USING SPOT TV TO ACCOUNT FOR LOCAL MARKET SALES VARIATIONS IS MORE COMPLICATED THAN IT LOOKS

For years, advocates of spot TV, notably the TVB and various sales reps, have pointed out that "national" advertisers have significant market-to-market variations in sales potential and these can't be effectively addressed solely by the use of national media buys. Presentation after presentation has shown that network TV schedules rarely, if ever, match the actual regional sales skews of national brands in audience delivery (GRPs). Invariably a lot of markets are overdelivered while others are underdelivered in network media weight, relative to what would be desirable from an ideal marketing point of view. The "solution," as has been pitched repeatedly, is to allocate a significant portion of a national brand's budget to spot TV heavy-ups in key underdelivered markets.

This is all well and good, but anyone who has been through spot weight adjustment exercises often finds them to be a frustrating experience. To demonstrate this, let's take a fairly typical situation—a national brand that spends its entire ad budget on on-air TV and cable network buys, generating 3,000 total U.S. target GRPs annually. Like so many national advertisers, this one, "Brand X," has market-by-market variations in sales potential.

The first table describes these variations and the national TV plan's GRP delivery for ten regions. As can be seen, a high brand development index (BDI) sales area, Region B (5% of the population that delivers 8% of the brand's sales), gets only 5% more GRPs than the national average (3,150), hence it is seriously underdelivered relative to sales potential. In contrast, Region F, which is a subpar BDI area for this brand, gets 15% more weight than the national average and, as a result, is seriously overdelivered. Setting aside all other considerations for the moment, and going strictly by the numbers, the solution seems clear: a proportion of the national TV schedule should be deleted and the funds transferred to spot TV in at least four undelivered regions (B, C, D and H).

Although there are more sophisticated ways to approach this, the media planners start by reducing Brand X's network buy by 33% across-the-board (both on-air TV and cable dollars) and "invest" this sum in spot TV in the four above-mentioned regions. As shown in the second table, the decision to load up in four key regions, while logical at the outset, creates a new imbalance, with these areas now receiving too much GRP weight relative to sales. Indeed, in the Plan A vs. Plan B summary in the third table, the alternate network plus spot plan sacrifices 33% of the original plan's GRP delivery in six regions in order to fund a heavy-up in the four key regions. This is a worrisome plan of action.

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Clearly, there are many ways that this form of analysis can be refined to create a more regionally relevant, yet nationally efficient plan. For one thing, the planners could retain all of the national plan's cost efficient cable network buys and delete only the least efficient on-air TV components (primetime, for example) to fund spot buys. Similar economies could be attained for spot if high CPM options were avoided (e.g. late news or primetime on major network affiliates). Likewise, when evaluating certain markets within regions, the planners could delete or downplay high CPM cities in favor of those offering better CPMs, even if the former had somewhat higher indices of sales potential. Last but not least, it does not necessarily follow that all of a brand's best sites—with regard to sales potential—are to be found in its best regions. While this is directionally true, upwards of 10-20% of the markets in average or subpar regions may have above average city sales indices and should be considered for spot if their national media weight is unsatisfactory.

In order to weigh in all of these factors, the media planner needs a sophisticated computer-based allocation model that considers various media mixes in terms of cost effectiveness as well as sales potential. The result may well be a national and local media plan that improves audience delivery in virtually all regions—or at the least, minimizes GRP reductions in secondary regions—while directing more weight to key sales areas. Under such circumstances, how well the regional GRP fits relative to national GRPs becomes less important than the effectiveness of the total plan. In other words, it pays the brand better dividends to find the best overall result, rather than trying to match each region's GRP index to the corresponding sales index.

Even when such a model is available and the advertiser knows with some degree of certainty where the best area of sales potential lies, the planner's job is never simple. First and foremost there is the disparity between network and spot audience surveys. Nationwide, network buys can be planned and made with much finer precision (and confidence) than spot. Spot TV's audience surveys are primitive compared to network, and its sales practices (sudden preemptions of schedules and vague audience guarantees) make anticipated spot delivery in individual markets a guessing game at best. Further foibles, including lack of 15-second announcement availabilities, excessive paperwork, out-of-quarter make goods, high agency costs of buying, weak demographic targeting capabilities and the general lack of merchandisable vehicles (to impress the brand's sales force, the stores, "the trade," etc.) all work against spot television.

But wait, there's more. One of the primary weaknesses in national spot's position is the lack of knowledge about local and regional sales potentials by network-fixated advertisers. Often such marketers have only a hazy idea about where their sales come from, particularly by media markets. Also, they have few, if any, overriding philosophies about what to do if certain sites are above average or below par in sales attainment. The conventional wisdom is to try to beef up GRP delivery in "key" (big?) markets when on-air network buys underdeliver audience impressions. Aside from this, national marketers with significant geographic sales skews invariably allocate extra spot dollars to precisely those cities where they are already doing well, instead of spending more in high category sales areas where their share of market is below par, but building. Ultimately, whenever a budget crunch occurs, guess what gets canceled first? If you said spot, you are right on target.

