POV

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DATE:	December 3, 2008
CLIENT:	California Travel & Tourism Commission
RE:	TV Spot Expiration, Wear-out Analysis & Recommendations

OVERVIEW:
In May 2009, both the "You'll Be Back" and "Work" TV spots will expire, coming to the end of their 21-month lifecycle. Prior to this time, a decision must be made to 1) renegotiate and renew, or 2) let the spots expire. Although both spots are on the same timetable, each carries with it a different set of implications for consideration.

"You'll Be Back" – This spot is part of a strategic alliance with the Wine Institute that includes a three-year media commitment. As such, renegotiating and renewing "You'll Be Back" for another 21-month lifecycle is necessary. Because this spot uses actual California winemakers and chefs, versus celebrity talent (SAG actors), it is likely we will be able to secure it again at scale costs.

"Work" – As the umbrella brand spot for California, "Work" – which features a bevy of celebrity talent (SAG actors) – is a different story. Should all the talent be willing to renew for an additional cycle, the costs could go up from scale. However, one or more of the celebrities could decline to participate, in which case we would need to shoot a replacement scene(s).

Beyond the issue of talent, is the issue of **wear-out** – defined as the loss of a commercial execution's effectiveness, to the point where it falls below an acceptable level of performance against the criteria it was originally created to meet (awareness, recall, purchase intent, etc.). While individual circumstances, not rules, dictate wear-out, there are multiple factors that contribute to it.

WEAR-OUT FACTOR	→	WEAR-OUT EFFECT
Marketing Strategy o New product o Retention o Increase usage		Wear-out o Faster o Slower o Average
Competitive Environment o Heavy o Light		Wear-out o Retains appeal longer o Stand out and wear-out faster
Brand Loyalty – Low, Medium, High		Wear-out – Faster, Average, Slower

Purchase Cycle – Short, Medium, Long		Wear-out – Fast, Average, Slow
Consumer Interest – High		Wear-out – Faster
Campaign Timeframe o 90 days o 3-6 months o 6+ months		Exposure that is concentrated into a shorter timeframe leads to faster wear-out
Creative Executions – One, Multiple		Multiple executions within a campaign lessen overall wear-out
Ad Type o Humor/non-humor o Straight-forward o Emotional/image o Hard-sell/repeated call to action		Wear-out o Humor wears out faster o Intake fast, wear-out fast o Enjoyment wears out slower o Less pleasant wears out fast
Multi-media Support		Media synergy freshens message and reduces wear-out

For the "Work" TV spot, the following worksheet ranks each of these factors, with an average of 2.6, meaning the likelihood of wear-out for this spot is slightly slower than average.

Brand: CTTC
Creative: "Work"

Factors that Slow Wear-out	1	2	3	4	5	Factors that Accelerate Wear-out
			Media Related Factors			
Pool of creatives			√			Single Comm./ad approach
Unequal rotation		√				Equal rotation
Multiple dayparts				√		Single daypart
Dispersed schedule				√		Concentrated schedule
Moderate Weight			√			High weight level
Low Clutter				√		High clutter
Broad Target		√				Niche target
			Consumer Related Factors			
Established brand	√					New Product
Brand loyalty	√					Low brand loyalty
Brand extension		√				Unique, 'newsy' product
Infrequently purchased product		√				Frequent purchase cycle
Heavy competition		√				Light compeition
Low category interest				√		High interest
			Creative Factors			
New execution				√		Old execution
Multiple themes			√			One central theme
Low-key approach		√				Hard-sell approach
Humor			√			No humor
High emotion		√				Low emotion
Multiple characters	√					Spokesperson
Multiple copy points				√		Simplicity
Background music	√					Dominant, repetitious music
Average Score			2.6			

In terms of quantitative methods for measuring wear-out, there are three industry standards used:

1. GRP Method
    a. Based solely on a pre-specified level of TRPs
        i. Limitations: Does not take into account programming and various daypart mixes

