

Clawing Your Way Back from a Discount

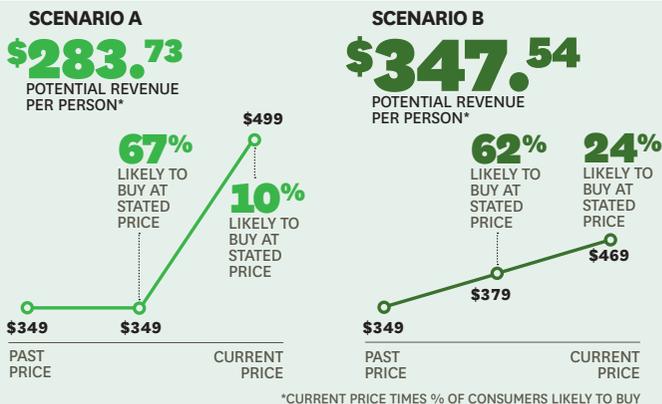
Retailers typically follow one of two approaches on price promotions: They'll discount the PDA to \$349 for awhile and then bump it all the way back up to its regular price of \$499, or they'll tout their "everyday low prices" and leave it at \$449 indefinitely. But a third tactic beats both, new research indicates.

A store can generate more revenue after a \$349 promotion by raising the price in several intermediate steps before returning it to its original level, argue **Michael Tsiros** of the University of Miami and ALBA

Graduate Business School and **David M. Hardesty** of the University of Kentucky in the *Journal of Marketing*. Here's why the tactic works: It raises the expected future price in consumers' minds and increases shoppers' anticipation of what's known as "inaction regret."

The researchers feel that this approach could be especially useful in the current retail climate. "Many retailers have been offering reductions of 60% to 80%, and stores can't offer those discounts forever," Tsiros told HBR.

REVENUE GENERATED BY DISCOUNT STRATEGIES



ADVERTISING by Andrew O'Connell

Advertisers: Learn to Love the DVR

In the age of digital video recorders, the 30-second TV spot is dead, right?

Not necessarily. An ad can have a significant impact on viewers even while it's whizzing by on fast-forward. And if they've seen it before at regular speed, the pixilated, hard-to-make-out commercial is every bit as effective as normal viewing.

"Advertisers that used DVR penetration as a reason to decrease TV budgets may have acted too quickly," writes **Erik du Plessis**, the chairman of the consulting and research firm Millward Brown's South Africa office and a visiting professor at the Copenhagen Business School. In an article in the *Journal of Advertising Research*, he takes issue with the premise that viewers'

increased DVR use diminishes the effectiveness of TV ads.

His study of 1,000 U.S. households, of which 400 had DVRs, showed no decrease in recall or in prompted recognition of commercials (two basic measures of ad effectiveness) among the DVR users. Du Plessis attributes the results to the fact that on most recent-model DVRs, "it is not easy to fast-forward through a commercial." To skip an advertisement without going past it, a viewer has to pay close attention to it on the DVR.

Furthermore, when Millward Brown showed a theater full of volunteers some fast-forwarded ads, complete with static and other electronic interference, it found

that people were able to mentally process the commercials. Recall was no worse than the overall average recall of TV ads. Most viewers who remembered the content of the speeded-up commercials reported having seen them before—evidence that's consistent with other findings by the firm. (Recall was of course lower for ads the viewers hadn't seen before.) To ensure that spots are seen at least once at regular speed, advertisers should consider placing them initially on programs likely to be watched as they're broadcast, such as sports or news shows, du Plessis advises.

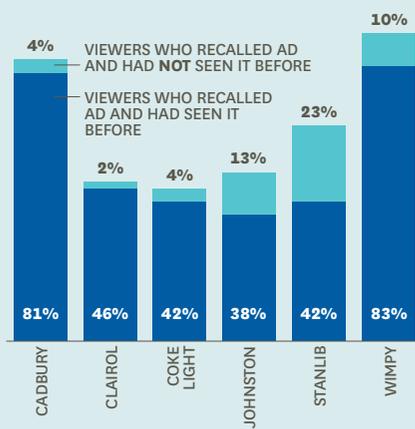
The recent proliferation of set-top boxes has dramatically increased the number of homes with DVRs: Some 30% of U.S. households had the technology when Nielsen did a survey in 2009. As for how many ads get skipped by DVR users, one study estimates 68%. But therein lie opportunities, suggests Duke University's **Kenneth C. Wilbur** in a *Journal of Advertising* article. As data accumulate on who skips what, advertisers can make better marketing decisions. If your target demo tends to be an ad watcher, you should pour more money into 30-second spots. If not, focus your ad buys elsewhere.

TV advertisers have been like spiders, Wilbur says, weaving webs and hoping bugs will fly into them. With DVRs giving viewers greater control, he advises advertisers to "behave more like bats: Use sonar to figure out where the bugs are, and go get them." ♡

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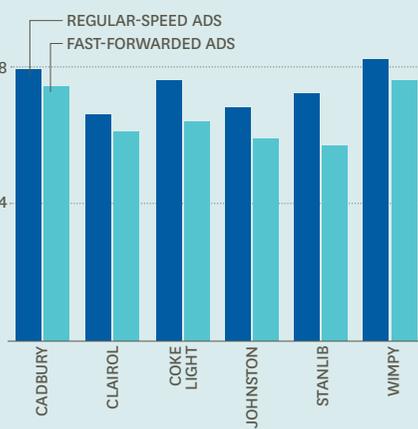
PREVIOUS EXPOSURE IMPROVES VIEWERS' RECALL

Most respondents who recalled fast-forwarded ads after viewing them in a theater setting had seen them before.



VIEWING SPEED DOESN'T HURT AD APPEAL

When asked how much they liked ads, viewers gave fast-forwarded and regular-speed ads similar scores on a scale of one to 10.



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