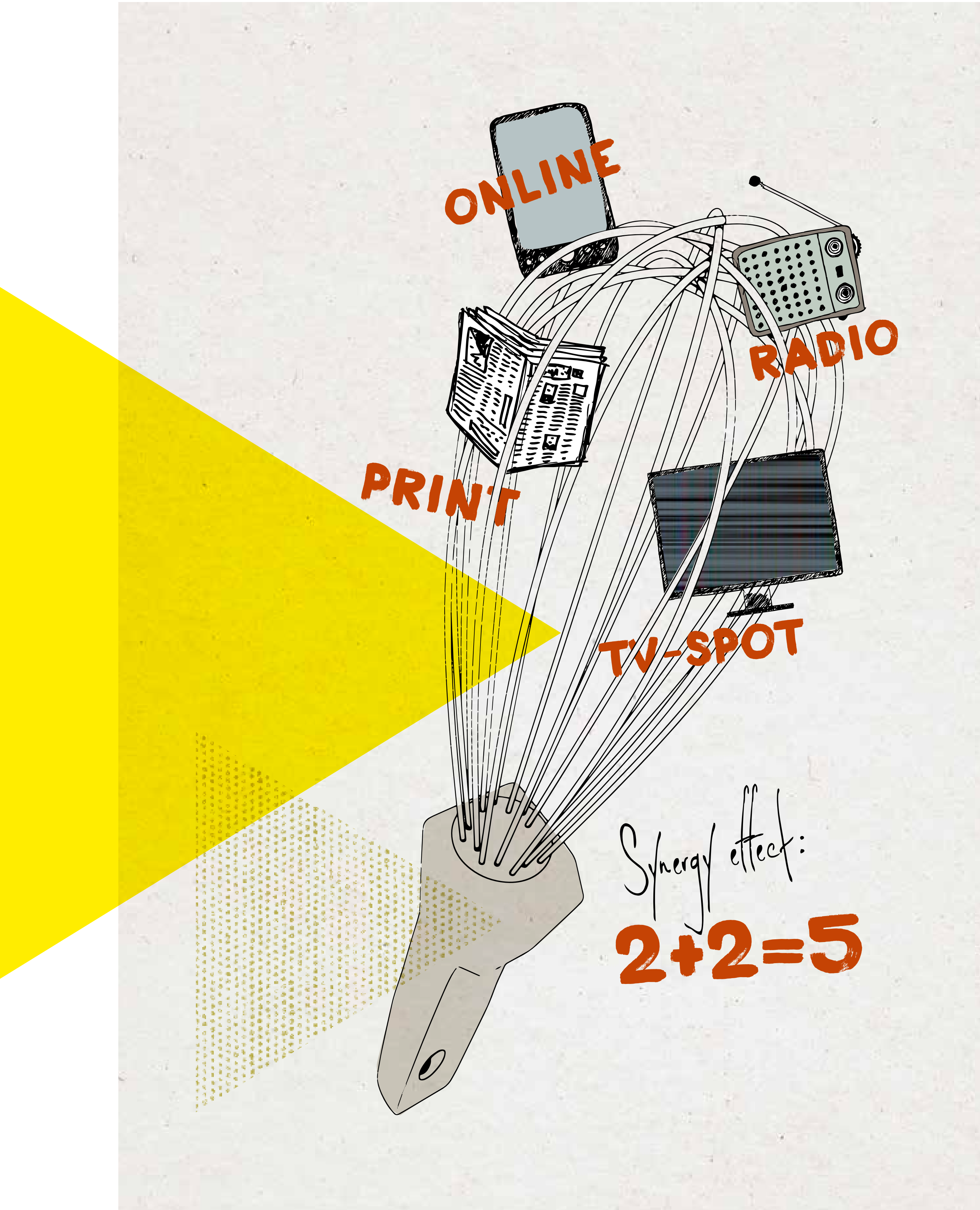
ONLINE
RADIO
PRINT
TV-SPOT
Synergy effect:
2+2=5

True Synergy for Real Effects: How to Control Integrated Marketing Successfully

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KEYWORDS

Crossmedia, Synergy, Advertising, Online and Off-line Media, Integrated Marketing, Advertising Effects, Media Planning, Budget Allocation

