

JOMC 172 Advertising Media Project

- a) We are working for Audi of USA.
- b) About Audi:

Audi of America					
	Ad	Audi	Units		Average
	Expenditure	International Car	Sold in	Profit	Price
Year	(in millions)	Production	North Am.	(in millions)	
2003	69	756148	86421	76.24	48900
2002	71.66	735913	85726	62.53	47735
2001	70.26	727033	86600	89.97	45720
2000	71.32	654602	80744	85.88	40636

According to the table, the average price of Audi automobiles is \$48,900, which shows that Audi is a luxury car. Audi's total sales in North America are on the rise from 2002, but the profits are down.

c) History of the Market:

Audi's market consists of luxury carmakers such as Mercedes, BMW, Cadillac and Lexus. The following is the top ten in sales for the mixing car market:

- 1) Mercedes
- 2) Cadillac
- 3) Lincoln
- 4) BMW
- 5) Lexus
- 6) Jaguar
- 7) Volvo
- 8) **Audi**
- 9) Acura
- 10) Porsche

Audi's position at number 8 in the luxury car market demonstrates that it has room to expand in the luxury car category. This potential for growth and potential customers currently buying from competitors is a positive aspect for Audi.

Audi delivers its cars all over the world with its worldwide unit sales totaling 742,128 for 2002.

Country	2002 Unit Sales	2002 Market Share (%)
Germany	243,650	7.4
USA	85,726	2
Great Britain	65,552	2.6

Italy	50,107	2.3
Spain	41,052	3.2
France	40,793	1.9
China	37,034	2.7
Belgium	19,738	4.3
Switzerland	17,201	6.1
Austria	15,710	5.8
Netherlands	13,251	2.2
Sweden	12,112	4.1
Japan	11,648	4.6
Brazil	10,674	0.9
Portugal	7,519	3.3

Market Share

Total Sales

BMW – \$10.31 Billion

Cadillac -- \$11.00 Billion

Volvo -- \$

Lexus -- \$

Mercedes-Benz -- \$ 9.93 Billion

Audi – \$ 4.09 Billion

We have not yet determined sales in unit or market share for the luxury car market.

Geographic Distribution of Market for All Vehicles over \$20,000 purchased in 2000			
Marketing Region	Units Sold (in 000s)	Percent of Market	
New England	1779	4.2	
Mid-Atlantic	6128	14.4	
East Central	4938	11.6	
West Central	7125	16.7	
Southeast	7773	18.2	
Southwest	5364	12.6	
Pacific	9506	22.3	
Total	42613	100	

Geographic Distribution

The distribution of sales by region for cars over \$20,000 reveals a large market share in the Pacific and strong sales levels in the Southeast and West Central. New England, possibly in part because of its size, had a significantly lower number of units sold than other regions. This

information leaves some room in the middle categories for Audi to increase sales, in the East Central for example.

Price Effects

The automobile industry has seen dramatic results of economic downturn in the past few years. Since automobiles are an expensive item, people tend to delay purchasing new vehicles when the economy is doing poorly. Also, environmental and safety requirements can affect manufacturing costs, and therefore price.

Seasonal Effects

The car market is still seeing the effects of the increased oil prices due to the issues in the Middle East. Despite the slight growth of the US economy, its downfall can still be seen in the luxury car market.

d) Distribution Channels

Audi of America is one of the first automotive makers to implement a web-based advertising distribution process. This process reduces distribution time, allowing dealers and their agencies to access advertising materials.

Before 2000, Audi developed national advertising material, burned it onto CD-ROMs and then mailed them to dealers for localization and production. This system was expensive and time consuming, especially because the whole process would have to be repeated when advertisements changed. With the secure web solution created by SeraNova, Audi can upload advertising material in Adobe Systems' industry standard Acrobat format, quickly and efficiently. Dealers can then build and localize the ads within the system, and download a complete production-ready

file. Whenever advertisements are updated or changed, the revised versions can be available immediately via the website.

Beyond distributing advertising materials, the SeraNova-created solution also helps Audi maintain a consistent brand identity and message through its local dealer print advertising. Audi dealers are provided with instant access to Audi logos, photography, brand identity material, Audi's guide and order forms for brochures. Also, by formatting the advertising material, only selected areas can be modified by the dealers when they localize the advertisements.

2003 has brought about a focus on price-point and certified used car ads for the Audi industry, as well as focusing in on the brand identity "never follow" in which this company is sticking by closely. Eight million dollars was spent in newspaper, TV (national cable- CNN, ESPN, CNBC, Bravo, A&E and Fox News Channel) and Internet campaigns for Audi, specifically for the A4 series. Great emphasis on the A6 and the A8 also brought attention to Audi dealerships. This attention evolved into the 25 exclusive Audi dealerships in the US, and the 39 dealerships with separate Audi showrooms. Projected advertising expenditures have risen to 75 million for the year 2004 with continuing emphasis on building a brand identity.

e) Users:

The users of our product have a number of definitive characteristics. The data gathered here comes from the Mediamark Research on consumers of Volvo, BMW and Mercedes, three of our identified competitors. Each gender comprises about half of our customers, so the category is not

dominated by either. Nearly 75% of our customers have graduated college, and almost half of all customers have graduated. We have the strongest representation in the 35-44 age group, but 25-34 and 45-54 also have high numbers. An average of over 70% is employed full-time, and this same percentage applies to customers who are married. Over 80% of our customers are white and own their home. A notable percentage of over 60 read a daily newspaper and around 70% read a Sunday paper. Over 80% also watch prime time television.

