

Media Testing and Test Marketing Procedures

Overview

Aggressive growth objectives resulting from new product acquisitions and the expansion of existing business units demand a disciplined approach to test marketing on different brands. Testing affords Management the opportunity to minimize financial risk while assessing the potential of new marketing and media strategies.

The evolution we are experiencing today in media places additional pressures on the media professional to design and implement test market plans that accurately replicate the National Theoretical Plan.

Although developed primarily to establish a procedure for the uniform translation of national plans, this document also addresses key issues relevant to test marketing theory and execution applicable to the less formal nature of Vitality Tests.

At WFofR, we have executed media tests in as few as two markets. Our tests generally lead to expanded media presence in additional markets depending on the client's media and brand objectives.

Opportunities

New marketing concepts that require test market experience of a national media plan usually involve consideration of:

- New product introduction
- New feature of existing product (includes line extensions)
- Alternative marketing strategy
- Alternative media strategy
- Alternative creative strategy
- Varying advertising weight levels

Only one element should be tested at a time in a given market area to isolate the variable being measured.

Additionally, the element tested should represent a significant difference versus the control to insure readability.

Objectives

The only way to determine the success or failure of a test is to establish an objective before it starts. The objective should be compatible with the brand's marketing goals and must be quantifiable.

Typical measures of performance include:

- Dollar sales
- Quantity sales
- Market share
- Distribution
- Purchase frequency
- Advertising awareness

Necessity of a National Plan

Since the primary purpose of a market test is to help determine whether the marketing concept can be expanded profitably on a national basis, the marketing manager would need to know:

1. National costs of the plan to be tested to determine profit objectives.
2. Marketing objectives of the national plan so as to evaluate test market performance.
3. Elements of the national plan to determine a course of action in test market to duplicate these same elements. The development of a national plan is necessary because it:
 - a. Determines the objectives and rationale to be tested and evaluated.
 - b. Establishes the national media objectives, which are then translated and tested in-market.
 - c. Places the objective in an overall marketing context.

Number of Test Markets

Three test and control markets is the optimum number to insure a reading of any difference. The use of two test markets (and two controls) is acceptable although a disruption in one renders the remaining market insufficient for reliable reading of the test.

Length of Test

The ideal duration of a test is one year, particularly if market activity is subject to seasonality. Although a 6-month test period is often preferred to facilitate a “quick read,” every attempt should be made to conduct a 12-month test for new products, alternative media strategies and other strategic issues benefiting from longer in-market experience.

Test Market Selection

Test Market selection is one of the most critical aspects of test marketing, from both a marketing and media point of view. Several major factors must be considered when selecting a test market:

1. Historical brand experiences
 - a. Distribution
 - b. BDI/CDI (and influencing factors)
 - c. Responsiveness to advertising
 - d. Attitudes/Awareness
2. Competition
3. Promotion Plan
4. Economic/Demographic Profile
 - a. Age
 - b. Income
 - c. Race
 - d. Unemployment

5. Media Considerations
 - a. Spill-in/out, cable penetration
 - b. Media availability
 - c. National media delivery
 - d. Market size
 - e. Testing conflicts

Spill-in, Spill-out and Cable Penetration

To minimize the influence of outside market competitive activity and the prospect of restricted audience reach, spill-in should be held to 15% when possible. To avoid advertising a new product in areas beyond its current distribution (and possibly affecting control markets), spill-out should also be kept below 15% whenever possible.

Cable penetration in test markets should approximate the U.S. as a whole.

Media Availability

A test market should be representative of the national media environment by offering:

- Three network television affiliates
- Several radio stations
- Daily and Sunday newspapers
- Test Market editions of national magazines as appropriate
- Online media outlets as appropriate

National Media Delivery

Local delivery in the test market should fall within 15-20% of national average. If this goal cannot be achieved, however, and other factors dictated use of the market, it is recommended the necessary compensatory weight be purchased to correct the deficiency.

Market Size

The combined test market geography should provide 1-3% coverage of the U.S. Control markets of approximately the same size is recommended.

The ten largest markets are usually eliminated because of competitive activity and high media costs. At the other extreme, markets smaller than .10% U.S. are avoided due to poor demographic representation and small universes. However, such mini-markets are occasionally used as low-cost disaster checks for directional purposes only.