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Using Spot TV To Account For Local Market Sales Variations More Complicated Than It Looks *Continued*

Another problem for spot sellers is the fact that their form of TV is seen as an addition to network—an incremental GRP or impression weight option. As everyone who had seen sales response studies knows, there is a progressive decline in ad awareness and sales benefits as more and more GRPs are accumulated. Basically, the first 50 GRPs generate better results than the next 50 and so on until eventually there are no measurable gains as additional media weight piles up.

An analysis by Information Resources, Inc. (IRI) demonstrates this point. IRI's scanner panel tracks sales patterns and TV household GRPs for a large number of packaged goods brands. Taking those brands that utilized spot TV on top of their network buys to tailor their media weight in key markets, IRI noted that only 24% of these high BDI heavy-ups produced higher sales in the cities involved, while 43% of the time sales response in high BDI markets was low, implying that the spot dollars were wasted.

If they really wish to promote spot TV as a viable option for national advertisers who thus far have not seen the light, spot sellers need to clean up their audience survey mess and refine their sales practices (provide meaningful rating guarantees, in-quarter make-goods, acceptance of 15-second units and run schedules as ordered). But most important would be some definitive research that guides advertisers on the best ways to use spot. For example:

1. Do big brands benefit as much as small brands from tailored spot heavy-ups?
2. Should spot be used at the same time as network or between network flights?
3. How much heavy-up spot weight is needed relative to network GRP delivery? Do you go for added reach or frequency?
4. Can spot GRPs be equated with network CPPs in terms of commercial exposure and impact? Are "value" adjustments needed?
5. Which spot dayparts/programs types/station types provide the best fit with various kinds of network buys?

The only way to develop answers to such questions, at least for packaged goods advertisers (who, by the way, will be the most receptive), is a long term multi-category, multi-brand analysis conducted by a facility that can monitor TV audiences (network and spot) and subsequent sales results. Scanner panels such as those used by Information Resources, Inc. (IRI) are an ideal vehicle for such analysis, providing they focus on long term as well as short term effects. To be credible, the research program should be totally objective, which means in some cases the addition of spot will not prove to be effective. But overall, anything that elevates the use of national spot to the strategic level—showing why and how best to use it—will be a tremendous plus for this often neglected (or oversimplified) segment of the television medium. Spot TV deserves better than that, if only its proponents can prepare themselves to talk convincingly to media planners and, obviously, to advertiser brand management (the real decision-makers) in realistic and marketing-relevant terms.

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REGIONAL SALES POTENTIAL AND NETWORK TV GRP DELIVERY FOR NATIONAL BRAND X

	% POP.	% OF SALES	REL. SALES INDEX	NETWORK TV GRPs	NETWORK TV GRP INDEX
Region A	10	9	90	2760	92
B	5	8	160	3150	105
C	8	10	125	2610	87
D	6	8	133	2822	94
E	12	10	83	3030	101
F	14	11	79	3450	115
G	16	15	94	2700	90
H	12	14	117	3300	110
I	10	9	90	3450	115
J	7	6	86	2728	91
Total U.S.	**100**	**100**	**100**	**3000**	**100**

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BRAND X REGIONAL SALES POTENTIAL AND TV GRP DELIVERY FOR NETWORK PLUS SPOT PLAN

		NETWORK + SPOT TV PLAN			
	REGIONAL SALES INDEX	NET. TV GRPs	SPOT GRPs	TOTAL GRPs	TV GRP INDEX
Region A	90	1849	—	1849	63
B	160	2111	4600	6711	229
C	125	1749	3400	5149	176
D	133	1891	3800	5691	195
E	83	2030	—	2030	144
F	79	2312	—	2312	79
G	94	1809	—	1809	62
H	117	2211	2200	4411	150
I	90	2312	—	2312	79
J	86	1828	—	1828	63
Total U.S.	**100**	**2000**	**925**	**2925**	**100**

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BRAND X GRP DELIVERY FOR NETWORK-ONLY VS. NETWORK PLUS SPOT PLAN

		GRPs		
	REGIONAL SALES INDEX	NETWORK-ONLY PLAN	NETWORK + SPOT PLAN	% CHANGE
Region A	90	2760	1849	-33
B	160	3150	6711	113
C	125	2610	5149	97
D	133	2822	5691	102
E	83	3030	2030	-33
F	79	3450	2312	-33
G	94	2700	1809	-33
H	117	3300	4411	34
I	90	3450	2312	-33
J	86	2728	1828	-33
Total U.S.	**100**	**3000**	**2925**	**-3**

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