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Ford Motor Company spent over $60 million in an integrated marketing campaign to launch F-150 trucks. Their television advertising targeted male consumers aged 25 to 49, who saw the ads 30 times during the 60-day launch period. Online advertising presented simultaneous ad display across multiple sites. Besides television and online ads, various other media such as radio, print, outdoor and direct mail were included in this campaign and generated synergies between mass media and online advertising. Using a model-based approach, Ford measured not only the effectiveness of individual media but also the complementary effects due to synergies between various pairs of media. In integrated marketing, each activity's effectiveness depends on all other brand activities when synergies are sought. Thus, integrated marketing goes well beyond the concurrent use of multiple media, as in the standard multimedia approach where the effectiveness of each activity does not depend upon any other activity. Synergy represents the joint effect of two different activities. It emerges when the combined effect of two activities exceeds the sum of their individual effects, that is, when 2 + 2 = 5. In this framework, a number of fundamental questions arise, which will be discussed in the following sections.

What are the magnitude and effects of synergy? /// A recent comprehensive survey of 130 media and advertising managers who collectively allocate about 70 % of Germany's advertising budgets across major brands provides the main insight. Figure 1 shows that 39 % of overall media effectiveness in advertising is attributed to synergies.

FIGURE 1:

Magnitude of synergies

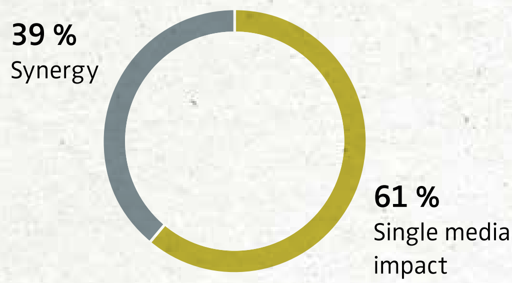


FIGURE 3:

Sources of synergies

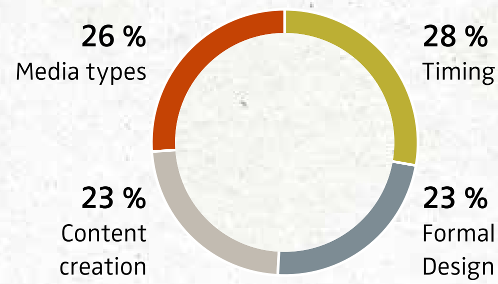


FIGURE 2:

Effects of synergies
How 100 % of media synergies spread across …

Such synergies arise at the various intermediate stages by which consumers move along the sales funnel. As Figure 2 shows, synergies manifest themselves along the sales funnel at all stages but are highest at the awareness (46 % of 100 %) stage. Looking at the same distribution of synergy across the intermediate effects of advertising, managers locate them significantly higher with affect (37 %) compared to cognition, experience, or sales stages.

What are the sources of media synergies? /// Based on the same survey, synergies arise from each of the following four areas: combining different media types, scheduling their in-phase or out-phase timing, using consistent formal designs and creating integrated content across media types (see Figure 3). Moreover, using a proper mix of multiple media (26 %) and synchronizing spending patterns over time (28 %, totaling 54 % together) are more important tasks than creating (23 %) and designing advertising content (23 %, totaling 46 % together) when generating media synergies.

To understand how synergies emerge when two media are combined, a consortium of radio network companies sampled 500 adults ages 20 – 44 across ten locations in the United Kingdom. The main findings indicated that 73 % of the participants remembered the prime visual elements of television ads upon hearing radio commercials. In addition, 57 % re-lived the TV ads while listening to the radio advertisement. Thus, radio advertising reinforced the imagery created by TV commercials, creating synergy between television and radio advertising.

Our survey sheds further light on this phenomenon of how different media combinations work. Figure 4 presents the results. Television advertising, first and foremost, offers a broad reach by informing the targeted mass segment about the brand's value proposition. When TV advertising is used in combination with online, print or direct mail advertising, the target segment gets to read, understand and elaborate on the advertised content, thereby reinforcing the brand's message. Whereas when TV is used in combination with radio advertising, as in the above UK study, the effectiveness of television advertising increases because of repetition of the brand's message in a different medium. In other words, media variation by itself reinforces the memory of the advertisement and not the elaboration of its content. The combination of print and online advertising works similarly to this TV-radio combination, where media variation helps enhance the individual effectiveness.

