

A Case Of Media Budget Definition In The Banking Industry

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The problem that usually all enterprises face, in the presence of scarce resources, concerns the definition of the communication budget and a media planning compatible with the objectives of communication and with the budget itself. The case we refer to, the Banco Popolare, is an example of best practice in defining the budget and in assigning the same on the various media. The many merger cases that have characterized the Italian banking world, in the last years, have consequently led to an exponential growth of the communication investments in this industry. With the aim of facilitating the rebranding process and repositioning of the business, heavy investments in institutional communication are often required.

Field of Research: Banking, Banking and Financial Services Marketing

1. Introduction

In Italy a decisive impetus to the merger phenomenon in banking has been related to the definition, at the beginning of the nineties, of some regulations, aimed at overcoming constraints to the implementation of mergers, at transforming banks into public companies, at introducing tax incentives, at facilitating acquisitions of cooperative banks by the public banks, at downsizing the powers of supervisors. Italy has experienced two phases in the banking concentration process:

- a. from 1990 to 1995, at this stage some new groups (San Paolo di Torino, Credito Italiano, Cariplo, Banca di Roma, Credito Agrario Bresciano, Banca Popolare di Bergamo-Credito Varesino, Banco Ambrosiano Veneto) were formed. These banks did not have a sufficient size to compete on an equal scale with the Germans, French and Spanish giants but they achieved significant size, at least for the Italian reality;
 - b. since 2002 up to now, this phase, which is still underway, includes, among others, extraordinary transactions between the protagonists of the earlier stage. The intermediaries that are emerging are increasingly close, in size, to those of the main competitors in Europe.
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Among the most relevant and recent transactions there are:

- a. birth of Intesa-Sanpaolo Group, 1 January 2007;
- b. birth of UBI Banca Group, 1st April 2007;
- c. merger of Capitalia and Unicredit, 1st October 2007.
- d. birth of Banco Popolare from the merger between Banco Popolare di Verona e Novara and Banca Popolare Italiana, the third largest banking group in Italy, the first ever between the popular banks, 1 July 2007. The latter is the bank group that we refer to in this case, as after the merger it faced a rebranding process.

Apart from the creativity and the motivations underlying the various alternative options, it seems evident that at the institutional level and especially in the retail segment, the institutional communication should pursue these three objectives:

- a. to mitigate the psychological motivations of the aversion of certain customers to the disappearance of their bank and/or traditional brands and financial products. These customers could consider the new bank no longer able to effectively meet their financial needs and could therefore be forced to change;
- b. to provide adequate information on the merger, so as to minimize inconvenience resulting from the closure of a location or branch. Banks, in these occasions, punctually reaffirm the opportunity for the customer to contact their trusted bank and its employees;
- c. to show the customers the ratio and benefits arising from the merger, in terms of greater stability of the intermediary and wider range of financial products offered. One of the more tangible benefits for customers, on which the communication always puts the emphasis, is the ability to make ATM withdrawals in all the banks of the Group without any commission. These messages must be declined differently in order to communicate a unique and distinctive positioning of the Group. It is therefore of great importance to proceed, before the institutional campaign planning, a positioning analysis of the competitors.

2. Literature Review

Since the tangible synthesis of the company image is the brand, in mergers the critical aspect of redefining the brand must be seriously faced. The corporate rebranding¹ can be defined as the process by which a firm adopts a new brand. The international economic press (Girard, 2003; Lamont, 2003; Wiggins, 2003) often refers to the rebranding (Haig, 2003) of some large companies operating in a wide range of fields such as Andersen Consulting,

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Philip Morris Corp., Guinness UDV and Bell Atlantic. In the academic world some authors, such as Griffin (2002), Kaikati (2003), Stuart and Muzellec, (2004) have studied the phenomenon. This practice involves a high risk for the integrity of the corporate image and enormous costs in order to succeed (Clavin, 1999; Dunham, 2002). The rebranding process involves the creation, by an already known company, of a new name, logo, trademark, symbol, design or a combination with the intention of creating a differentiated positioning in relation to competitors and in some cases new in the minds of consumers.