2. Calendar Method
    a. Says that an ad will wear-out in "X" amount of months
        i. Limitations: too broad; does not take into account where TRPs are run

3. Quintile Method
    a. Divides schedule into five equal parts based on the number of times exposed
        i. Widely used industry standard for wear-out
        ii. Limitations: not sensitive to differences in specific creative executions; no correlation to business factors

Additional industry guidelines for interpreting wear-out are:

- Media Definition – Industry media definitions can vary depending upon the measurement used:
    - An execution has lost half its persuasiveness at approximately **1,500 TRPs**
    - An ad is worn-out when an **average frequency of 20x** is achieved
    - An ad is worn-out when it has achieved a **25-30x frequency against Quintile I** (the heaviest TV viewers) and a **20x frequency against Quintile II** (the 2nd heaviest TV viewers)

- Sales Definition – Steady and significant sales results decline while other factors (media weight, mix, dayparts) remain constant.

- Consumer Definition – Repeated viewing starts to annoy and turn-off consumers.

Among the various industry approaches and measurement techniques, we believe the Quintile Method – the most widely used – is the best for evaluating wear-out of TV commercials as it takes into account media and consumer viewing factors unique to the individual brand's media schedule. The industry rule of thumb states that a commercial is worn out when the heaviest groups of TV viewers (Quintile I and Quintile II) have seen a commercial an average of 25x.

Applying the Quintile Method to the "Work" TV spot results in the following:

- "Work" will have achieved a total of 1,110 TV TRPs upon expiration
- "Work" will have achieved a total average frequency of 30x against Quintile I/Quintile II TV viewers upon expiration (45x frequency against Quintile I; 15x frequency against Quintile II)

By these measures, "Work" will have achieved wear-out by the end of FY 2008/09.

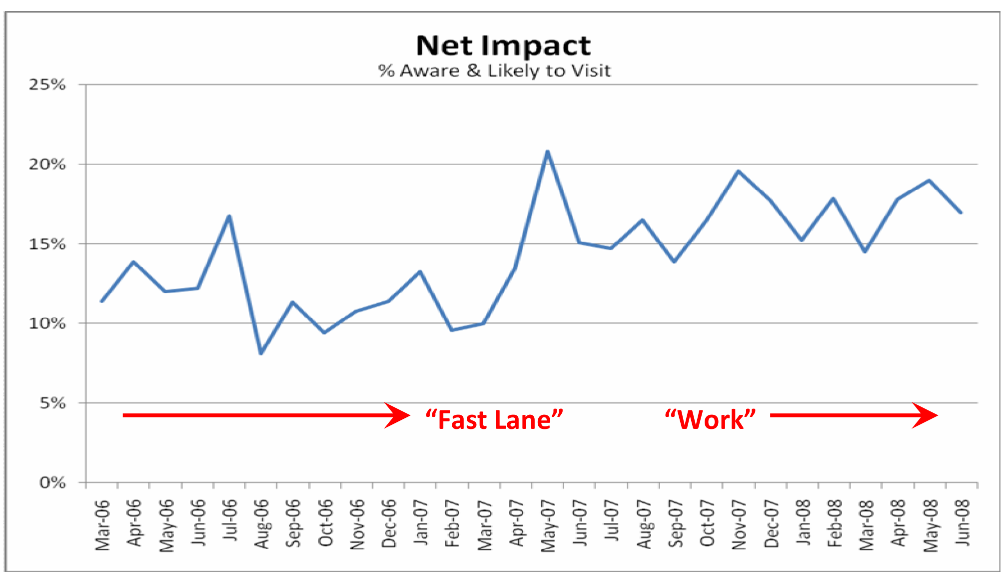
However, best-in-class practice is to also measure wear-out in brand tracking studies and to combine "media measures" and "consumer survey" intelligence. Therefore, we have asked Denise Miller from SMARI to weigh in on the issue of wear-out in terms of recall, impact on image, impact on likelihood to travel and campaign impact. **The following recaps Denise's findings:**

Advertising Recall – One benefit of utilizing the same advertising is to build awareness and give the message time to reach the target audience. For CTTC, the 21-month lifecycle allows for use during two successive years in the target seasons (two spring and two winter campaigns). For a number of states, including California, there appears to be a fairly stable pattern in terms of the impact of the advertising. **During the second year of using a specific spot there is an increase in recall, but after that point maximum recall is reached.** (This held true across the limited destinations that SMARI was able to review.) After the second year, the number of people who are going to recall the ad reaches saturation, and it is difficult to further increase the level of recall, without changing or adding new ads.