All this data means that Audi is selling to an educated, white, middle-to-upper class group of people.

f) Product Knowledge

	2002 half year (millions)	2002 year end estimate (millions)	
Unit cost			
Distribution cost	\$579	\$1,158	
Administrative cost	\$91	\$182	
Total costs		\$1,340	
2002 Audi Unit Sales	2002 half year	2002 year end estimate	Share of Market (%)
United States	42,195	84390	9.06
Worldwide (Total sales)	382,478	764956	

We are lacking the data for unit cost for an Audi automobile sold in North America. Another challenge we face in the product is the different kinds of products, (i.e. models of car) that Audi produces.

g) Competitors:

The competitors' information chart shows that the top maker in the luxury car category is more than quadrupling Audi's sales. The unit cost for Mercedes is also significantly higher. A more realistic goal would be to mimic Lincoln's achievement since the average unit cost is below that of Audi. Increasing sales to a level similar to Lexus would be a goal for Audi. There is incomplete data for this chart.

2002 Luxury Car Sales	July	Year End Estimate	Lowest	Highest	Unit Cost
Mercedes	81,570	163140	\$29,210	\$100,000	\$64,605

Cadillac	74,709	149418	\$31,185	\$79,000	\$55,093
Lincoln	68,128	136256	\$29,568	\$52,275	\$40,922
BMW	63,871	127742	\$34,370	\$73,570	\$53,970
Lexus	56,160	112320			\$0
Jaguar	24,120	48240			\$0
Volvo	19,178	38356			\$0
Audi	18,361	36722			\$0
Acura	15,688	31376			\$0
Porsche	11,427	22854			\$0
	Profits	Annual	Annual	Units Sold	Units Sold
	3 month (billion)	Net income (billion)	Profits	9 months	Annual
Lexus	\$352	\$1,409			
BMW		\$2,165		700,950	
Mercedes				839,600	

Project Assignment #2

Media Expenditure Table

	Audi (\$ 000)
Magazines	6745.75
Newspaper	1016.07
Nat'l Newspaper	1953.83
Outdoor	1064.94
Net. TV	22964.85
Spot TV	14860.06
Synd. TV	31.38
Cable TV	5518.90
Nat'l Radio	433.51
Internet	425.80
Unmeasured Media	16305.91
Total	71321.00

II. Marketing Goal

1)					
Dollar Sale	Profit	Unit Sale	Unit Price	Unit Cost	Fixed Cost
\$4,092,130,610	\$62,530,000	85,726	\$47,735	\$1,000	\$3,943,874,610

Market Share	\$ Sale (of Audi)	\$ Sale (of industry)			
Industry Competitors	Unit Sale	Unit Price	Dollar Sale		
BMW	191,076	\$53,970	\$10,312,371,720		
Cadillac	199,748	\$55,093	\$11,004,716,564		
Mercedes	153,700	\$64,605	\$9,929,788,500		
Volvo	108,468		\$0		
		Sale of industry:			
2)					
We hope for a 7% profit	increase in dollar sales,	and unit sales	Target		
Target Dollar Sale	Target Profit	Target Unit Sale	Market Share		
\$4,378,579,752.70	\$66,907,100.00	91726.82			

III. Marketing Strategy

1. We are still working on unit price and distribution channel.

2. Advertising Budget

a. Percent of sales is the method used when determining how much of sales for the year 2002 will be allotted to advertising expenditures. Percent of sales has many advantages, for example, it is easy to manage and understand, it is self-correcting, and is good for the needs of financial and marketing groups. This method does have its disadvantages though, for example it is easy to believe this method illogical because more money should be spent when sales go down. It is this disadvantage that makes the percent of sales method so convenient for Audi of America. In the past, this company has put more money toward advertising when its sales were down, but it was with the help of this advertising that Audi of America has increased sales.

b. The advertising budget for the year 2002 is \$71,660,000.00. Sales for Audi of America for this year are \$4,092,130,610.00. *When dividing the budget by the sales and using a multiplier of 35, you have 20% of your sales going toward ad expenditures.* The

advertising budget for our monthly planning period, assuming an even expenditure per month, is \$5,971,667.

