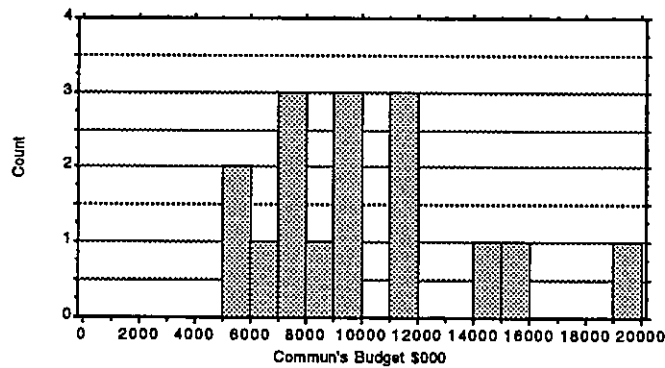
3.7.1 *Communications Budget*

A further indication of the relative importance of respondent companies is given by the size of reported communications budgets, excluding sales force costs. The average budget across the total sample was \$3.2 million, although this varied markedly from a low of \$5,000 to a high approaching \$20 million. Given the spread in size of sales budget, the distributions are shown separately for companies with budgets \$5 million and under, and companies with budgets over \$5 million.

Communications Budgets for firms with \$5 million budgets and below

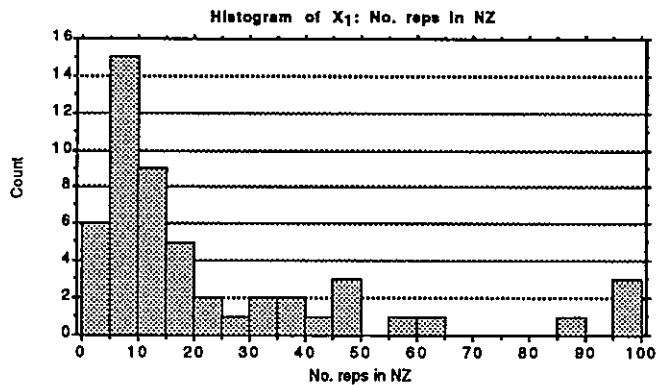


Communications Budgets for firms with budgets above \$5 million



In addition, 80% of respondents indicated that they had a domestic sales force. The size of sales forces varied markedly, and some managers in the financial services sector interpreted this question to include retail bank staff as "salespeople." The average sales force size for companies with a domestic sales force, and excluding respondents from the financial services sector, was 27. The range was from one to 130 salespeople.

Number of Sales Rep's in Domestic Sales Force*

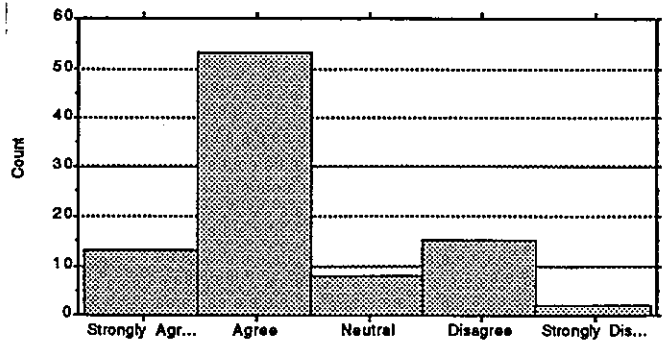


*excluding financial services

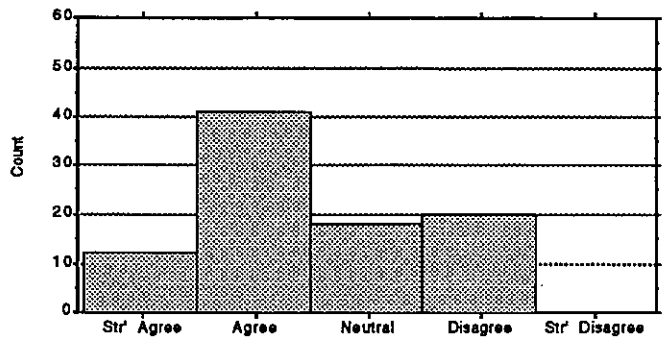
4. GENERAL FINDINGS

Section A: Beliefs and opinions about advertising

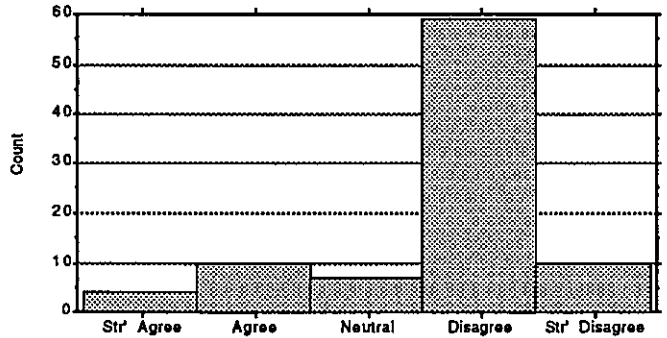
Recall is important irrespective of whether the consumer feels positive or negative about the product or service recalled



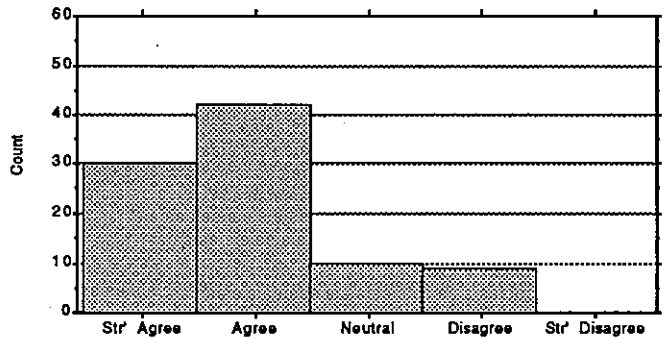
Higher recall of our advertising will lead to higher sales



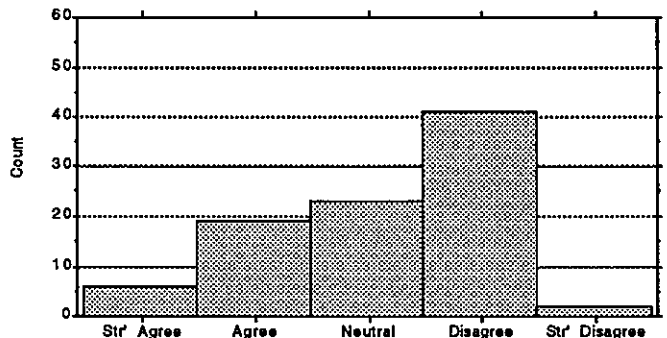
Communication channels are so cluttered that only big promotional budgets have any meaningful impact