How does synergy affect the total budget? /// After managers have created synergies across various combinations of multiple media, how should they determine the total multimedia budget that incorporates the sales impact of synergy? The researchers Naik and Raman have developed a method to estimate effectiveness and synergy using market data on sales and advertising. The method obtains the optimal budget based on the estimation results. Furthermore, their analysis offers an interesting insight: ***As synergy increases, the optimal total media budget increases as well.***

Corroborating this result, a recent study finds that a vast majority (73 %) of advertising managers believe that the budget will increase when clients adopt the integrated marketing perspective. It is important to note that managers should not simply spend the additional budget to "do more of the same thing." Rather, the increased budget should be utilized to create synergies between activities. The resulting synergies then enhance both the short- and long-term effectiveness of marketing activities.

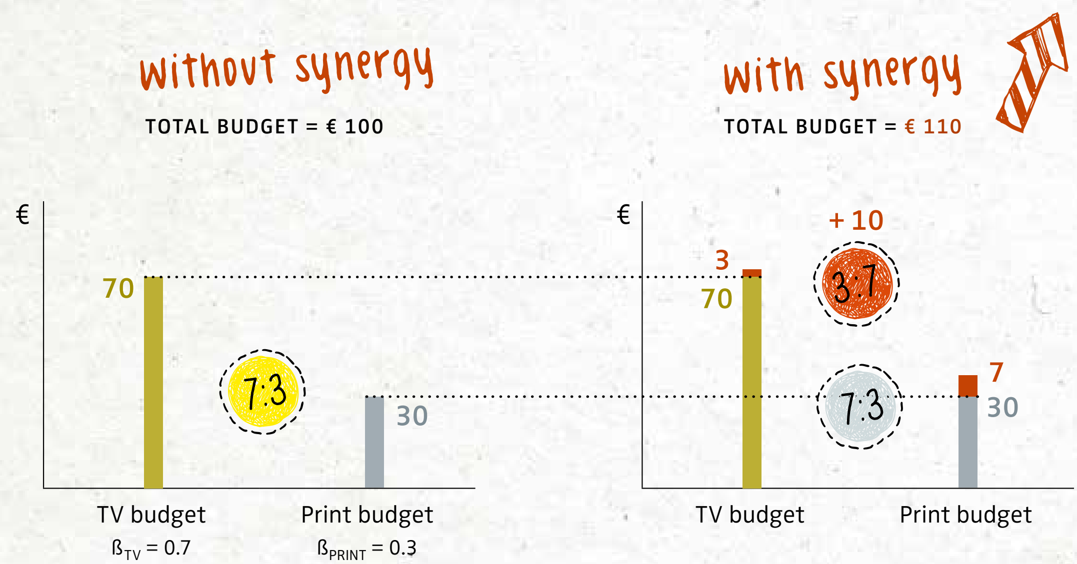
FIGURE 4:

How media types generate synergies

Combination		Main reason	Index
TV +	Online	High reach first, then content elaboration	138
	Print	High reach first, then content elaboration	121
	Radio	Enhancing TV effectiveness through media variation	114
	Mailing	High reach first, then content elaboration	32
Print + Online		Enhancing print effectiveness through media variation	16

FIGURE 5:

