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Introduction

With the increase in expenditures for advertising and promotional programs for the marketing of consumer packaged-goods products --over \$100 billion estimated to be spent on advertising during 1986, while consumer and trade promotions were anticipated to top \$200 billion (Fortune, 1986), the effectiveness of the coordination of advertising and promotional strategies is increasingly questioned. Strang (1975) noted a lack of "advertising/promotion" planning and argued for increased integration to take advantage of synergistic effects. Reibstein and Traver (1982) gave five strong reasons for couponing to represent a substantial portion of the promotional budget--more than 180 billion coupons were printed during 1985 with an estimated face value of \$50 billion (Fortune, 1986).

In the early 1970's the literature contained evidence that coordination was rarely followed explicitly by marketing practitioners (see especially Strang (1975) for results of interviews with 54 executives in 17 Marketing Science Institute member companies). Similar studies of coordination have not been found in the literature of the 1980's except for the strong implication of coordination in the modeling literature especially with new products. In general the use of well known models AYER, NEWS, LITMUS, and BRANDAID indicate that advertising, and promotion should be temporally coordinated to achieve maximum results. When advertising and promotional events occur within the same time period in sufficient degree a synergistic relationship is suggested by the heightened model impact (often multiplicative) upon awareness, trial, repeat purchase and/or sales volume. Couponing was selected in this research as a good first step to study the relationship of a major promotional event (based on proportion of budget) with advertising. Specifically we have studied whether the absolute levels of advertising and couponing are coordinated in four-week planning periods for new brands.

Methodology

107 market plans of 107 different products that were submitted to a market research firm (BASES, a division of Burke Marketing Services, Inc.) for evaluation of the new products' first year sales were examined. Each plan was conceived in 1983 and for proprietary reasons can not be identified in this research. For each four week planning period, for each product, the level of advertising measured by GRPs was related to the presence of a couponing event and the magnitude of the event measured by the quantity of coupons distributed. Multiple hypotheses were conducted and tested to represent the concept of overall coordination. These hypotheses are not independent but they do represent outcomes that practitioners expect to observe if coordination has taken place.

- (H1) the magnitude of GRPs is higher in periods when there is a couponing event than when there is no couponing event.
- (H2) the quantity of coupons distributed during a couponing event will depend positively on the magnitude of GRPs present within a period.
- (H3) the quantity of coupons distributed during a couponing event will depend positively on the magnitude of lagged GRPs present within a period.
- (H4) the magnitude of GRPs is higher in periods when there is a couponing event for all three spending level classifications of the promotional plans. (Less than \$9.5mm, \$9.5mm to \$14mm and over \$14mm).
- (H5) the magnitude of lagged GRPs is higher in periods when there is a couponing event than when there is no couponing event.

The hypotheses were tested by either a two sample t-test or by regression analysis. An exponentially smoothed moving average with lambda equal to .49 was used as the measure of lagged advertising GRPs.

All hypotheses were supported at or above the .02 significance level. As an example the results for hypothesis one are listed below.

Coupon Event	N	Mean GRPs	Standard Error	t Value	P Value
NO	866	167.56	5.55	-5.69	.0001
YES	418	230.02	9.47		

Conclusion

Collectively, the strength and direction from these multiple hypotheses tests imply that there is overall coordination of advertising GRP intensity and couponing in the first year plans of consumer packaged goods. While these plans may be from more sophisticated users, those who would contract with a research organization for plan evaluation, they do represent a rich source containing a wide variety of new consumer product plans of various marketing practitioners. As plans, they do not suffer from the assumption that what is measured in the market place represents what activity was planned. Analysis of this data does yield a reversal of 1970s research in that practitioners reflect through their plans that integration of advertising and promotion (couponing) can lead to useful synergistic effects.

References

Reibstein, David J., and Phyllis A. Traver, "Factors Affecting Coupon Redemption Rates," Journal of Marketing, Volume 46, Fall 1982, pp. 102-111.

Strang, Roger A., "The Relationship Between Advertising and Promotion in Brand Strategy," Marketing Sciences Institute Working Paper Number 75-119, October 1975.