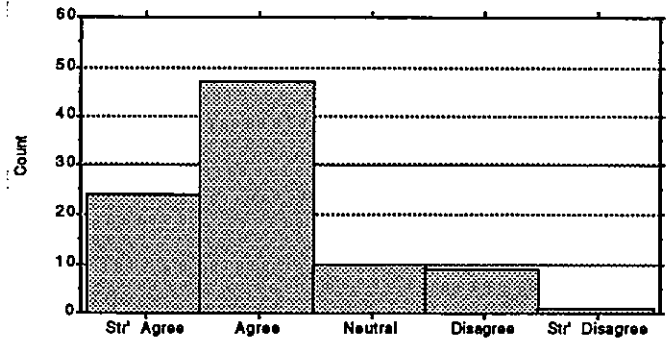
Good advertising must have a unique selling proposition



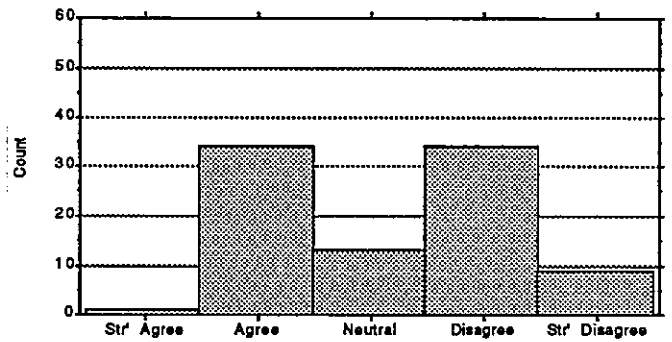
The most important aspect of effective advertising is the quality of the creative execution



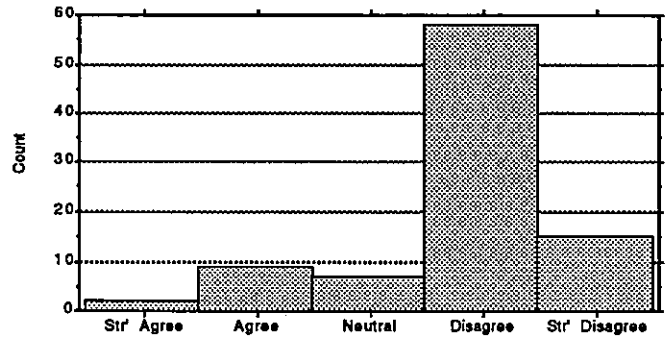
Effectively positioning our product or service is the key issue for the 1990's



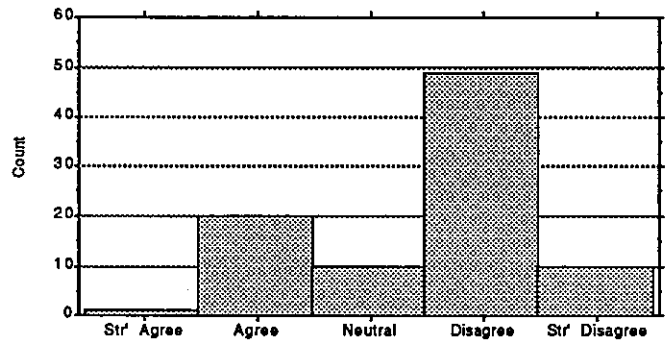
Direct marketing has a place but will never be a central part of our marketing communications strategy



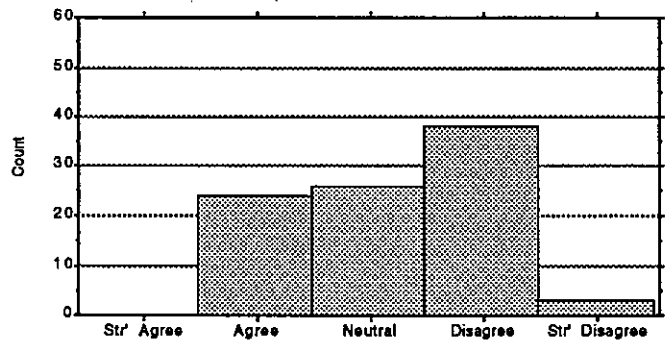
It is not possible to establish a direct link between advertising and sales



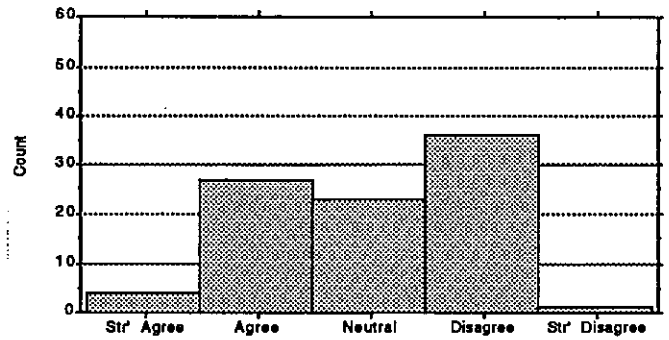
Customising our offering to individual consumers is not commercially realistic



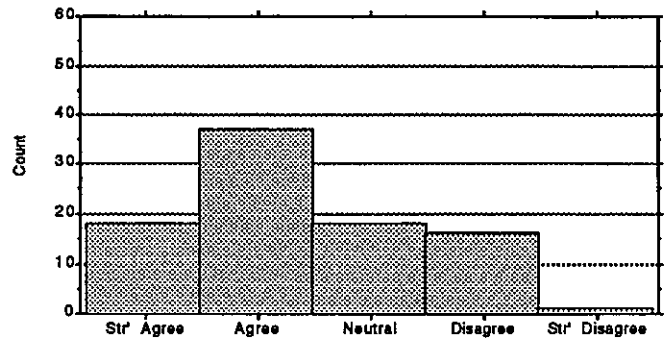
Sales promotions (coupons, competitions etc) are more effective than advertising in generating additional sales



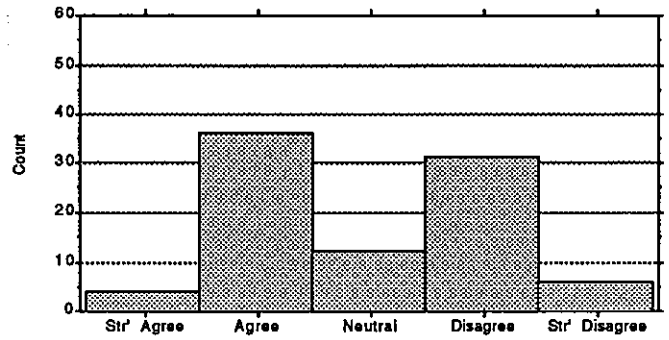
Advertising to existing customers is more important than advertising to prospective customers



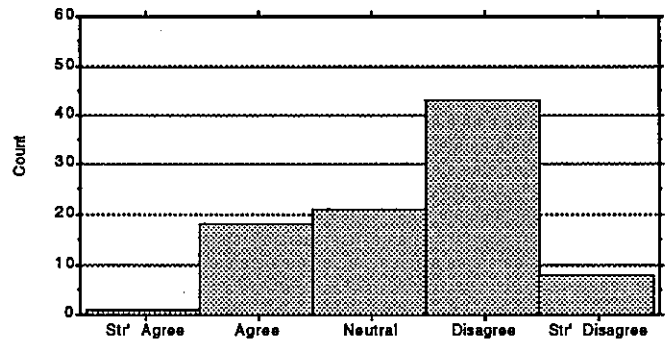
A database-driven marketing programme is essential for success in the 1990's