3. Target Market

a. Market Size Required

Our marketing goal of a 7% increase means that we plan to sell an additional 6050 units. The purchase frequency for an Audi vehicle is once every 5 years, or .017. When we divide the additional units by the purchase frequency, we get 355,882, which represents our number of marginal consumers. Since Audi vehicles are a high-involvement purchase, the hierarchy effect tells us that 2.3% of consumers will change to preference through our campaign. The marketing goal then tells us that a target market of 15,473,130 is needed to achieve our goal.

b. Identifying the target market through syndicated data

We began with a total population of 199,438,000, and by using the demographics of those **graduated from college** (22.53% of total population), and are in the **35-54 age group** (39.89% of the population), we found a target market of 17,927,000. Once we subtract a 10% for loyal consumers, we arrive at the target market of 16,134,300 or 8% of the total population.

4. Planning Period

For our product, the month planning period is going to give us the flexibility to adjust our budget throughout the year in order to account for seasonal changes, new automobile introductions or deals of any kind. This short planning period does require a large target market when combined with the low purchase frequency of our product.

IV. Media Goal

Average frequency: 6+
Effective frequency: 6+

Car buying is a big decision and we as media planners feel our audience must be exposed to our advertising schedule 6 or more times. Also, because we are working with a durable good, we believe repetitive exposure to our advertising schedule may cause a potential customer to refer back to our brand if they are not currently in the process of purchasing a car.

Reach: 7,736,565 people
Looking at the “Hierarchy Effect Table” we discovered that exposure involving a low involvement product is 50 percent, therefore we determined that we would reach 50 percent of our target market (15,473,130 people).

Effective Reach: 11,604,847.50 people
An effective reach would involve exposure to at least 75 percent of our target market, which is provided above.

Gross Impression: 46,419,390 (*Formula: 7,736,565(Reach)* 6(average frequency)*)

GRP: 3 (*Formula: 46,419,390(GI)/15,473,130(TM)*)

Duplication: 38,682,825

Memo

TO:

FROM:

RE:

The individuality of your car reflects the personality in which you encompass.

We want our audience to know that Audi is a step above the competition. Our message is twofold, stressing sophistication and individuality.

We should use the power of unspoken words because they are the most effective toward our target. Tapping into emotion, as well as logic will attract a smart audience. Furthermore, emphasizing a clever humor will engage our target.

VI. Media Strategy

1. **Geographic Allocation:** We have decided to develop a “national plan,” rather than sub plans.

2. **Allocation over time:** Our gut feeling is to focus on our fourth quarter because this is the time when new vehicles come out and the time when dealers are trying to clear their lots of cars from the previous year.

Weighting Technique					
Gross Impressions: 46419390					
		Quarter 1	base		
		Quarter 2	2 is 20% less important than 1.		
		Quarter 3	3 is 30% less important than 1.		
		Quarter 4	4 is 30% more important than 1.		
Q	X	Formula Used	Weights	% Weights	Impressions
Quarter 1	x		100	0.26315789	12215628.9
Quarter 2	.8x	100-100*20% =	80	0.21052632	9772503.16
Quarter 3	.7x	100-100*30% =	70	0.18421053	8550940.26
Quarter 4	1.3x	100*30% +100 =	130	0.34210526	15880317.6
		100+80+70+130	380	1	46419390

3. **Selecting media category:** According to Simmons data, these are the media we will use, in order:

1. **Internet**
2. **Outdoor**
3. **Newspaper**
4. Magazine
5. Radio
6. Television
7. Direct Mail

3.2.5

	x	a	b	c	d	e
	Imp. Scr.	Television	Magazine	Outdoor	Radio	Newspaper
Features	8	5	7.5	10	0	2.5
Humor	5	10	2.5	0	7.5	5
Leadership	9	10	7.5	2.5	5	0
Prestige	7	5	10	0	2.5	7.5
Quality	10	7.5	10	5	2.5	0
		ax	bx	cx	dx	ex
		TV	Mag	Outdoor	Radio	Newspaper
		Util Weights	Util Weights	Util Weights	Util Weights	Util Weights

Features		40	60	80	0	20
Humor		50	12.5	0	37.5	25
Leadership		90	67.5	22.5	45	0
Prestige		35	70	0	17.5	52.5
Quality		75	100	50	25	0
	Mau Scr:	290	310	152.5	125	97.5
Assigning Important Scores						
Performance Score:		Top Three Medium :				
Best Value:	10	1. Magazine	310			
More Value:	7.5	2. Television	290			
Some Value:	5	3. Outdoor	152.5			
Little Value:	2.5					
Least Value:	0					

Using our Mau Scores, our most highly ranked forms of media are different than we thought they would be. We chose magazine, newspaper, and outdoor; however, the Mau Scores are highest for magazine, television and outdoor. Based on our analysis, we will use magazine, television and outdoor. The Simmons data did not place television as high as newspaper, but advertising on television will help us establish an effective brand image.

3.3

We should use the top three media (magazine, television, and outdoor) equally, but also incorporate a form of nontraditional media such as the Internet. The Internet will secure our brand image and give us another avenue to reach our target audience.

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