

Client Profile

Rockwell Tools, a division of Charlotte, North Carolina-based Positec USA, manufactures a complete line of premium-quality construction tools for home and professional use.

Client Size:

200 employees

Industry:

Consumer Goods Manufacturing

Business Needs:

Rockwell Tools wanted to maximize sales of its Jawhorse product through the use of TV advertising while still meeting profit margin targets.

Solution:

The company teamed with its agency partner Proceed Media Group to create and implement a predictive model that quantified the relationship between direct response television concentration levels and total sales.

Results:

- Enables more effective media strategy
- Boosts year-over-year sales growth by 25 percent
- Increases competitive advantage

Actionable Insight:

By capitalizing on the dramatic rise in advertising elasticity approaching holiday shopping periods, Proceed Media Group helped Rockwell Tools maximize sales lift.

Rockwell Tools Leverages Advertising Elasticity to Boost Sales by 25 Percent

“We gave Proceed Media Group an impossible task, and they exceeded our expectations.”

Rhonda Tate, Director of Operations, Positec USA

Business Situation

Rockwell Tools designs and manufactures a full line of corded and cordless power tools and accessories. The company distributes its products through all major sales channels—phone, web, and retail. The company has a reputation for providing versatile, durable tools at affordable prices, and its products perform well in both the professional and do-it-yourself markets.

Like most manufacturers of consumer goods, Rockwell relies on the end-of-year holiday shopping season for the bulk of its annual sales revenue. In fact, Rockwell counts on this period for upwards of 70 percent of its yearly sales. But brisk sales during the holidays are about more than hitting revenue targets; they can be the key to avoiding costly inventory write-downs, especially in cases where sluggish demand for a particular product has resulted in excess stock.

This was the case for the Rockwell Jawhorse, one of the company's premier craftsman tools. The Jawhorse is an innovative clamping device similar to a portable bench vise. The clamping motion on the tool is activated with a foot pedal, which lets workers free their hands to complete project tasks safely and quickly.

Rockwell supported the September 2008 market release of the Jawhorse by initiating a direct-response television (DRTV) advertising campaign, which continued on an intermittent basis into early 2010. This campaign consisted of a mix of TV infomercials, as well as short-form (60-second) and (120-second)

TV advertisements. The TV campaign presented the Jawhorse as a “powerful, second set of hands.” The tag line appealed to seasoned pros and do-it-yourselfers alike. It also helped position the product as an integral extension of the Rockwell product line—a rugged, portable platform engineered for use with a range of tools and project types.

After a gradual climb during its first year on the market, sales of the Jawhorse spiked during the fourth quarter of 2009, aided by its placement in the tool corrals of major nationwide retail outlets beginning in October of that year. Over the next several months, retail sales outpaced phone and web orders. Rockwell executives were eager to adapt the company's TV strategy to this trend. However, after consulting with a number of different media agencies, executives were left with more questions than answers. In order to optimize TV advertising to drive retail sales, they still needed to know how to:

- Quantify the relationship between the company's TV media spending and cross-channel sales of the product.
- Define the precise media concentration levels that would yield maximum sales lift while still enabling the company to meet its quarterly profit targets.
- Determine the optimal ad format.
- Pinpoint the most effective flighting schedule.



Figure 1— The Jawhorse is a versatile workbench and sawhorse, offering more than one ton of clamping force

After the holiday boost subsided, sales sputtered. By April 2010, 18 months after its entry into the market, the Jawhorse faced a new threat. The introduction of a lower-quality alternative from a competing manufacturer began cutting into the product's once-healthy market share. Sales of the Jawhorse stagnated, creating a large inventory stockpile, despite increasingly aggressive efforts on the part of Rockwell to move it. Executives wondered what measures the company could take to reenergize sales without dramatically expanding its advertising budget for the product.

Executives knew they needed to act quickly to devise a strategy that could be tested and put into place before the 2010 holiday shopping season. Also, based on past experiences collaborating with media agencies, they recognized the need for a different approach to TV campaign management—one that merged analytics with practical business goals.