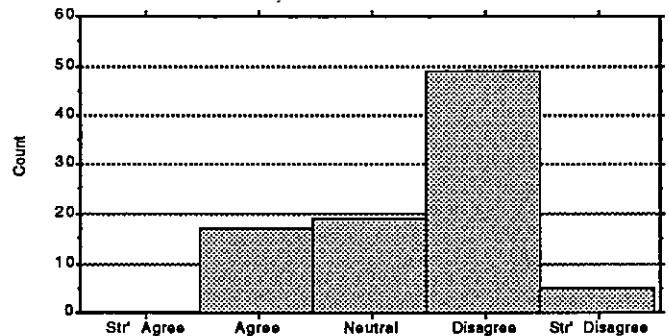
In our business pushing the product through the channels is more important than relying on advertising to pull it through



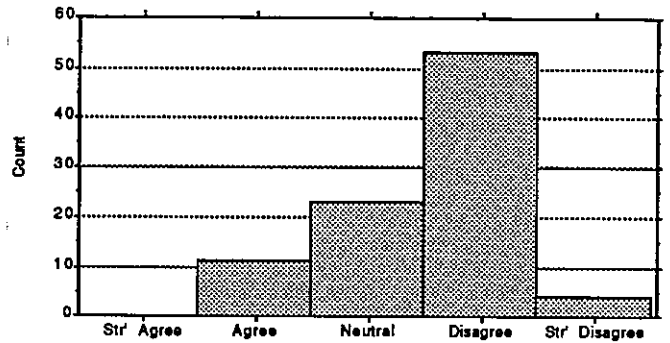
Higher advertising expenditures reduce buyers' price sensitivity



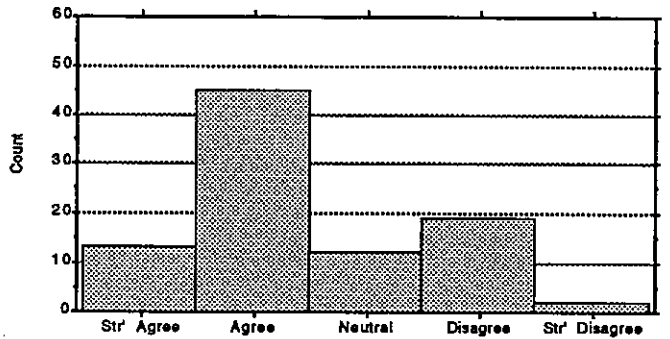
Advertising expenditures have a greater sales impact on low-price products than high-price products



Higher advertising expenditures reduce the total cost of selling



Direct marketing is becoming a more important component of our marketing strategy



SECTION B: Organising the advertising and direct marketing function

Marketing Function Managed

Bar:	Element:	Count:	Percent:
1	functional group	18	20.2
2	product/brand mg...	10	11.2
3	general mgr/ceo	10	11.2
4	sep dept mkt mgr	44	49.4
5	sep dept sales mgr	0	0
6	no specific	1	1.1
7	other	6	6.7

-Mode

Advertising function managed

Bar:	Element:	Count:	Percent:
1	As part of marketing	75	83.3
2	separate advert grp	5	5.6
3	No sep dept/adv mgr	4	4.4
4	No sep respons'bly	3	3.3
5	Other	3	3.3

-Mode

Marketing Manager

Bar:	Element:	Count:	Percent:	
1	No such position	19	21.1	
2	Managing Director	14	15.6	
3	General Manager	29	32.2	-Mode
4	CEO	17	18.9	

Advertising Manager

Bar:	Element:	Count:	Percent:	
1	No such position	67	75.3	-Mode
2	Managing Director	4	4.5	
3	General Manager	3	3.4	
4	CEO	0	0	
5	Deputy CEO	0	0	
6	Marketing Manager	13	14.6	

Sales Manager

Bar:	Element:	Count:	Percent:	
1	No such position	40	44.4	-Mode
2	Managing Director	6	6.7	
3	General Manager	14	15.6	
4	CEO	4	4.4	
5	Deputy CEO	0	0	
6	Marketing Manager	13	14.4	

Marketing Plan

Bar:	Element:	Count:	Percent:	
1	Not formally done	8	8.9	
2	Managing Director	2	2.2	
3	General Manager	8	8.9	
4	CEO	2	2.2	
5	Deputy CEO	0	0	
6	Marketing Manager	51	56.7	-Mode
7	Sales Manager	1	1.1	
8	Product Manager	11	12.2	

Consumer Analysis

Bar:	Element:	Count:	Percent:	
1	Not formally done	18	20	
2	Managing Director	1	1.1	
3	General Manager	3	3.3	
4	CEO	3	3.3	
5	Deputy CEO	0	0	
6	Marketing Manager	37	41.1	-Mode
7	Sales Manager	1	1.1	
8	Product Manager	11	12.2	

Positioning Strategy

Bar:	Element:	Count:	Percent:	
1	Not formally done	8	8.9	
2	Managing Director	2	2.2	
3	General Manager	7	7.8	
4	CEO	4	4.4	
5	Deputy CEO	0	0	
6	Marketing Manager	45	50	-Mode
7	Sales Manager	1	1.1	
8	Product Manager	13	14.4	

