How Ads Work Part 1

This eBook will explore how the different mediums of advertising work and how best to use them Plus, we'll look at some of the biggest myths in advertising and the realities you need to know.

To understand advertising, you first have to know what advertising can and cannot do.

Advertising Cannot…

Fix Your Business – Advertising only speeds up whatever is going to happen. If you have a bad business model, advertising will hasten your demise. But if your business model is strong, a strong ad campaign can help you grow

Change your Reputation – It can only either reinforce what people already believe about you or tell what no one yet knows about you. If you have a reputation, ads that counter your rep will have no power.

Create Loyalty – You have to *perform well* to create loyalty. Loyalty is created purely at the store level.

Reach Everyone in Your Market – Regardless of the statistics that each medium may give you, other studies show that about 15% of any given population cannot be reached through advertising.

Advertising Can…

Tell people about your upcoming **Sales** or **Events**

Help potential customer **Visualize** what to expect in your store

Reinforce what customers already **Believe** about you

Remind customers that **You Exist** so that they think of you first when they need something you sell

So let's explore the different mediums of advertising and how each of them works (or doesn't)

Newspaper – The Medium of Relevancy

Newspapers are all about scanning and filtering. If the headline doesn't grab you, you don't read the article. The same is true about newspaper ads. If it isn't relevant to you, you won't see it. If it is something you need, you might find it.

Strength – Creating traffic for an upcoming event or sale, Creating awareness of a product

Weakness – Passive medium, seen ***only by people actively in the market***. You can read an entire newspaper cover to cover and not remember one single ad if none of the ads were relevant to you. Even if you have a sale or event, only the people already interested in such a sale or event will even see your ad.

When to Use – When you are having a sale or special event or have a special product to sell.

To have a chance at being seen, newsprint ads have to be about the product or the event, never about your business. Your business isn't relevant enough to get any attention.

Magazines – Going to the Well

There is a powerful analogy for four types of business models – The Ocean, The Swamp, The Pond, The Well

- **The Ocean** is where interest is widespread and deep
- **The Swamp** is where interest is widespread but shallow
- **The Puddle** is where interest is narrow and shallow
- **The Well** is where interest is narrow but deep

Oceans are obviously the best – lots and lots of water. There

How Ads Work Part 1

is room for many businesses in an ocean. Swamps look like oceans but can dry up quickly. And Puddles can dry up in an instant. But Wells, although narrow, can draw water for a long time. Magazines are the "Wells" of the marketing world

Strength – Niche Marketing, reaching a small but potent marketplace

Weakness – Often too infrequent and passive for long-term, widespread branding

When to Use – When your market is very specialized and you have a magazine that reaches the vast majority of your loyal customers.

Radio – The Long-Distance Runner

Radio has one distinct advantage over other media – its intrusiveness. You cannot turn off your ears. Even when you are not paying attention you are still listening. That is why you can sing along to thousands of songs you never tried to remember. But it takes frequency, lots of it, over a long period of time to accomplish that goal

Strength – Getting the same message across repeatedly in a relatively short period of time. Intrusive nature of medium. Radio listeners tend to have more loyalty to their stations

Weakness – Branding campaigns take time, money, and commitment until the effects of radio ads are fully realized in terms of traffic & sales.

When to Use – When you want to do long-term brand awareness campaigns. When you can get a radio station to allow you two ads per hour to promote an upcoming event.

Television – The Super Bowl of Ads

Television combines the intrusiveness of Radio with the power of visual effects to grab a person's attention

Strength – The combination of audio & visual can make for very memorable (impactful) advertising

Weakness – Expensive to buy, expensive to produce the kind of quality ads that make your business memorable, difficult to get a high enough frequency to be memorable long term

When to Use – When you have a lot of money and a great creative team able to make a big impact and can run your ads to give you lots of frequency over a short period of time.

Internet – Pop-Up City

The Internet has many ways to reach customers including pop-up ads, banner ads, ad-clicks, listings and links, and search engines, many of which you should be using.

Strength – Very inexpensive to get links and listings on appropriate sites such as local area websites, vendor "where-to-buy" sites, etc. Ad-clicks give you measurable return-on-investment results that help you manage your advertising better.

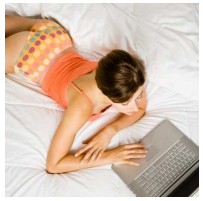
Weakness – Pop-ups and banner ads are often blocked or filtered, and can send negative damaging messages to potential customers. Pop-ups and ad-clicks are only good for directing traffic to another website (yours).

When to Use – When it is FREE and when you are marketing your OWN website, or when your website is your main source of income (e-commerce).

How Ads Work Part 1

People following banner ads and ad-clicks are looking for direct solutions such as purchasing something online. Make sure you have a compelling reason for them to go to your website before spending money marketing to get those clicks.