Solution

To better predict end-of-year sales and unlock latent demand for its product, Rockwell Tools engaged Proceed Media Group, a TV media agency and a division of Seattle, Washington-based Lucid Commerce. "We were thrilled at the chance to apply our expertise in TV advertising to assist Rockwell Tools in meeting its business goals," says Tyson Roberts, CEO of Proceed Media Group.

A Second Set of Hands to Rebuild Sales

The team from Proceed Media Group first met with executives from Positec USA, the parent company of Rockwell Tools, in April 2010. "We recognized early on that Proceed Media Group had a unique perspective that went beyond the tactical approach of most traditional agencies," says Tom Duncan, CEO of Positec USA. "They made it clear that their first goal was to better understand our business and our customers, so that they

could help us use TV advertising to target real-world business problems." In forging a strategic relationship with Proceed Media Group, executives sought to gain the kind of responsiveness to changing business priorities that only a trusted partner could deliver. Throughout the campaign, Rockwell Tools leveraged this partnership as a second set of hands in rebuilding sales of the Jawhorse.

Research Workbench

Based on discussions with Rockwell executives, Proceed Media Group defined the overarching campaign objective in straightforward terms. By measuring the impact of advertising on sales and then adjusting campaign targeting based on this data, it aimed to help Rockwell track and maximize profitability. "Whenever we engage with clients, our central aim is to provide them with a rationalized, data-driven framework for making decisions about media placement," says Roberts.

To achieve these goals Brendan Kitts, Chief Scientist at Proceed Media Group, identified four discrete research problems that needed to be solved:

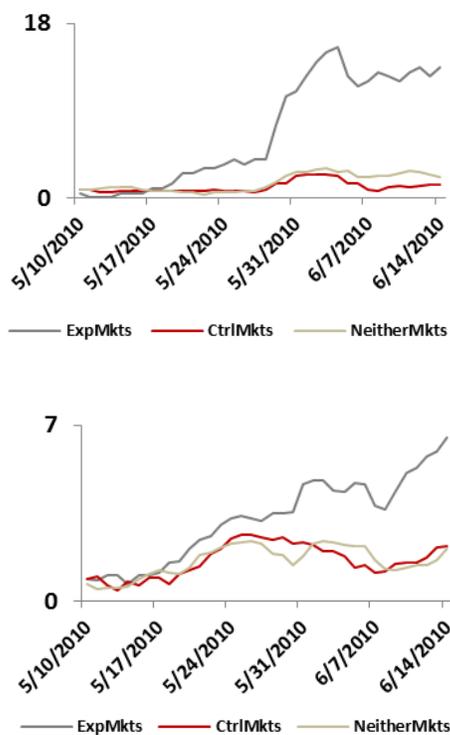
- Targeting
- Creative testing
- Cross-channel measurement
- Profit maximization

"Each problem has its own set of unique challenges," says Kitts. "We've developed machine learning methods that we can apply to each of these areas, so that we can advise clients based on actual data, not intuition." Kitts used a variety of analysis techniques, including customer profiling, field experiments, and numerical optimization, to address each concern.

Measure Twice, Cut Once

The team from Proceed Media Group spent several weeks collecting and analyzing

Figure 2— Proceed Media Group measured 4x sales in cross-channel retail (top) and 16x lift in web sales (bottom) in cells treated with TV media.