When a company acquires another there are four basic choices in terms of rebranding (Lajoux 2006, p. 180):

- a. to retain its name;
- b. to take the name of a company acquired;
- c. to combine both names (through the establishment of a hybrid name);
- d. to create an entirely new name.

With the aim of facilitating the rebranding process and repositioning of the business heavy investments in institutional communication are often required. The problem that usually all enterprises face, in the presence of scarce resources, is twofold and concerns the definition of the communication budget and a media planning compatible with the objectives of communication and with the budget itself.

According to an enlarged definition of media planning, it is the distribution of the advertising budget between the various forms of media in order for a determined campaign to secure the maximum coverage and effectiveness at the lowest possible cost. This choice of the media in which advertisements are inserted requires the examination of many variables and need preliminary and following stages such as: identification of target groups, competitor analysis, definition of the budget, evaluation of the impact and effectiveness of the campaign. The growing need of companies to segment their markets, to identify specific targets, not to waste significant shares of the budget communication, has been accompanied, over recent years, with a continuous refinement of planning techniques. Moreover, in an advertising campaign, the costs of the acquisition of the advertising spaces are in general much higher than those incurred for the realization of the ads.

The determination of the communication budget is one of the most difficult tasks for the companies. The problem can be tackled from two angles: a theoretical and an empirical one. The first sets certain principles generally valid in any market situation and, as often happens in these cases it is almost useless. The empirical definition of the advertising budget, meanwhile, consists of a large and varied set of methods, each of which is based on certain assumptions valid only in specific contexts. In general, to solve a quantity problem (as the investment decision) several different methods are used, it must be assumed that none will be able to provide an appropriate response. And this is the case. Indeed, to reach the budget quantification we should consider so many variables that it is difficult to synthesize them into a single system, which therefore appears very rough and often devoid of logical

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sense. Then all methods available should be used and by each one we should get a bit of information useful to unravel the complexity of the problem.

In regards to the minimum and optimum budget size, advertising begins to show its positive effects only when the annual spending reaches a certain level, below which the results achieved do not cover even the costs, so that it is in fact not convenient. If, however, this minimum level is exceeded, the benefits of advertising grow much faster than the investment required. So the company enters a zone of convenience and growing convenience for a long period. There is a rational criteria to determine the optimal size of the advertising budget: the optimal size is the point where the difference between benefits and costs of advertising is greatest. However, it is not always possible for companies to achieve this size and this for several reasons. Firstly, because the company can meet certain restrictions on the free choice of the advertising budget:

- a. production capacity, that is to say, the budget objective can not cross the boundaries marked by mass production feasible with the plants that the company already has or is about to have in the immediate future;
- b. financial capacity, advertising incurs costs the financial reintegration of which, through increased revenues and lower costs deriving from advertising, is not immediate. So it is not enough to recognize the convenience of a certain size of advertising expenditure, the company must have the conditions to permit the advertising activity without disturbing the financial balance;
- c. risks that the company intends to assume, the advertising investment, like any investment not destined for immediate reinstatement, meets certain risks.

The main methods to determine the communication budget are (Guatri, L., Vicari, S., Fiocca, R., 1999):

- a. Percentage of Sales Method, Past and Future Sales Method;
- b. Objective-Task Method;
- c. Competitive Equality Method;
- d. All-you-afford Method;
- e. Return-on-Investment Method;
- f. Fixed sum per unit of product Method;
- g. Defensive-Offensive Method;
- h. Mathematical Methods.

The most frequently applied methods are those listed in paragraphs a, b, c and d, while more rare applications of other methods are reported.