Budgeting with and without synergies



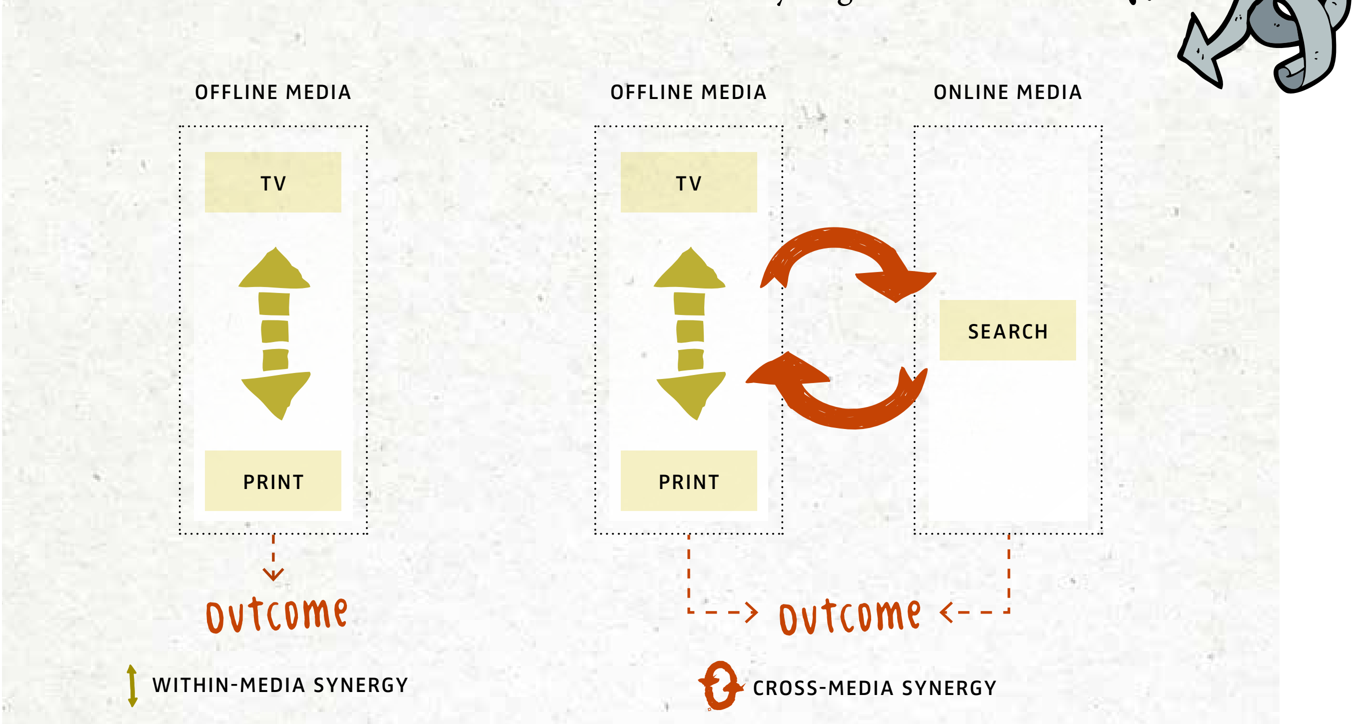
MAJOR CHANGES IN CLASSIC ALLOCATION RULES

- When effectiveness of a medium increases, increase its share and total budget.
- Budget allocation is proportional to relative effectiveness across media.
- When synergy increases, decrease (increase) share of more (less) effective medium.
- When synergy increases, increase total budget.

How does synergy affect budget allocation? /// The budget allocation to multiple media differs qualitatively in the presence of synergy, requiring managers to act differently when implementing integrated marketing. The researchers also show how synergy alters the budget allocation: ***As synergy increases, the proportion of the media budget allocated to the more effective medium decreases, while that allocated to the less effective medium increases***.

The counterintuitive nature of this result is its striking feature. To understand the gist of this result, suppose that two media have unequal effectiveness as shown in Figure 5. Then, in the absence of synergy, the optimal spending on a medium depends only on its own effectiveness; hence, a larger amount is allocated to the more effective medium. In contrast, in the presence of synergy, optimal spending depends not only on its own effectiveness, but also on the spending level for the other medium. Consequently as synergy increases, the incremental spending on a medium increases proportional