Website – Silent Salesman



Your website is a Silent Salesman for your business, keeping you open and in front of the public 24/7. Your website does not have to do e-commerce to be effective, but it does need to put your best foot forward, answer all the questions a potential customer might have, and show the customer what to expect when they come to your store.

The most important thing to remember about human behavior is that people only do that which they have already imagined themselves doing.

Strength – 24/7 Salesman for your store, able to give people a sense of comfort about your business before they even step foot inside the door

Weakness – Needs to be kept fresh and may need its own marketing campaign just to drive traffic to the site.

When to Use – A Must-Have in today's business world!

You need a website that is relevant to the customer. When planning your website, think like a customer. What brought them here? What do they hope to do, see, or learn? How easily can they find all the important information? How many clicks does it take to get an answer? (hint: it should never be more than two)

Direct Mail – The Rifle Approach

Direct Mail is targeted directly at people most likely to be open to your offer. When done effectively it is like using the precision targeting of a rifle versus the scattered approach of a shotgun

Strength – Can pinpoint your marketplace directly to make offer more appealing. Gets your offer directly into the hands of those to whom it has most appeal.

Weakness – Can be expensive, especially if you don't choose the right target market or don't make a compelling offer. Can be habit-forming, especially if coupons or giveaways are the "compelling" offer in your direct mail piece. Customers who are used to getting regular offers will wait for the next offer until they shop your store again.

When to Use – When you have a Direct Offer of value to a well-defined audience.

Direct mail is costly. You have the costs of developing the direct mail piece, the costs of creating a quality list of addresses, the cost of whatever compelling offer you choose, and the cost of training the staff to handle the offer and business. Weigh your costs and see if a 3% return (average return on direct mail offers) is worth the hassle.

E-mail – Spamalot

E-mail can be both good and bad for your business. You have to be careful that you respect people's privacy, that you only email when you have something important to say (nothing turns a person away from your emails faster than non-relevant information), and that you have an easy opt-out/unsubscribe system

Strength – Least expensive way to reach people on a regular basis. No limit on copy, message, offers, etc.

Weakness – Takes time to harvest a **Good** e-mail list – You must have people *give you permission* before you email or you will cause more damage than good.

How Ads Work Part 1

When to Use – When you have something important to say. Send an email too often without anything important and people will begin ignoring it. Send it too infrequently and people forget about it. Most importantly, every email you send should say something worth hearing, be it insider information, a great deal, or a big event.

Billboard – Drive-By Shooting

Billboards are often considered the least expensive form of mass-media for businesses who are trying to reach a lot of people with a high frequency. We are creatures of habit, so we travel similar paths regularly and see the same billboards over and over again.

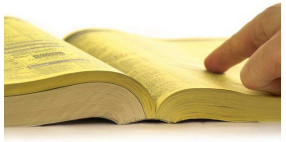
Strength – Reaches a lot of people with a high frequency over a short period of time.

Weakness – Limited in what you can say

When to Use – When you can say your message completely in one picture and eight words or less

Because of limited time a driver has to read a billboard, the most you can expect to put on a billboard is one picture and eight words. And that picture better be dynamite, expressing the exact emotion you want to convey with no doubt. Billboards, to be effective, need to be used often and changed often. The brain is not impressed by the usual and mundane. It takes surprising and interesting to get our attention. Once a billboard has been seen for a month it blends into the background. Change the look, not the message, often.

Yellow Pages – The Ads of Last Resort



Yellow page providers have survey after survey to convince you of the power of their medium. But as Winston Churchill said, *"The only statistics you can trust are those you falsified yourself."*

Yellow Pages are where people go when they have no thoughts of who to call for a particular service or product. When asked, people often say they would use the Yellow Pages to find someone such as a plumber or an electrician. But in reality, the first source they would use is a friend, family member or co-worker who might know an electrician or plumber. Yellow Pages are the medium of last resort.

Strength – Reaching people who are new to town and do not have a network of friends or family to ask

Weakness – Only effective for people who haven't already decided who to visit or call

When to Use – When you have no competition, are very niche, or are in a category where none of your competitors advertise

Note: The same applies to online yellow pages. If they really worked, how come they don't appear in organic searches for your company?

Word-of-Mouth (WOM) – Just Say Yes!

Word-of-mouth is when someone tells someone else how great (or how bad) you are. There is no better form of advertising than WOM!

Strength – Strongest, most convincing form of advertising. Study after study shows that we are more likely to believe the testimonials of friends (or even strangers online) than we are the words of a company directly.

