DRAFT TV COMMERCIALS\*

Your client directs TV advertising for a large corporation that currently relies on a single outside advertising agency. For years, ads have been created using the same plan: The agency creates a draft commercial and, after getting your client’s approval, completes production and arranges for it to be aired.

Your client’s budget is divided between creating and airing commercials. Typically, about 5 percent of the budget is devoted to creating commercials and 95 percent to airing them. Lately the client has become dissatisﬁed with the quality of the ads being created. Along with most advertising people, he believes that the ultimate proﬁtability of an advertising campaign is much more strongly inﬂuenced by the content of the advertisement than by the level of expenditure on airing or the media utilized (assuming reasonable levels of expenditure). Thus, he is considering increasing the percentage of his budget devoted to the ﬁrst, ‘‘creative’’ part of the process.

One way to do this is to commission multiple ad agencies to each independently develop a draft commercial. He would then select the one for completion and airing that he determines would be most effective in promoting sales. Of course, since his budget is essentially ﬁxed, the more money he spends on creating draft commercials the less he has to spend on airing commercials. He will have to pay up front for all of the draft commercials before he has a chance to evaluate them.

The standard technique for evaluating a draft commercial involves showing it to a trial audience and asking what they remembered about it later (this is known as ‘‘next day recall’’). Ads with higher next day recall are generally those with higher effectiveness in the marketplace, but the correlation is far from perfect. A standard method for assessing the effectiveness of a commercial afterit has been aired is to survey those who watched the show and estimate ‘‘retained impressions.’’ Retained impressions are the number of viewers who can recall the essential features of the ad. Ads with higher retained impressions are usually more effective in generating sales, but again the correlation is not perfect.

Both the effectiveness of a commercial (the number of retained impressions it creates) and the exposure it receives (the number of times it is aired) will inﬂuence sales.

**Complete the following assignment from page 118, Chapter 5, of your textbook:**

**Using 'Draft TV Commercials' as your case, complete question 11. You will refer to the problem statement and influence chart that were generated in Chapter 2. If this has not been done, develop the problem statement and influence chart as preliminary steps. You will use either Excel 2007 or Excel 2010 to complete this assignment.**

**11. Refer to the 'Draft TV Commercials' case. Review the problem statement and influence chart that were generated for this case in conjunction with the corresponding exercises in chapter 2. (if this has not yet been done, develop the problem statement and influence chart as preliminary steps.) Design a spreadsheet to determine the impact on ad quality of paying for three draft commercials.**