Case 1: RIVERGROVE OUT-PATIENT CLINIC

A Media Planning Problem

Rivergrove Hospital, a free-standing psychiatric hospital located in Provo, Utah, was planning the grand opening of an outpatient psychiatric clinic opening in six weeks. John Granger, the assistant director of marketing, was given the responsibility of advertising and promoting the facility.

Granger estimated that total market potential for the upcoming year was approximately $3,970,000. The primary target audience consisted of households with combined annual income of over $25,000. The targeted households generally consisted of parents, ages 25-55, with an average of two children still living at home.

Granger had a grand opening budget of $5,000 to work with. Part of these funds were already committed: $450 was to be spent on a luncheon at the new facility for mental health and medical professionals; another $100 was to be spent on a direct mail campaign; and $150 was set aside for the ribbon cutting ceremony on opening day with the Chamber of Commerce.

In addition, $1,200 had been spent on an advertisement in the Warren Report, a quarterly magazine that would be mailed to every residence in Provo. Granger had purchased the back, outside cover, and the advertisement included a peel-off telephone sticker with numbers for local police and fire stations, the poison control center, and a place to write in the phone number of the family physician. The Rivergrove Outpatient Clinic's 24 hour mental health crisis number was also featured prominently on the sticker.

This left Granger with $3,100 to spend promoting the clinic. He wanted the advertising campaigns to begin three weeks prior to the grand opening. He basically had two media options: radio and newspaper advertising, with a possible third option consisting of the BYU basketball program. Exhibit 1 lists the media vehicles available to Granger, the population each vehicle reaches, the percent of the target segment in the audience, the probability of exposure, and the cost of one insertion.

EXHIBIT 1

Media Vehicle	Population	% of Seg. in Aud.	Prob. of Exposure	Cost per Insertion
Utah County Journal	63,000	60%	85%	$86
Daily Herald	80,000	55%	70%	$100
Orem-Geneva Times	6,500	30%	40%	$66
KMGR (Magic 107.5)	110,000	80%	10%	$8
KBNG	100,000	80%	10%	$12
BYU Basketball Program	23,000	70%	70%	$360

The Utah County Journal was a bi-weekly newspaper delivered to every residence in Utah County. The Daily Herald was delivered daily except Saturday, and the Orem-Geneva Times (OGT) was a weekly publication. John estimated the value of each exposure to a Rivergrove ad in the Journal and the Herald to be about 0.6 and about 0.4 in the OGT.

The BYU Basketball program had good potential, but Granger wondered how many students also purchased copies. Since students could get free counseling at the BYU Comprehensive Clinic, they wouldn't really help increase Rivergrove's business. On the other hand, a large portion of the non-student population also attended each game, and they were more representative of Rivergrove's target segment. However, since BYU's basketball performance had been dwindling in recent year, attendance was dropping. Based on these judgments, Granger concluded that the value of an exposure to a basketball program ad was only 0.5.

The media vehicles that Granger had the most confidence in were KMGR and KBNG, both FM easy listening stations. Both station's listenership almost perfectly represented Rivergrove's target segment, and Rivergrove Hospital had had a lot of success advertising on these two stations. The major drawback of these stations was the location: Salt Lake City. The Utah County listeners didn't represent a major portion of the county population, but Granger felt they were "quality" listeners. He believed the value of an exposure on KBNG to be 0.75 and 0.8 on KMGR.

KBNG charged $12 for a thirty-second spot. KMGR offered a better rate since Rivergrove Hospital had been a charter advertiser. Granger had been able to lock in the exceptional price of $8 per sixty-second spot for the next five years. In addition, for every 50 spots purchased, KMGR would donate 20 free spots to be aired between midnight and 6:00 a.m. For most advertisers, this wasn't really an incentive, but Rivergrove had received a lot of business from people listening during these hours. Psychiatric problems didn't conform to a time schedule, and people were just as likely to be in a crisis situation at 2:00 a.m. as at 2:00 p.m.

One other thing Granger needed to consider: the radio stations and newspapers would prepare advertisements for free, whereas an ad in the basketball program would cost $200 to design and photograph.

With this information, Granger needed to determine which advertising options to purchase.