Translation Methodologies

The appropriate testing methodology is that which provides the most accurate and projectable reading of what is being tested. The three principle methodologies for translation national plans in test markets are:

- Direct Translation of test markets to national
- Market Delivery Based on Market Conditions
- A Combination of the Direct Translation and Market Delivery Tests

1. Direct Translation

Using this methodology, the absolute national levels of media weight are translated directly into each test market. For example, a national plan designed to deliver 100 GRP's/week would be translated by purchasing 100 GRP's/week in the test market.

Reasons for Using

- Assumes the true effect of a proposed national plan can only be measured by reaching the same percentage of people who would be reached on a national basis (given the same effect frequency and media mix.)
- Each market is read separately as representative of the total U.S. Although it may be advantageous to reproduce the national communication level in the test market, it is mainly used in small markets where direction, rather than projectable, data is sought.

Reasons for Not Using

- By not considering media delivery variations between markets, the direct translation method does not maintain a constant national spending level. A \$10MM national plan may deliver at a \$8MM level in one market and a \$12MM level in another. Although it may reflect the communication levels of the total U.S., it may not accurately reflect any given market.
- Ignores competition as a factor by establishing absolute levels in each test market based on a national average. The failure to recognize competitive presence - whose delivery varies by market - distorts the brand's relative share-of-voice.

2. Market Delivery Based on Market Conditions

This method is often considered the most realistic representation of the marketing environment. Each test market receives media weight on the basis of what that market's delivery would be if the national plan were implemented. Given a national plan level of 100 GRP's, for example, and a local market's delivery index of 80, local delivery would dictate the purchase of 80 GRP's for the market.

Reasons for Using

- Replicates media activity in test market, as it would actually occur with the national plan.
- Recognizes the variation in competitive share-of-voice and maintains control of the national spending level.
- Improves the accuracy of national projections by reflecting the local market conditions in the media purchase.
- Reflects the "real world" situation.

Reasons for Not Using

- Reading individual markets is very misleading because media delivery varies by market.
- Reading the market delivery markets in a group, as representative of the total U.S. is acceptable only if the composite (weighted) delivery closely approximates the national plan level.
- Attempting to read a group of markets with widely varying delivery restricts interpretation and projectability. Therefore, national media delivery indices must be factors in test market selection.

3. Combined Methods

This technique combines elements of the Direct Translation and Market Delivery methodologies. While recognizing media elements will produce varying delivery among the test markets, the adjusted method attempts to minimize that variance to enhance the test reading. This method does not discriminate against delivery variance in the 10-20% range, as this generally considered statistically insignificant. However, markets substantially over or under delivered versus the national plan are adjusted to within the ± 10 -20% parameter. While some reasonable variation is acceptable, major ($\pm 20\%$) variances need to be eliminated.

In a media mix test, the adjusted method translates the base medium in local markets and schedules the incremental media on a Direct Translation basis.

Reasons for Using

- Compensates for weight level delivery variance without overcomplicating test.
- Recognizes “real world” variations in local media delivery without compromising the integrity of the test and its measurement.

Reasons for Not Using

- Provides a compromise that may increase confusion and restrict translation clarity.

4. Methodology Application Guidelines

Because many factors impact the selection of test translation methodology, there are test circumstances in which more than one translation technique is acceptable. However, experience indicates general guidelines should apply for determining the most appropriate methodology in a testing situation.

Direct Translation

- New Products
- Media Mix Tests – where two media are being directly compared on a \$/GRP basis as either base or incremental media

Market Delivery

- Incremental Spending/Media Weight – given the same medium
- Product Line Extensions
- Copy Tests

Combined Direct Translation and Market Delivery

- Media Mix Tests - where the second medium is strictly incremental.

Network-to-Spot Adjustments

Due to the difference between the media habits of particular markets and the national average, the following adjustment factors should be applied to compensate for the loss of impact between a network and spot commercial exposure.

Network	Spot	Factor
Day	Day	+10%
Prime	Prime	+10%

National Media Translation Equivalents

For new products, a strict daypart translation is required for all tests of Year I National Theoretical Plans. The National Plan dayparts are to be purchased on network affiliates. When appropriate, independent stations may be included to the extent the weight purchased does not exceed 15% of the market total. (This percentage may fluctuate as market conditions warrant.)

Cable should be purchased locally as close as possible to the national plan, in terms of specific dayparts/networks/programs.

Spot fringe will be considered for substitution of Prime Spot in test translations where previous experience has clearly demonstrated plan performance via strict translation.