3. Methodology

The reported case is a best practice one for the institutional communication of a new Italian bank group. The media planning of the group has been

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realized by a media center following the most important media planning criteria. The case we refer to is an example of best practice in defining the budget and in assigning the same on the various media. First, the results in terms of brand awareness related to an average pressure in the last 10 years in the financial sector was observed. This analysis revealed some basic rules:

- a. the use of generalist TV with a Testimonial is the formula that develops the best awareness results in the extended target;
- b. these ingredients are not sufficient if there is a lack of continuity and of coherence in the communication strategy;
- c. the awareness fall related to the formula TV and testimonial is fast and high, and would require additional help, or the use of other forms of communication;
- d. an alternative formula is the average continuity in the newspapers, supported by the mix of journals and / or radio, which leads to lower absolute costs and a better profiling of the audience (higher than the generalist TV). This approach produces a slow but cumulative creation of awareness (low decay). However important investments can produce limited awareness. Beyond a certain point mono-media investments on newspapers do not produce anymore a growth in awareness (there is a maximum penetration limit of the media) and any additional investment will only affect the frequency, and will not reach new people. It is therefore necessary to use a media-mix or a multi-channel media.

From these observations derive some guidelines for communications strategy, namely the need to use the TV as the initial accelerator, a media-mix (such as print and radio) as the next accelerator and to have an average continuity on the local media to build and maintain the brand awareness in the long term. At this point the budget definition problem should be studied both referring to the objectives of communication and to the context in which the communication was done. There are several indicators to be used:

- a. the ratio between desired Share of Market and needed Share of Spending, in the situation of the Banco Popolare the ratio considered for launching the brand was a 3 to 1;
- b. the brand awareness, or advertising awareness to achieve. The agency can simulate the remembrance curve generated by the weekly advertising pressure and this can help to understand how to manage the budget;
- c. the media budget necessary to achieve an effective coverage, if to reach the 80% of our target at least 3 times it was necessary to have a budget of Y, this is the ideal budget;
- d. the minimum budget is equal to the average investment of the competitors (or at least the direct competitor).

4. Discussion

To develop an institutional campaign for a group of banks, like the Banco Pololare, with a customer base composed predominantly of families and small/medium enterprises in the North, but above all characterized by a clear

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and distinct geographical localization, the bank and advisors have considered it appropriate to invest in the institutional and group communication for 2008 using the strong themes of territoriality and localism. On the other hand already in the past the same group followed a successful "glocal" communication strategy, which is probably the true distinguishing factor from the competitors: attention to the person, respect and development of the territory, support for small and medium enterprises. The new line of communication should reaffirm these distinctive aspects and the media mix should follow the strong differentiation of creative language. From the brief it was clear that the fundamental objective of the institutional campaign was to develop an appropriate Brand Awareness for the group, namely switch from a current 4% -5% spontaneous awareness to a minimum level of 10 -15% in 12-15 months.

By analyzing more in detail, it is possible to make the following considerations in relation to both the ratio between the desired Share of Market and necessary Share of Spending and the objectives defined in terms of brand awareness. Regarding the first aspect, considering a ratio for launching of 3 to 1, calculating the Market Share of the reference banking group equal to 6.8%² and estimating investments of the banking industry in institutional communication in 2008 to approximately 53.5 million euros (estimated on Nielsen data), the ratio of 3:1 leads to a budget of 10 million euros. This sum represents the optimal budget using the ratio method.

In relation to brand awareness it is appropriate to use the simulation of the remembrance curve generated by weekly pressure. This feature helps to understand how to distribute the advertising budget during the year and on different media. This simulation shows that, to build 5 -10 points of spontaneous brand awareness, assuming an average creative impact and an average weekly decay, it should have an optimal annual budget for the institutional campaign of 10,000,000 euros divided in two communications flights.

In relation to the cost of the media necessary to achieve effective coverage, to reach the 95% of the target at least 5 times (conventional) it is necessary to have a budget of 10 million €. Finally the group must know what is the minimum budget level below which it is not feasible a return on investment. In this case, but it is possible to generalize to any kind of institutional campaign, the minimum budget is what aligns the investment to the average one of the competitors or at least to that of the direct competitor. Therefore, by calculating the average investment of the first 10 companies in 2006 we arrive at a sum equal to 4,100,000 euros (fig. 1).