Weakness – Can only be made by powerful experiences in

the store, or effective intrusive branding campaigns with powerful messages

When to Use – When you can give your customers something positive to talk about. *(Note: You have to ask for it all the time through what you say and do!)*

Most WOM comes from three things…

Design - Your store has a knock-out design that people can't wait to talk about (think Ferris Wheel at the Times Square Toys R Us)

Performance – You regularly EXCEED exceptional customer service with over-the-top, observable flair (think Pike's Peak Fish Market)

Generosity – You give people something for free they were never expecting to get

*(See the e-Book **"Marketing on a Shoestring Budget"** for examples of Generosity and more on how to generate WOM for your business)*

Viral Marketing – Just Catch It!

Viral Marketing is when something you do gets noticed and grows exponentially in excitement similar to videos on YouTube.

Strength – Once started, it can build momentum that continues long after the initial ad was created

Weakness – Difficult to get a ball rolling, and a bad message can backfire against you.

When to Use – When you have a foolproof, honest, interesting, relevant, compelling message.

Example: A mom posted a video montage about how she lost her son in a car accident while he was strapped in a booster seat. It was very emotional. In it she mentioned a car seat by a company called Britax. Sales of this car seat rose over 100% in the following months. Now the parents have a foundation with thousands of dollars and give away free car seats to the needy.

But be careful, just having a compelling message is not enough to go viral. And if your message is contrived or false in any way, viral marketing can backfire and cause a huge backlash.

Social Media – Connection City!

Social Media includes social networking sites such as **Facebook**, **MySpace**, **Twitter**, **LinkedIn** and others. These sites are different from traditional websites in that they are primarily two-way communication tools. Setting up a Facebook page or Twitter account is not so much about what you say as in what you hear. If you think about them as communication tools and ways to connect meaningfully with your customers, not just platforms for advertising, then you are thinking the right way.

Strength – You can hook up with a lot of people quickly and inexpensively, and the information you share gets passed along exponentially to their friends and their friends' friends. Social Media is a fantastic way to get immediate feedback from customers, too.

Weakness – it is a permission-based tool that takes time to develop a quality following and can be as powerfully negative as positive if used incorrectly

When to Use – When you want to have a two-way

conversation with your biggest fans. When you want to communicate a positive message that is not a "sales-pitch".

Nostalgia and Causes are big on these sites. If you have a certain cause you strongly support, social networking can be a huge tool to garner support for your cause (and get your name out in front of people with similar values as you).

Sales pitches and hype work least well. In many cases they can be more harmful to your business than nothing at all. Be careful what you say because everyone that wants to, will see it.

The best use of Social Media is feedback. Ask questions and listen to what your customers have to say. Then respond to that feedback.

Myth: You Must Reach the Right People

Reality: You must reach people the *Right Way*

Too many times people believe their ad campaigns failed because they didn't reach the right people. The reality is that they probably reached the right people, but just didn't convince those right people to shop with them.

And who are the "right people" anyway? We don't all live in a vacuum. Women ages 34-55 know lots of people who aren't women ages 34-55, such as spouses, children, parents. And these women talk to those other people, solicit them for advice, ask their opinions.

Although demographics can play a role in your advertising, your message and how you deliver it is far more important than who receives your message.

Think of it this way. Which would be more powerful in influencing your shopping habits? Your spouse telling you about a great store they heard about (word-of-mouth) or a radio ad telling you about that same store (traditional advertising)?

Far more important than reaching the "right people" is convincing the people you reach that you are the right store.

Demographics

Too many businesses make the wrong assumptions about their customer base. They pigeonhole them into certain categories such as age, gender, income and education. Except in very general terms, those factors have never been reliable indicators of shopping habits. And the more tightly you try to define it, the more potential customers slip through the cracks. And the more you miss the mark on who your real fans might be.

There is no such thing as an average person, and there is no such thing as an average customer.

Think of it this way… What do you and your best friend have in common? (I mean best friend who isn't your spouse.) Sure, you might share age, gender and income levels. But what separates this person from all the others in that demographic? Are there people in that demographic you would never want as a friend? Why? Are there people outside that demographic who are your friends? Why?

Your friends are your friends because they share the same *values* as you. They have the same *interests* as you. They have similar likes & dislikes, similar experiences & feelings.

Psychographics

The customers who will best identify with your store and become stark raving fans are the customers who, like your friends, share the same interests, feelings and values,

regardless of their income, age or education. They are the customers who ***see themselves when they think of your store***.

So to identify the customers you should be attracting, you have to know who you are and what you value. What traits or characteristics do you hold dear? What Core Values do you have in your business? Your most loyal fans will share those traits and values. If you don't know those traits, you won't know how to attract people who share those traits.

But if you do, and you make your business consistently aligned with those traits, you'll find your business attracting not just new customers, but new fans from all walks of life.