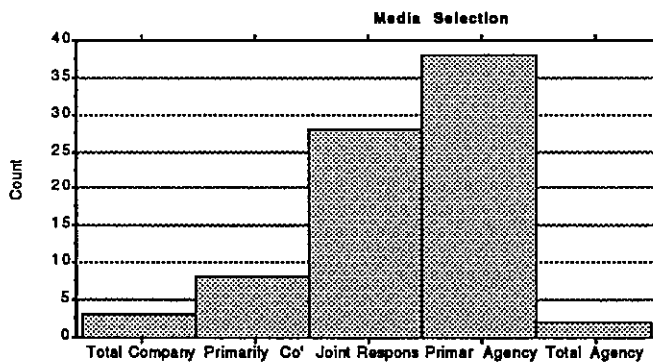
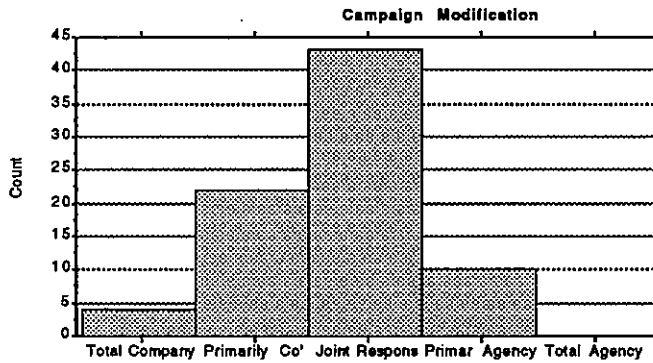
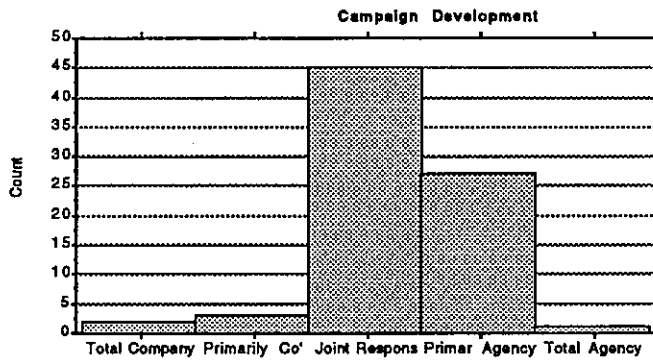
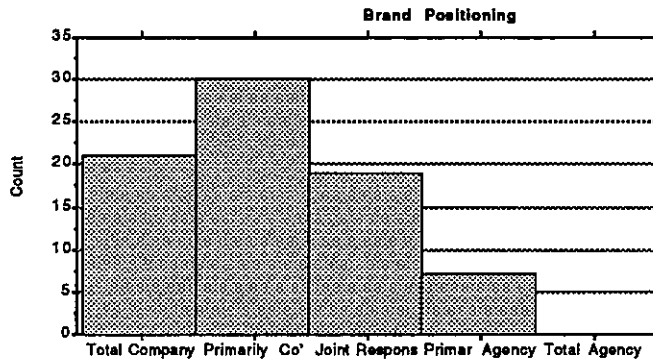
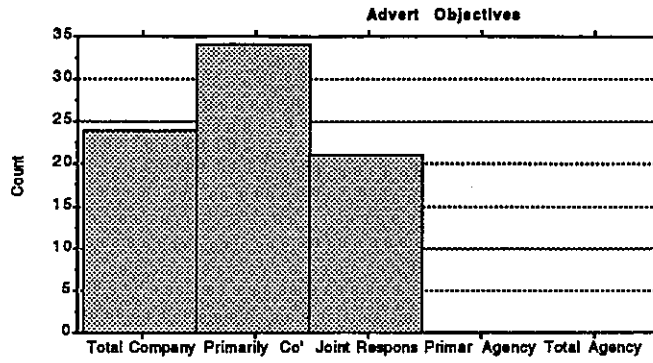
Creative Strategy.

Bar:	Element:	Count:	Percent:	
1	Not formally done	8	8.9	
2	Managing Director	0	0	
3	General Manager	3	3.3	
4	CEO	2	2.2	
5	Deputy CEO	0	0	
6	Marketing Manager	27	30	-Mode
7	Sales Manager	2	2.2	
8	Product Manager	7	7.8	
9	Mkting Mgr & Agen...	12	13.3	
10	Agency only	16	17.8	
11	Other	13	14.4	

Media plan strategy.

Bar:	Element:	Count:	Percent:	
1	Not formally done	8	8.9	
2	Managing Director	1	1.1	
3	General Manager	3	3.3	
4	CEO	1	1.1	
5	Deputy CEO	0	0	
6	Marketing Manager	26	28.9	-Mode
7	Sales Manager	1	1.1	
8	Product Manager	5	5.6	
9	Mkting Mgr & Agen...	11	12.2	
10	Agency only	15	16.7	
11	Other	19	21.1	

Use an advertising agency	Fregncy	%
Yes	79	88%
Nb	11	12%



SECTION C: Setting and allocating the budget

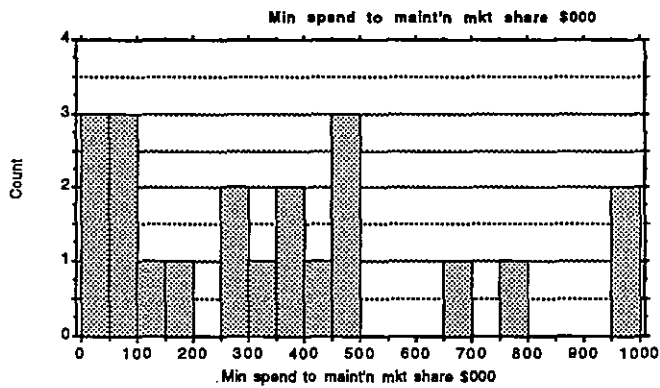
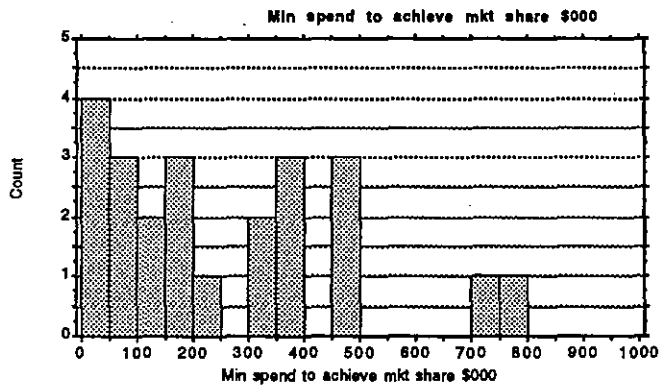
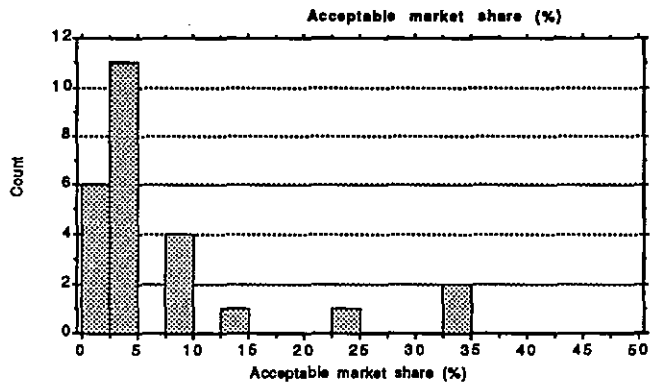
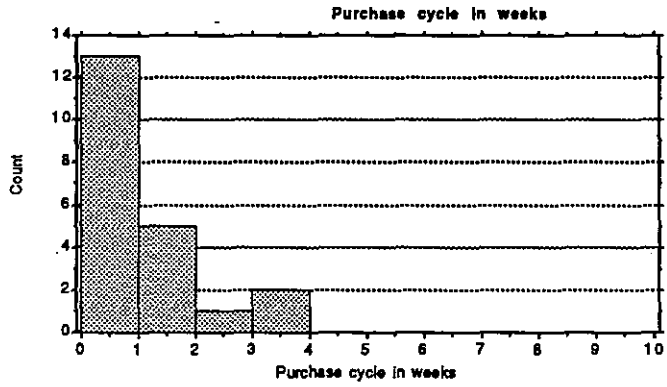
Budgeting Method	Existing prod/service		New prod/service	
	% using method	Av rank if used	% using method	Av rank if used
Objective and task	55%	1.2	69%	1.1
Percent of sales	35%	1.6	17%	2.0
Executive judgement	47%	1.5	47%	1.5
All you can afford	16%	2.3	20%	2.2
Match competition	17%	2.6	5%	2.8
Same as last year	11%	1.7	5%	2.2
Same as last year, with adjustment	13%	2.1	7%	2.2