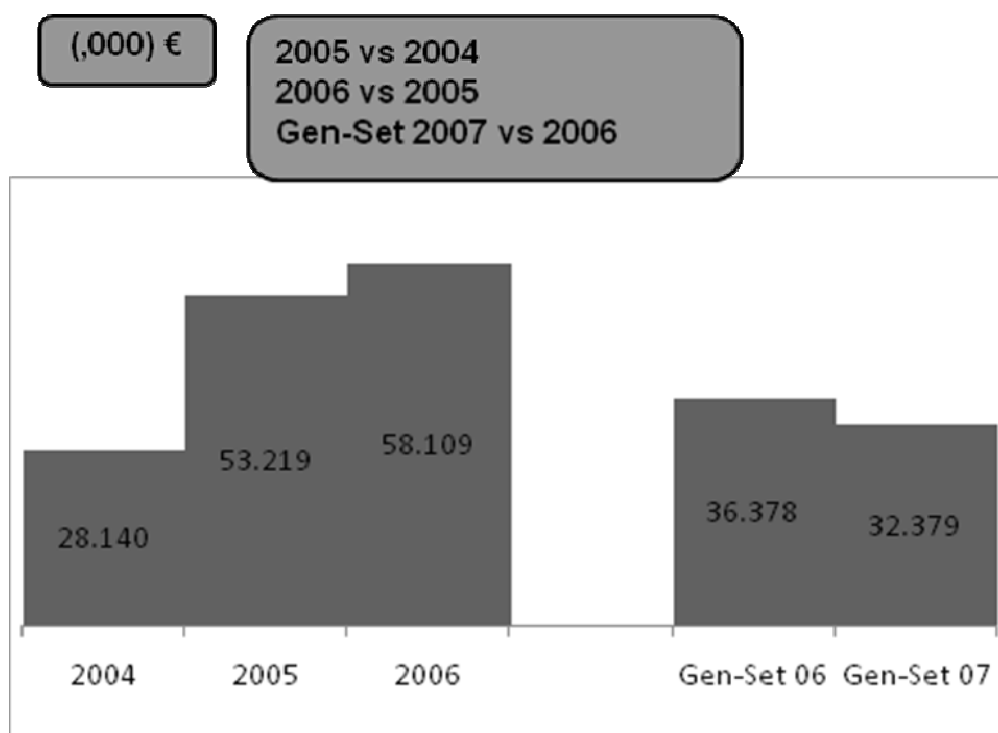
Once fixed the budget the competitor's choices of media must be analyzed. In the banking industry, groups prefer TV and newspapers share with a share of voice of, respectively, 40% and 30%. The newspapers in particular, considered symbol of prestige and institutionality, have a more than proportional share. A second general observation concerns the temporal distribution of institutional campaigns carried out by competitors (fig. 2). It is