Myth: If You Don't See Immediate Results Your Ads Aren't Working

Reality: Different types of advertising get results differently

Branding campaigns often take months (or even years) to get traction. Most branding campaigns take at least 40% of the lifecycle of the product to begin having effect. Yet, most advertisers *chicken out* during this period of time, afraid that their ads aren't working. The good news is that once they get traction, branding campaigns become *more* effective over time. Think of it like a car that has run out of gas. You put your shoulder into it to push it to the gas station. At first it doesn't budge. Then it slowly starts to inch forward. Soon it picks up speed, until finally you are barely even pushing the car as you run along beside it.

Short-term campaigns such as sales and events have much quicker results, but over time become less and less effective. Your sale has to be bigger, the hype greater, to get even the same results as last time. These types of campaigns are often called the cocaine of advertising. The results are immediate, but less effective every subsequent time, and often deadly over a long period of time. Plus, once these campaigns are over, so are the effects of the ads.

Two Types of Customers: Transactional & Relational*

MIT students did a study of shoppers who used Directlink.com to shop for DVD's. Directlink is a search engine that searches the web for every site that sells the item you request. It lists the items in order of price from lowest to highest. The MIT students theorized that 99% would click on the first listing (lowest price). Actual results? 51% of shoppers chose to pay on average $3 more for DVD's. (Went to more recognizable sites like Amazon, Wal-Mart)

Grocery Store Marketers – When asked by Roy H. Williams if they believed "price drove traffic", 290 out of 300 hands went up. Williams then asked if anyone offered a loyalty program (swipe card). One person said that his store did better than national average and had 43% of all transactions by loyalty card holders. Williams inquired if everyone was asked to join program. "Yes", responded the Marketer. "Our cashiers are well-trained and ask everyone." To which Roy pointed out that 57% said, "No thanks, I'll pay more."

Moral? Price is not everything.

In shopping there are primarily two types of customers, **Transactional Customers** and **Relational Customers**. It is important to understand the difference between these two types because advertising to them is completely different.

How Ads Work Part 1

The Transactional Customer

- Looks at every transaction as a **Single Encounter**
- Has done all the research and believes **She is the Expert** on the item
- Is on a hunt to find the **BEST PRICE**
- Fear is **Paying Too Much**
- **Big on Word-of-Mouth** – loves to brag about the deals she made
- **Low on Loyalty** – only loyal to the best price

The Relational Customer

- Looks at every transaction as **one in a line of many transactions**
- **Does Not Believe** she is the expert on the item
- Is on a hunt to find **the EXPERT** she can trust
- Fear is **Buying the Wrong Item**
- **Big on Loyalty** – once you gain her trust, all other stores disappear

By The Numbers

Relational		Transactional
10%	Advertising	90%
20%	Traffic	80%
50%	Buyers	50%
60%	Sales	40%
70%	Profits	30%

Advertising: Most Advertising is spent on Price – Sale, Sale, Sale!, Inserts in newspaper, Automobile Advertising 0% Down, etc.

Traffic: Transactional Customers go to many stores looking for best price. Relational Customers only go to one store, the store with the Expert they trust

Buyers: 50% of the market in ANY category are Transactional, 50% are Relational

Sales: Transactional Customers only buy the stuff on sale

Profits: Transactional Customers only buy the stuff on sale

**(Relational vs. Transactional study courtesy of "Making Ads Work" by Wizard of Ads Partner Craig Arthur)*

You reach **Transactional Customers** by advertising price and price alone. You reach **Relational Customers** by branding yourself as the place that matches their worldview and gives them feelings of trust and confidence that won't steer them wrong. (Note: we are all both Transactional and Relational, it just depends on the category)

This eBook could not be written without the many lessons I have learned from Roy H. Williams, aka The Wizard of Ads.

Nicknamed the Wizard of Ads by an early client, **Roy H. Williams and his staff have often been the unseen, pivotal force in amazing come-from-behind victories in the worlds of business, politics, and finance.*

Williams teaches creative thinking, strategic planning and human persuasion at Wizard Academy that is attended by executives from many of the world's largest advertising agencies, professors from leading universities, broad-casters, journalists and small-business CEOs from around the world.

His first book, The Wizard of Ads, was voted Business Book of the Year in 1998 and his second book, Secret Formulas of the Wizard of Ads, became The Wall Street Journal's No. 1 Business Book in America in 1999 as well as a New York Times bestseller. The third and last book in the Wizard trilogy, Magical Worlds of the Wizard of Ads, also received the honor of being a bestseller on The Wall Street Journal list. Each of the books has been translated for international distribution in China, Brazil, Korea and Israel. His other books include Accidental Magic and Free the Beagle.

A lifelong student of the human race, Williams is forever seeking to answer the question, What makes people do the things they do? And the answers that he is discovering along the way provide a wealth of practical knowledge and a constant source of entertainment for his students and friends on five continents.

Williams lives in the Middle of Nowhere, Texas, with his wife, Pennie.