Advertising & Promotion objectives	Existing Customers		New Customers	
Create awareness	33	21%	53	36%
Build loyalty	36	23%	15	10%
Brand positioning	30	19%	25	17%
Encourage trial	2	1%	12	8%
Educate and inform	6	4%	7	5%
Support sales staff	22	14%	16	11%
Support branches	2	1%	2	1%
Support distributors	4	3%	4	3%
Change perceptions	2	1%	2	1%
Prod differentiation	7	5%	8	5%
Repeat purchase	11	7%	2	1%

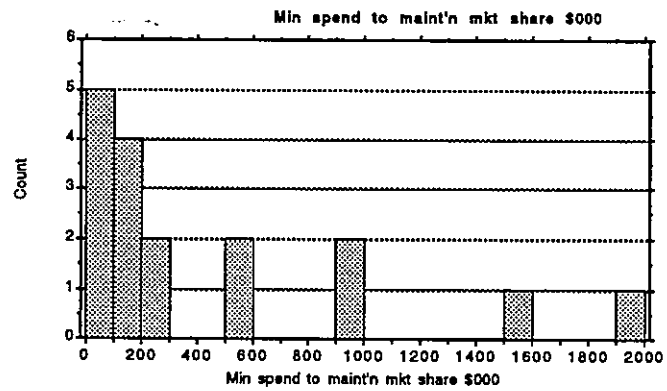
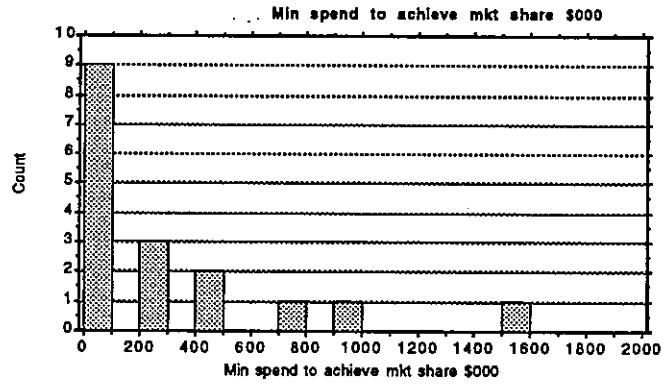
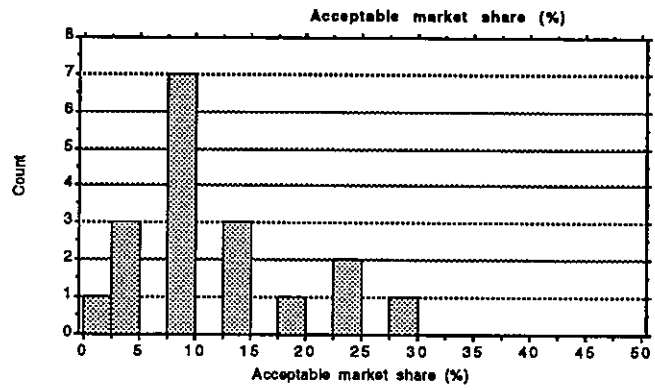
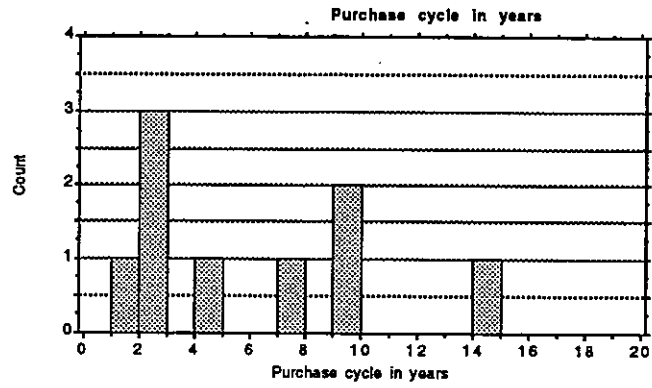
Timing of advertising and promotional spends	Existing prod/service		New prod/service	
	% using method	Av rank if used	% using method	Av rank if used
Timed for sales promotions	47%	1.5	42%	1.3
About the same each month	18%	1.9	8%	1.9
Competitor related	19%	2.2	16%	2.3
Spend most in peak periods	37%	1.4	22%	1.5
Concentrated bursts	40%	1.5	37%	1.4
Spend most in low sales periods	3%	1.3	0	
Other (specify)	10%	1.2	10%	1.1

Section D: Marketing rules of thumb:

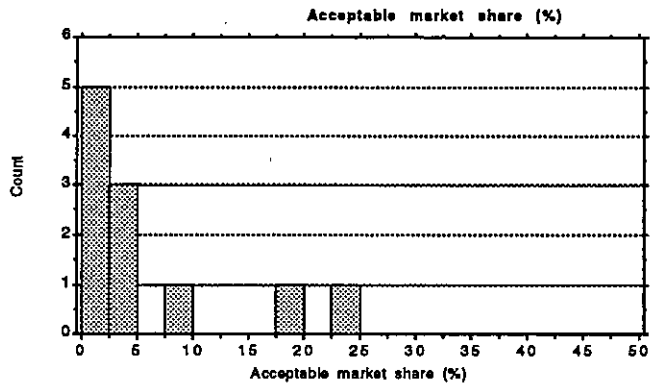
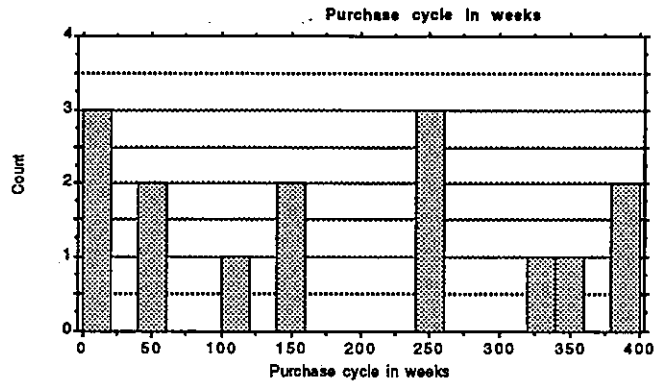
FASTMOVING CONSUMER GOODS:



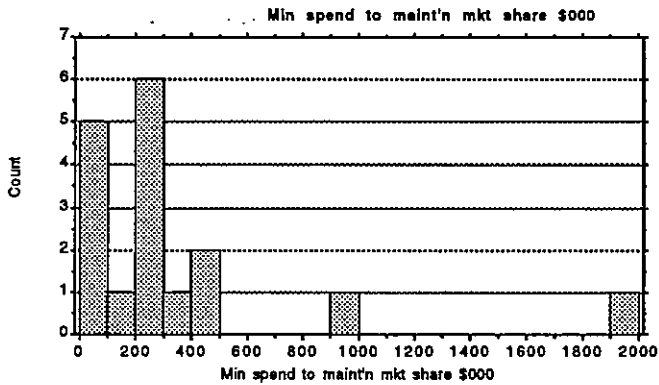
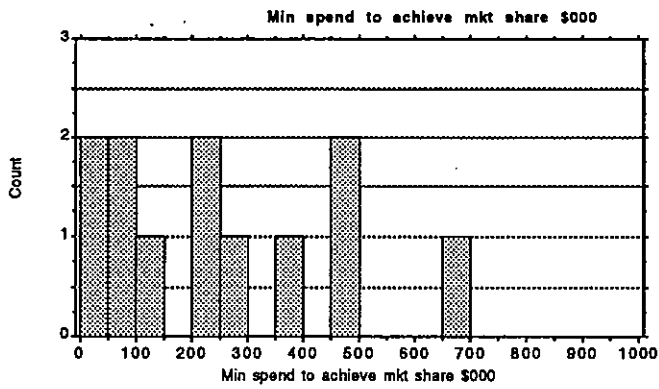
CONSUMER DURABLES:



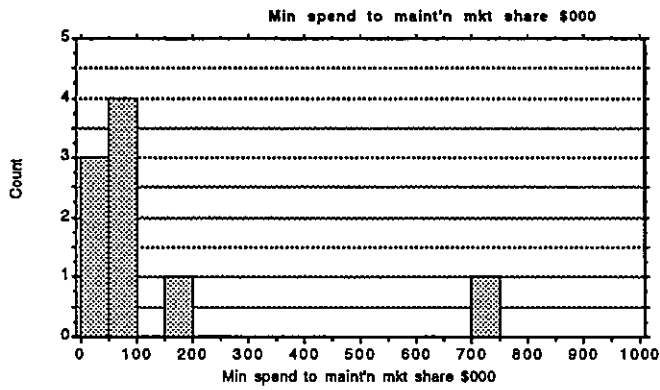
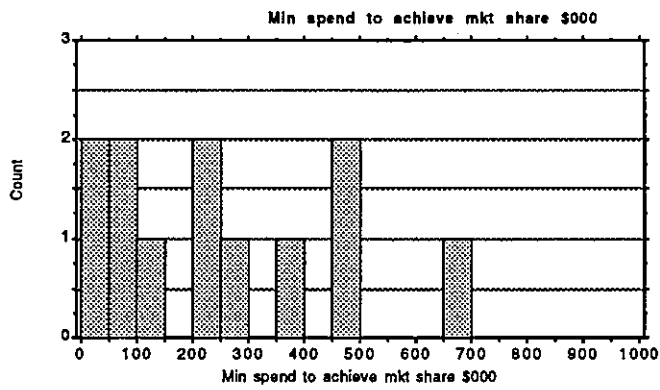
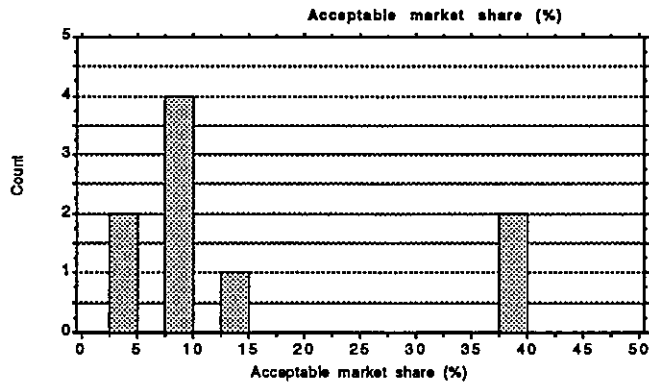
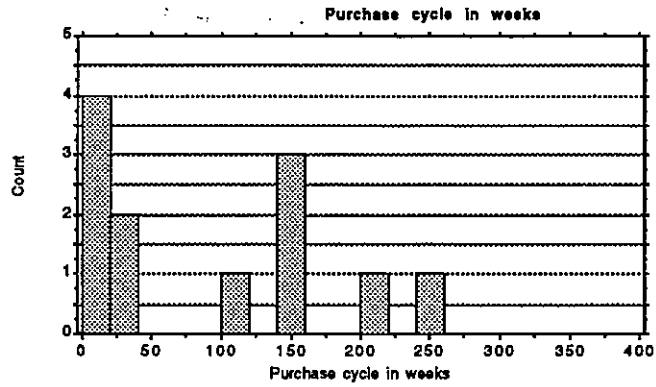
FINANCIAL SERVICES:



* excludes one firm stating 70%

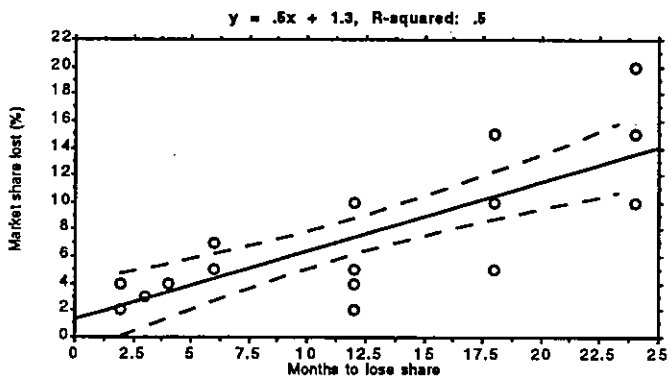
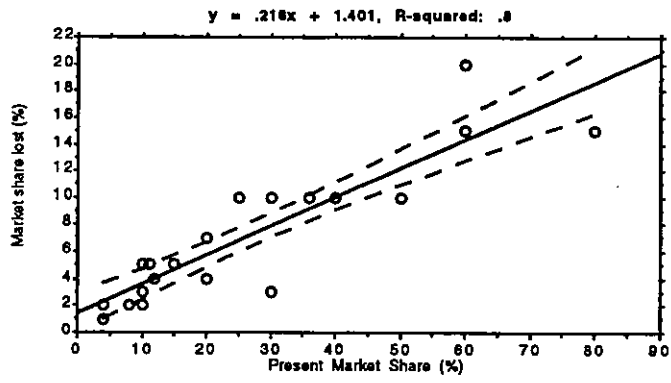


BUSINESS TO BUSINESS:

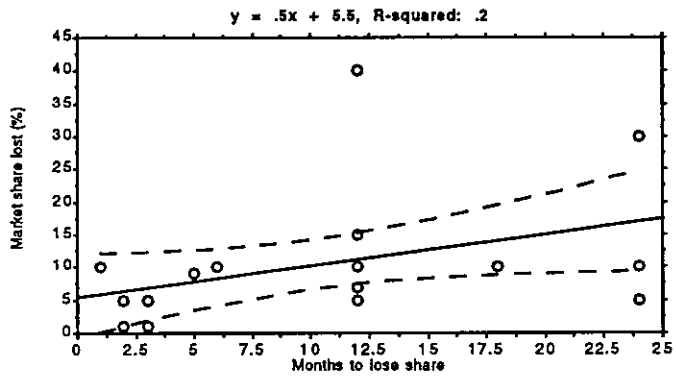
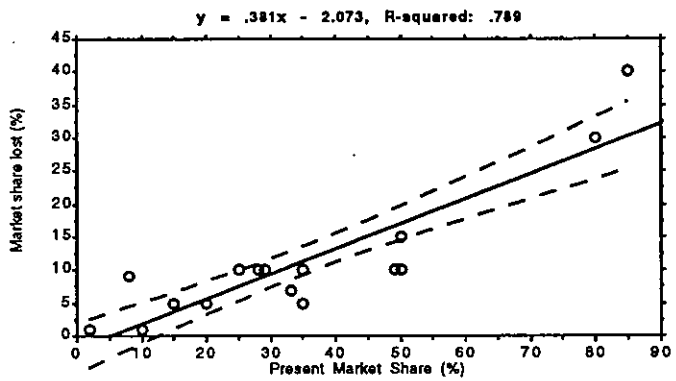