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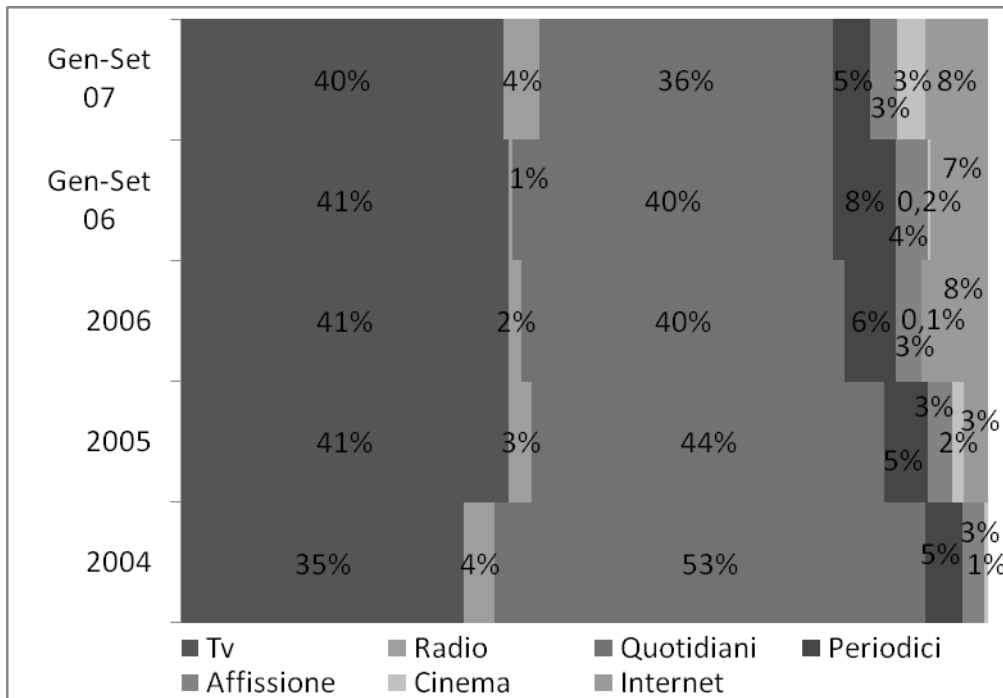
possible to conclude that the market does not have a defined season even if the major peaks are found in spring and autumn. The industry is concentrated: the first 10 companies make up about 70% of the total. An example are the campaigns of MPS (share 19% - € 10 million) and Capitalia (share 17.5% - € 9.5 million) in 2005 and the institutional campaigns of Banca Intesa (share 12.2% - € 7 million), San Paolo (share 17% - € 10 million) and Mediolanum (share 10.6% - € 6.5 million) in 2006.

Being a case concerning a group of very territorial banks, a direct competitor can be identified in the Banca di Credito Cooperativo (BCC), which in recent years is always among the first five investors in institutional communication (fig.3). It should also be noted that a large proportion of the investments of BCC is not detected by the Nielsen database. Therefore, official data underestimate the investments of the Group for two reasons: firstly because local budgets are managed independently by individual cooperative banks and secondly because they use local media not tracked nationally, however, granting good penetration and credibility in the territory (as "La Cronaca di Mantova"). During the reporting period the months of October and November concentrate at least 72% of the budget invested (almost 93% in 2005). This suggests a top spending of investment in 2007. Since 2004 investments in institutional communication in the months of August and September are absent.

Fig. 1 - Investment trends and media-mix of the institutional campaigns in the bank industry