FIGURE 6:
Classic versus hierarchical synergies



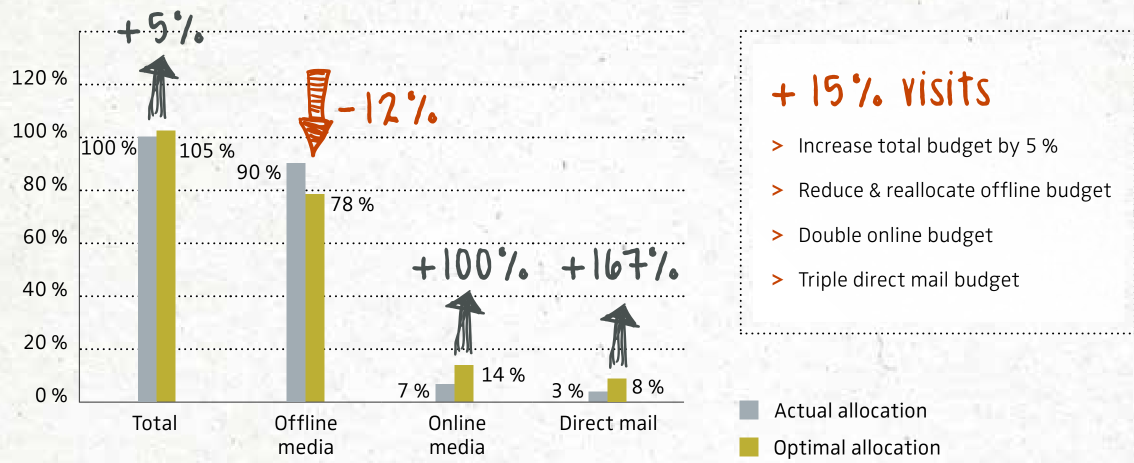
to the existing spending level on the other medium. Hence, optimal spending on the ***more effective*** medium increases ***slowly*** because it depends on the other (smaller) medium. Similarly, the optimal spending on the ***less effective*** activity increases ***rapidly*** because it depends on the other (larger) medium. Thus, the proportion of the budget allocated to the more effective medium decreases as synergy increases. Figure 5 illustrates this allocation principle and highlights the main differences in budgeting and allocation without and with synergy.

Do higher-order synergies exist between online and off-line media? /// When both within-media and cross-media synergies are observed separately, the effects of higher-order synergies of one whole media class – like online media – on the synergies within the other media class – such as off-line media – can be analyzed. Figure 6 illustrates this idea (right part) and contrasts it with the classical within-media synergy (on the left part).

We tested the framework on the right side using data from a major car company that advertises in both online and off-line media to keep its brand in consumers' consideration sets. The company evaluated the consideration outcomes by counting online visits to a car configurator on their website. The study found evidence for both types of synergies: Online advertising amplified the effectiveness and synergies of off-line media (television, print, newspapers and magazines), thereby increasing the number of online car configurator visits.

The resulting higher-order synergies led to a different optimal budget allocation, as shown in Figure 7. The main model-based recommendations are an increase of the total budget, a reduction of off-line media budgets and a budget reallocation to online and direct mail advertising. The online budget can be increased because it builds more synergies within its media class and cross-media with various off-line activities.

FIGURE 7:
Budget impact of higher-order synergies



Are there catalytic effects of synergy? /// The presence of synergy introduces fundamentally new advertising effects and explains why managers should invest in 360-degree multiple media, even if some effects seem negligible at first. Marketing activities that have negligible direct effects on sales but exhibit substantial synergies with other activities have a catalytic quality. Therefore, managers should not eliminate spending on an apparently ineffective activity when it enhances the effectiveness of other activities.

They not only benefit from direct effects, but also from indirect effects of various activities. For example, BMW used product placement in James Bond movies, which may not directly have increased BMW sales but made its TV and print advertising more effective. Similarly, Mini Cooper sponsored the movie, ***The Italian Job***, to build its brand image. Some pharmaceutical companies supply product samples or

» Managers should not eliminate spending on an apparently ineffective activity when it enhances the effectiveness of other activities. «

collateral materials that may not directly increase sales of prescription medicines but may enhance the effectiveness of salesforce communications with doctors. Indeed, marketing communications via billboards, publicity, corporate advertising, event marketing, in-transit ads, merchandising and product placement in movies may have no measurable impacts on sales. Yet millions of dollars are spent on these activities because, by their mere presence, they act as catalysts and enhance the effectiveness of other activities such as broadcast advertising or salesforce effort.

Altogether, managers are well-advised to monitor synergies of their activities and reflect them in their budgets. Sometimes the effects are surprising, and individual activities need to be seen in a completely new light when combined with others.
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