

## Client Testimonial – Nissan North America

Factor TG's client Nissan North America describes the ongoing measurement program we developed for them in the following article appearing in Forbes magazine (October 29, 2007).



Marketing

### Ad Vantage

By Joann Muller

#### **Should Nissan buy ads on prime-time TV or on YouTube? It's starting to figure out which media outlets drive people to dealerships.**

The marketing department at Nissan North America's office in Nashville is cluttered with 23 4-foot-wide posters covered with colorful boxes. They vaguely resemble rectangular compositions by Piet Mondrian, but Nissan hopes they make its advertising more science than art. The posters show how the company should divvy up the \$930 million it spends to advertise each of its Nissan and Infiniti vehicles across 36 media outlets—from roadside billboards to e-mail pitches. Nearby, statisticians pore over daily reports of U.S. ad placements, consumer awareness, Web hits and sales to determine which ads move metal.

Nissan is refining an ad-optimization program that tells execs which ads for each new model of car and truck it introduces are swaying its target audience, and which ones are duds. The analytical tool, created in-house, helps Nissan plot the best way to reach car buyers and, when necessary, to quickly change important campaigns and media plans midcourse. For its launch later this fall of the Infiniti EX crossover vehicle, which it hopes will appeal as much to women as to men, it may mean reallocating money from ESPN, say, to Web site Epicurious. "We have to deliver the right message to the right people at the right time, and that becomes difficult as the mediums become so proliferated," says Mark McNabb, senior vice president of sales and marketing for Nissan North America.

The program has made it possible for Nissan, headed by Chief Executive Carlos Ghosn, a stickler for measurement and accountability, to slash its per-vehicle advertising cost by 35% over the past five years, Nissan has said. It spent about \$915 per vehicle last year, according to ad-spending figures from tracker TNS Media Intelligence. For the Nissan brand the company cut its ad budget 10% to \$700 million between 2004 and 2006, but its sales volume rose 5% over the same period to 898,000 units.

The media-modeling tool was kicked into high gear two years ago when Chad Jacoby, senior manager of Nissan's Business Intelligence Unit, used years of Nissan's consumer research to build a computer model comparing the relationship of each phase of their "purchase funnel"—from awareness to purchase consideration to a transaction—to the phase before it. This enabled Nissan to predict how many consumers who say they are considering the brand early in the shopping process will eventually buy a Nissan.

Nissan then needed to figure out when consumers are most swayed by an ad—and what type of pitch is ideal. It's still working on that: After it buys ad time and space for an individual campaign, Nissan measures consumer attitudes and purchase intentions every week while the ads run. It conducts a ten-minute online survey of a sample of its target audience—7,500 people were included in a recent query—and divides them into two groups, those who have seen ads and those who've missed them. It then asks if they have trolled the Internet for car

information, visited a dealership or taken a test drive, among other questions. It also finds out where people have seen the ads—on TV, in print, online (or in some combination of these). The company then compares the answers of one group with the other. The differences are attributed to exposure to the campaign. This helps Nissan figure out how to divvy up its ad budget. It now knows that print ads can sway a car shopper to put a Nissan or Infiniti vehicle on his or her shopping list. Later, when a prospect is comparing prices or search for a dealer, online ads are most effective.

For a recent car launch Nissan tracked how ads in different media outlets affected consumer behavior. It spent 66% of its ad budget on TV commercials, 28% on print ads and 6% on search and banner ads on the Internet. After surveying car shoppers Nissan found out that 53% of those who saw the campaign on TV, in print and online had a favorable impression of the vehicle, compared with 37% who didn't see any of the ads. Among those surveyed, 19% of respondents who saw all three types of ads said they intended to take test drives, while only 9% of Nissan ad nonviewers planned test spins. The model also indicated that the carmaker would have sold just as many vehicles but spent less on advertising if it had allocated 40% of its budget to print and dialed back spending on TV spots to 54% of its budget. "The cost implications [of that conclusion] are huge," says Stephen Kerho, Nissan's director of media and interactive marketing.

Until 2004 Nissan, like most auto giants, relied primarily on syndicated market research to determine the success or failure of its campaigns. But it often didn't receive the information until almost a year after a campaign had run its course. By then a new model might have flopped and no amount of advertising could save it. Its current program, which factors in information provided by ad servers, automotive shopping Weblets, dealership traffic data and consumer surveys, generates a daily status report that lets executives know what's working. That's especially important as Nissan rolls out a slew of new vehicles. By March it will have launched a dozen new products in as many months.

Nissan gets smarter with each new ad effort. By comparing sales data to advertising spending over time, Nissan can plot a demand curve showing the points at which a campaign starts to gain and lose steam. This allows it to war-game various ad budgets and media plans—evaluating TV versus print ads, say—for different target audiences.

It's also giving the company the ability to calculate payback by type of media outlet. Online ads are the most profitable. During the recent monthlong Infiniti promotion Nissan recorded 19 million online ad impressions, including 4.1 million Infiniti searches through Internet portal sites, 1.9 million e-mail come-ons, 1.1 million unique visitors to its Web site, 5,500 Internet leads to dealers and 681 requests for preapproved financing. Those activities resulted in 4,577 sales of new Infiniti vehicles, for a gross profit of \$18.75 per marketing dollar spent.

Nissan isn't the only marketer trying to optimize its ad buys, but company execs say rivals are envious enough of Nissan's work to ask if they can benchmark it. No way, says Nissan.