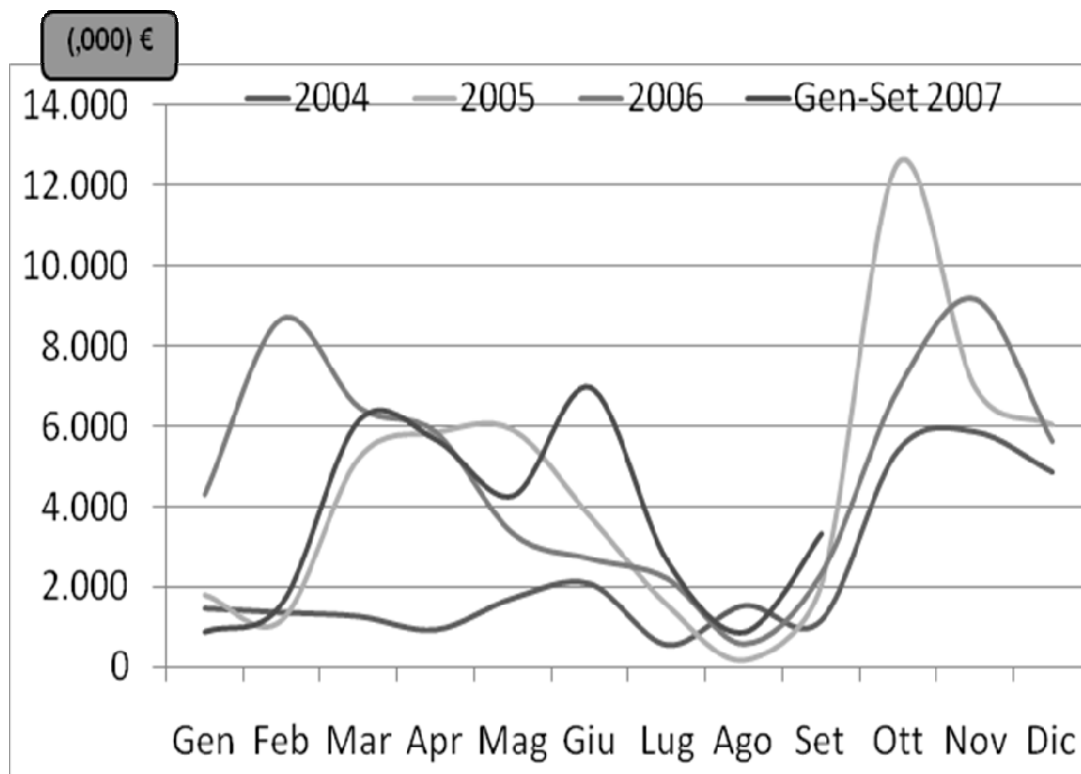


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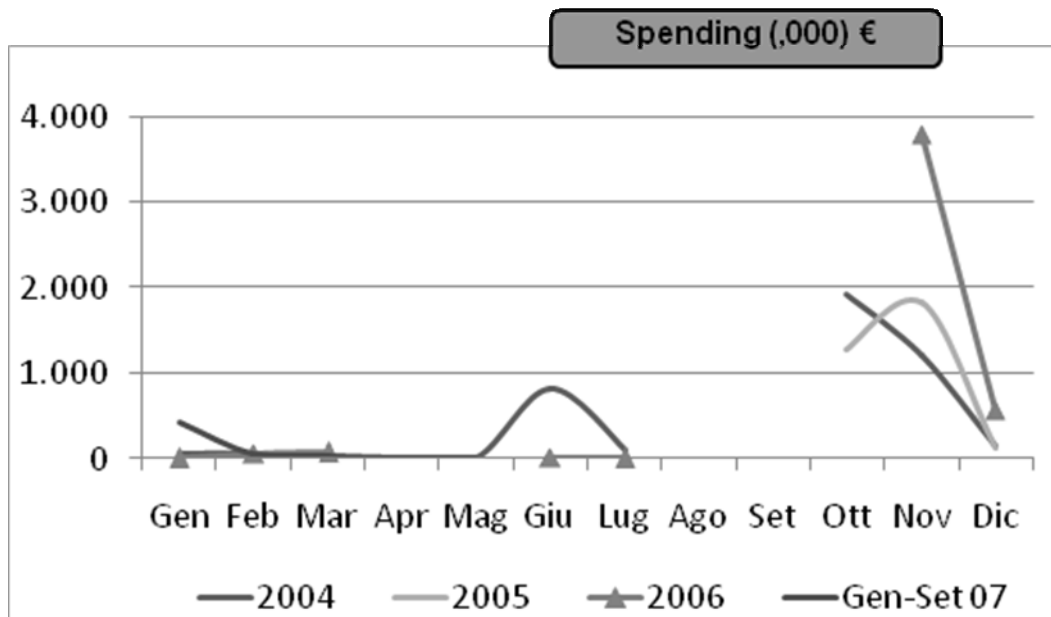
Source: AdEx Nielsen

Fig. 2 – The investments seasonality in institutional communication



Source: AdEx Nielsen

Fig. 3 – BCC investments analysis



Source: AdEx Nielsen

5. Conclusion

Finally, the procedure outlined so far and the considerations emerged at every stage made it possible to choose a communication strategy in a more objective and more aware way. Since this is a campaign launching a new brand for a large banking group, the Banco Popolare, with strong roots in the territory, two different levels of spending for the institutional communication have been identified: an optimal level that stands about 10 million euros and a basic level equal to 4 million euros. The Media Mix should consist in the TV and national newspapers in the first phase and in the second phase in the local media to grant the continuity.

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