Impact on Image – While recall is one goal, another key consideration is whether the advertising continues to have an impact on attitudes and the image of the destination. As might be expected, this is a more difficult issue to assess, as it is linked to the actual creative and levels of media used. For some destinations, where media levels are low, it takes a longer time for the advertising to clearly communicate the key messages. But, this doesn't seem to be the case with the California advertising. **Because the California campaign is strong – both in terms of creative and media – the impact on image occurs within the first year.** Another challenge for California is that the state already has a strong image, and therefore it is difficult to drive image numbers up.

Impact on Interest & Visitation – This issue is even more complicated, as it relates to the strength of the campaign, the existing image of the destination and competitive advertising. Generally, as a campaign reaches a larger audience, the overall impact falls – it is harder to have a strong impact on a large audience. The key then becomes measuring the net impact. This measure represents the percent of the target population that is both aware of the campaign *and* likely to visit.

A review of the California campaigns shows that the impact of the brand campaign increased significantly during the second spring campaign ('07), but then stabilized during 2008 without the sizable jump seen in the prior two years. This again suggests that the lifecycle of an ad is about two years.



Campaign Impact – The brand campaign has been successful in creating a high level of top-of-mind awareness and interest for California. As the campaign has added messages – Snow, Culinary and Insider – this has increased the impact of the 'abundance' message. And the good news is that the preliminary spring 2008 ROI research shows the impact of our layered messaging platforms is delivering incremental travel and economic impact.

AGENCY POV:

Based upon our wear-out analysis, the "Work" spot will breech media wear-out levels in 2009 at its current rotation. Insights from SMARI also point to wear-out at the end of the 21-month lifecycle.

Moving forward, our recommendation is to renegotiate and renew "You'll Be Back," while looking to refresh "Work." In past years, MeringCarson has successfully "refreshed" the umbrella brand TV spot by replacing several scenes to extend its life and give it a lift in the marketplace when it goes back on air. While the conceptual nature of "Work" makes this more challenging than in years past, we believe it is both feasible and financially prudent. In order to enhance the consumer value proposition within "Work," we can explore showing a broader mix of inexpensive activities with the inherent emotional satisfaction people crave on vacation. Along these lines, there are scenes from the long-format version of "Work" that could be used in a refreshed :30 version, including the scene of the boy burying his dad in sand at the beach.

We also believe that in light of the recession *(that the US has officially been in since early 2008)* and without knowing where the economy and consumer attitudes will be moving into 2009 and beyond, it will be important to work on parallel paths and concept alternate cost-effective TV solutions should the mood of the country dictate a more radical change. At this time, all indications are that people still plan to travel, just change how they travel (trading down, not out); however, should the situation deteriorate considerably, a shift in approach – including tone and message – will likely be necessary.

IMPLICATIONS:

In either scenario, the goal is to develop cost-effective solutions for CTTC that enable fresh messaging to be layered into the FY 2009/10 program of work while minimizing budgetary impacts. As we go through the creative process, we will look to avoid situations that drive production costs up (e.g. the use of celebrities). By exploring a range of possibilities, for a range of possible situations, we can be most prepared for what lies ahead.

ACTION:

- **1st Quarter 2009** – concepting of "Work Refresh" and alternate solutions (pending CTTC agreement of agency recommendations)
- **2nd Quarter 2009** – SAG talent renegotiation and renewal; economic climate, business conditions and consumer sentiment assessment
- **3rd Quarter 2009** – production for fall/winter flight