Relationship between present market share and expected loss from 50% advertising reduction

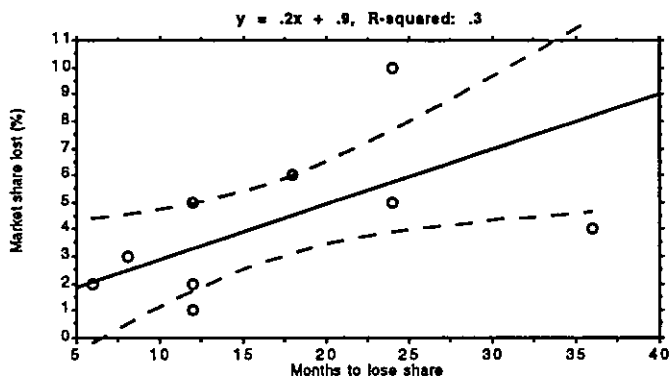
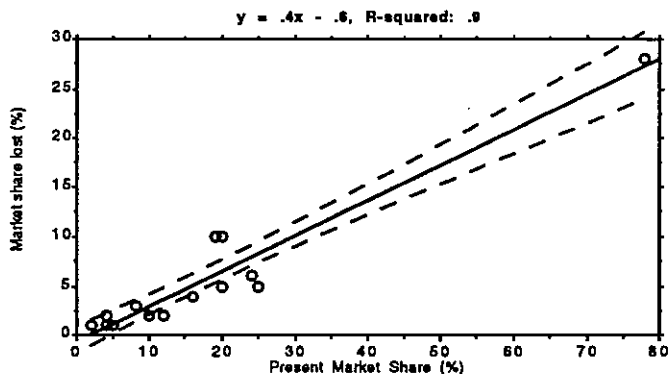
Fastmoving Consumer Goods:



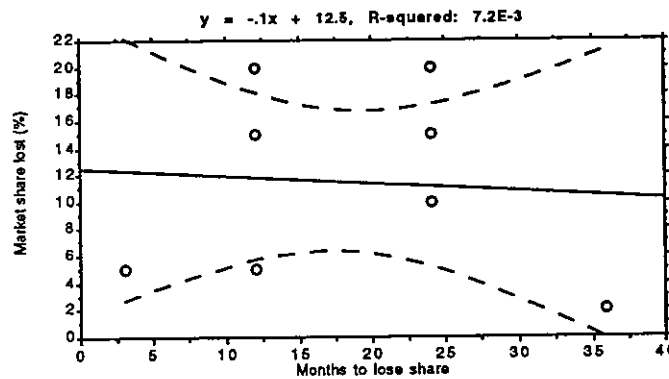
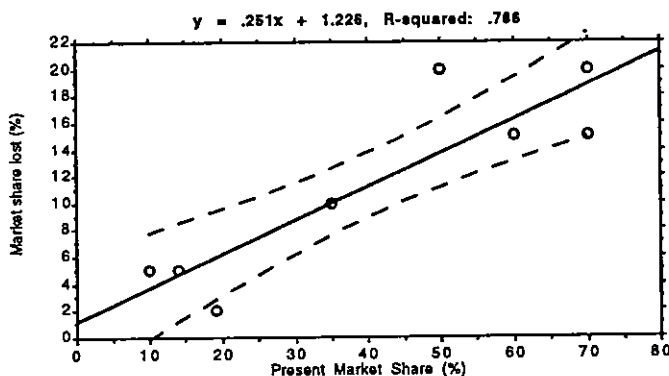
Consumer Durables:



Financial Services:



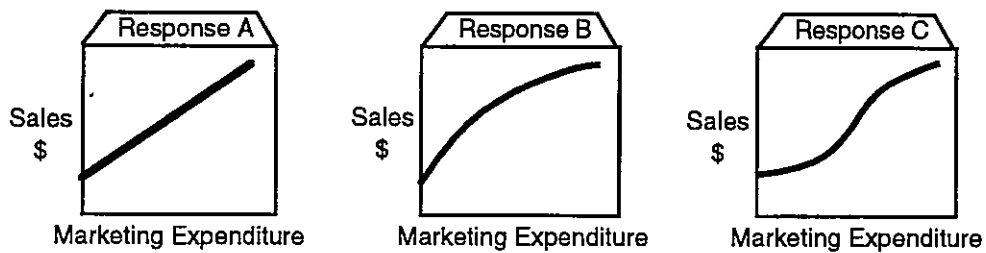
Business to Business:



Communications mix for new products and services

Media Types	Product/service Category			
	Fastmoving Consumer Goods	Consumer Durables	Financial Services	Business to Business
Advertising: Television	42%	40%	28%	6%
Radio	6%	2%	7%	1%
Newspapers	6%	10%	18%	6%
Magazines	10%	10%	4%	15%
Direct marketing	3%	7%	21%	18%
Sales force	13%	14%	18%	40%
Sales promotion/Coop advert'	16%	9%	2%	5%
Public relations	5%	4%	3%	8%
TOTAL	100 %	100 %	100 %	100 %

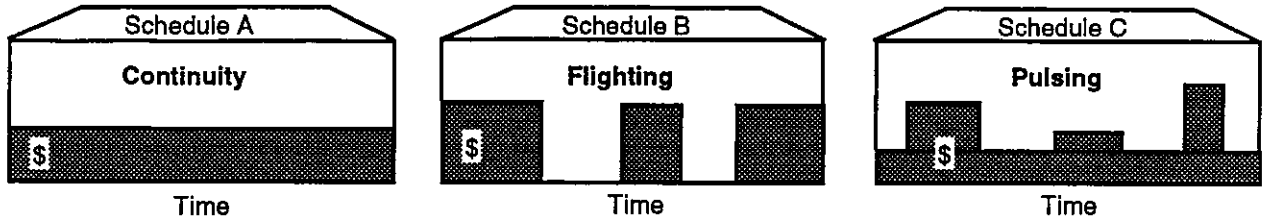
Sales response to marketing expenditures



	Fastmovng	C' durables	Financial s...	Bus to Bus	Totals:
A	1	3	0	1	5
B	10	11	9	7	37
C	12	7	8	2	29
Totals:	23	21	17	10	71

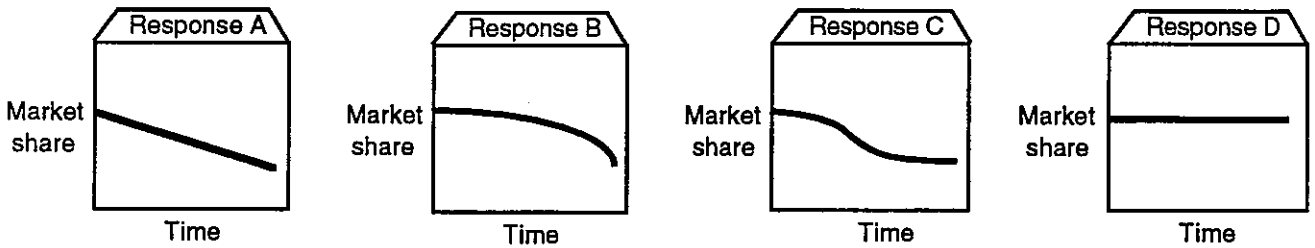
	Fastmovng	C' durables	Financial s...	Bus to Bus	Totals:
A	4.35%	14.29%	0%	10%	7.04%
B	43.48%	52.38%	52.94%	70%	52.11%
C	52.17%	33.33%	47.06%	20%	40.85%
Totals:	100%	100%	100%	100%	100%

