ROI IS A DIFFICULT CRITERION TO IMPLEMENT FOR MEDIA SELECTION

Return on investment (ROI) is the current buzz phrase in ultra-sophisticated media planning circles. Supposedly ushering in a revolutionary new approach in media selection, ROI tells the advertiser the incremental benefit gained by adding any medium (or media vehicle) to his/her ad schedule. Ideally this benefit is expressed in terms of new sales, but failing that, it can be defined as the extent of ad campaign awareness "lift" that is secured by adding a medium or media vehicle, relative, of course, to the cost of doing so.

Sounds logical, doesn't it? But as so often happens with such neat, simplistic approaches, once the "big thinkers" are done with their pontificating, it falls to the men and women in the media trenches to implement the concept. And this isn't as easy as it seems.

Let's take an example. An advertiser spending $50 million in network TV (on-air and cable) on a new campaign buys into the ROI approach and seeks to apply it. As is their customary practice, the client's media team locks in primetime buys on ABC/CBS/NBC and Fox for half of the budget "to maximize reach." As shown in the accompanying table, under Plan A, $25 million in primetime "delivers" 925 GRPs, an 85% reach and an estimated 35% ad awareness at a cost of $714,286 per ad awareness point. The next media option to be added is cable at $10 million, which provides 485 GRPs, a 60% reach and a 27% ad awareness. Unfortunately for cable, its effect on total ad awareness is a mere 2 points, and therefore its cost for this incremental ad awareness lift is $5 million per point. As if this wasn't bad enough, daytime proves even less efficient in adding ad awareness and the token amount spent on the last option, syndication, doesn't even move the awareness needle (see Plan A in table).

Obviously the order of inclusion is critical in this form of analysis, so let's see what happens if the planners juggle their media mix, giving cost-efficient cable the lion's share of their budget ($25 million) and first place in the rankings, while relegating high CPM prime to the bottom of the list at $5 million. Now cable has the edge. It generates many more GRPs than primetime (1,940 vs. 925) at the same spending level ($25 million), but is somewhat deficient in overall reach (70%) and ad awareness (29%). However, when you play the incremental game, the first medium selected always gets credit for all of the awareness it delivers, while additional media are evaluated only on the *added* awareness they induce. As shown in Plan B of the table, primetime doesn't stand a chance against cable, daytime or syndication when it is positioned last.

Computerized systems can segment each broad media type into many slices (show-by-show program genres and cable channel-by-channel, for instance) and, depending on the CPMs and awareness data, a more diverse ranking would ensue, possibly including elements from all four dayparts, TV types, etc. But the real problems that media planners face are two-fold. To begin with, there are no data on the awareness or sales developed by GRPs generated via

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ROI Is A Difficult Criterion To Implement For Media Selection *Continued*

individual TV shows, dayparts or network types. So how does one determine the return on investment for any specific media option or the individual components of a schedule?

Even more problematic is the notion that the only factors that an advertiser should use to judge a medium are its incremental effect on sales or on ad awareness. As we have demonstrated, a medium can go from first to last in ROI, depending on its selection sequence. When it is the first to be chosen, all of the awareness the campaign develops is credited to it; however, when it is second, third or fourth, only the incremental ad awareness rather than the duplication of reinforcing effects are considered.

Don't get us wrong. We are all for ROI as a way of evaluating media. But please, big thinkers, couldn't you give those under you who are supposed to execute such schemes a little more help? If not, like previous grandiose theories—such an effective frequency—little will come of your latest brainchild.

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ROI Is A Difficult Criterion To Implement For Media Selection Continued

HYPOTHETICAL ADVERTISER NETWORK TV SPENDING PLANS & ROI ANALYSIS

	$ MIL.	GRPs	REACH	AD AWARENESS	INCREMENTAL AD AWARENESS	INCREMENTAL AWARENESS CPP
PLAN A						
Primetime	25	925	85%	35%	35%	$714,286
Cable	10	485	60	27	2	5,000,000
Daytime	10	475	55	26	1	10,000,000
Syndication	5	175	45	18	0	—
Total	**50**	**2060**	**96**	**38**	**38**	**1,315,790**
PLAN B						
Cable	25	1940	70	29	29	862,069
Daytime	10	475	55	26	2	5,000,000
Syndication	10	350	54	27	3	3,333,333
Primetime	5	46	35	10	3	1,666,667
Total	**50**	**2811**	**95**	**38**	**37**	**1,351,351**

Source: Media Dynamics, Inc.