Media scheduling approach



	Fastmovng	C' durables	Financial s...	Bus to Bus	Totals:
A	16.67%	36.36%	16.67%	10%	21.62%
B	58.33%	40.91%	44.44%	40%	47.3%
C	25%	22.73%	38.89%	50%	31.08%
Totals:	100%	100%	100%	100%	100%

Market share response to 50% reduction in advertising expenditure



	Fastmovng	C' durables	Financial s...	Bus to Bus	Totals:
A	3	2	1	1	7
B	6	4	9	2	21
C	13	12	5	6	36
D	1	3	2	1	7
Totals:	23	21	17	10	71

	Fastmovng	C' durables	Financial s...	Bus to Bus	Totals:
A	13.04%	9.52%	5.88%	10%	9.86%
B	26.09%	19.05%	52.94%	20%	29.58%
C	56.52%	57.14%	29.41%	60%	50.7%
D	4.35%	14.29%	11.76%	10%	9.86%
Totals:	100%	100%	100%	100%	100%

SECTION E: Measuring advertising effectiveness

Use quantitative measures of advertising effectiveness	Freqncy	%
Yes	62	83%
No	13	17%

Quantitative Effectiveness Measures	Existing prod/service		New prod/service	
	% using method	Av rank if used	% using method	Av rank if used
Sales response	67%	1.3	43%	1.4
Market share shifts	52%	2.0	24%	2.5
Brand awareness	47%	2.2	29%	2.1
Message recall	41%	2.6	26%	2.8
Executive judgement	22%	3.1	13%	3.0
Intention to buy scores	13%	2.8	8%	1.9
Profitability	14%	1.8	7%	1.7
Response device (coupon return, etc)	29%	2.9	20%	2.7

Use qualitative measures of advertising effectiveness	Freqncy	%
Yes	42	57%
No	32	43%

Qualitative effectiveness measures used	Freqncy	%
Focus groups	26	36%
Trade feedback	17	24%
Surveys/research	14	19%
Interviews	7	10%
Stochastic monitors	4	6%
One on one pretests	3	4%
Consumer panels	1	1%

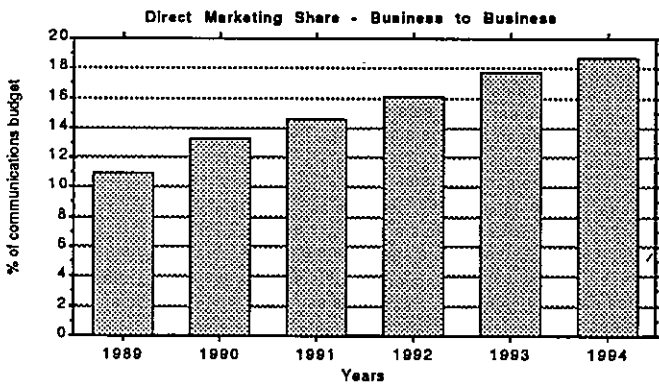
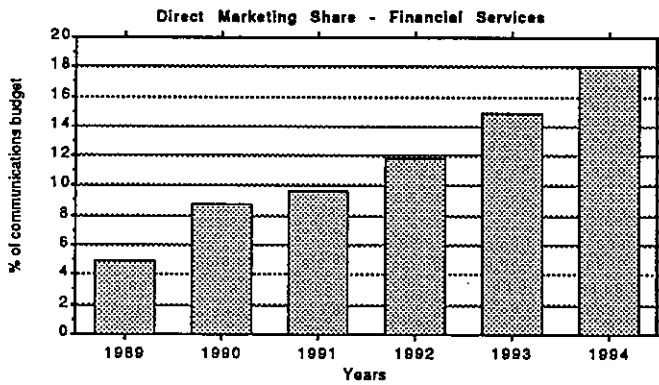
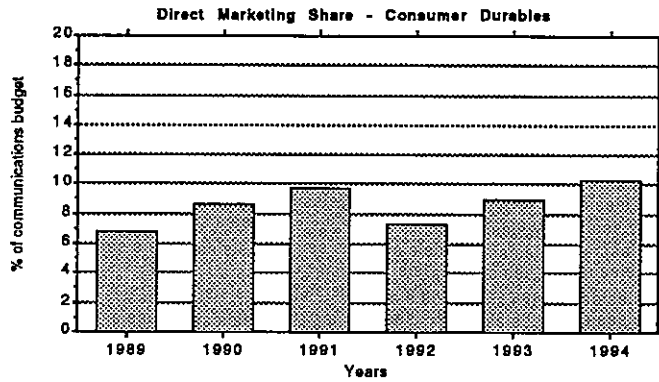
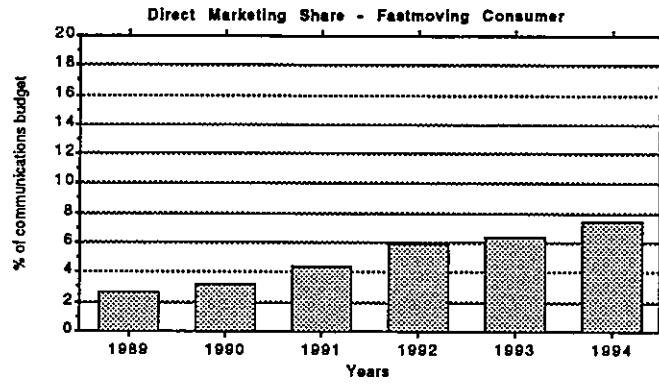
SECTION F: Advertising and direct marketing issues

Key advertising & promotional issues	Count	%
T.M. segmentation	18	15%
Prod differentiation	14	12%
Media clutter	14	12%
Media mix	12	10%
Cost effectiveness	12	10%
Budget constraints	11	9%
Comm'n strategy	10	8%
Positioning	8	7%
Competition	8	7%
Database management	7	6%
Direct marketing	4	3%
Efficiency/effectiveness	2	2%
Internal promotion	1	1%

Key advertising & promotional issues for the future	Count	%
Direct marketing	26	28%
Media mix	13	14%
Database management	11	12%
Segmentation	11	12%
Technological change	9	10%
Budgets	6	6%
Cost effectiveness	5	5%
Communication strategies	4	4%
Competition	3	3%
Corporate image	3	3%

Understanding of direct marketing	Count	%
Specific targeting	37	30%
Direct communication	44	36%
Personalised selling	15	12%
Requiring response	14	11%
Use of database	8	7%
Measurable	4	3%

Trends in Direct Marketing Spend by Industry Type



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