**Cross-Channel Sales Figures:
Retail and Web**

customer and sales data and evaluating the media used in previous TV campaigns to support the Jawhorse. Through a series of rigorous tests, Kitts' team was able to characterize the relationship between a range of variables. These tests yielded important findings across all four research areas, including:

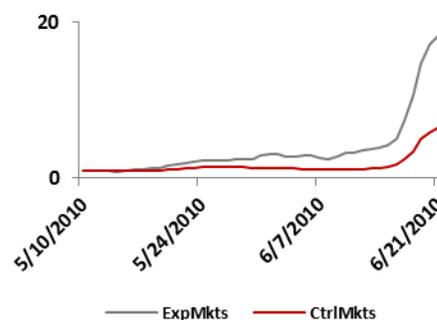
- **Targeting**— Proceed Media Group used Buyometrics, its behavioral targeting methodology, to create a rich multidimensional composite of the client's best customers based on more than 300 household-level attributes. Among other characteristics, they found that Jawhorse customers tended to be older males with advanced education and interests in the outdoors and sports. "Because our Buyometrics process is consistent across all of our clients, we were able to compare the Jawhorse profile to our panel of over 3 million TV purchasers to see what media has historically produced purchasers who fit the target," explains Roberts.
- **Creative Testing**—Kitts' team used 10 treatment markets and multiple paired controls to test the optimum format (short form versus long form) and frequency of advertising, as well as the performance of specific call-to-action statements. They found that a mix of long- and short-form advertising outperformed either long or short form alone. They also discovered

that staggered advertising was more efficient than continuously running the ads.

- **Cross-Channel Tracking**—Proceed Media Group ran TV advertising in a variety of experimental cells and measured the differences from the control cells. The team documented massive increases in cross-channel sales. For example, as illustrated in **Figure 2**, TV advertising lifted cross-channel retail sales by 4x and web sales by 16x according to experimental cells. Post-advertising lift remained for six months, generating an additional 50 percent in revenue that would have otherwise not been measured.
- **Profit Optimization**—In order to design the campaign, the team ran tests to find the various levels of media concentration required to reach the retailer's profit margin goals for each channel. Father's Day, which typically generates a sales lift for Rockwell products, happened to occur in the middle of the testing period.

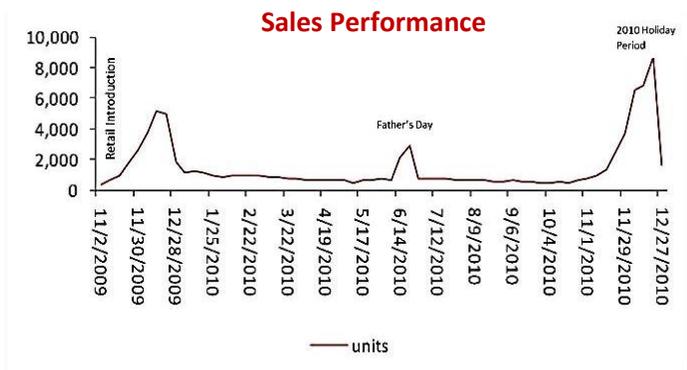
As illustrated in **Figure 3**, the team found that, in the test cells exposed to TV media, advertising had a multiplicative effect on sales. "We discovered that advertising elasticity—or the profitability of running TV ads—dramatically increased as the holiday approached," says Kitts.

Figure 3—Proceed Media Group documented substantial changes in advertising elasticity leading up to Father's Day. As the holiday approached, lift in the experimental group (blue line) increased far more rapidly than the control group (red line).



Seasonal Elasticity

Figure 4— The time series graph below shows the sales performance of the Jawhorse over 14 months, from its retail introduction (October 2009) to Father’s Day (June 2010) to the end-of-year holiday season, when Proceed Media Group used elasticity to provide dramatic sales lift.



After using some of its own precision tools to define the key measurements for the campaign, Proceed Media Group executed its plan to recharge sales of the Jawhorse heading into the holidays.

Versatility to Handle Project Changes

For three months—from July up to October 2010—Proceed Media Group managed advertising against Rockwell’s defined goal of optimizing profit margins across all channels. With the approach of the holiday season, Rockwell executives consulted with its agency partner about shifting the strategy to focus on reducing inventory.

Earlier in the year, the company had projected annual sales of 32,000 units for 2010, similar to the volume for the previous year. But as Q4 approached, executives were concerned that sales volume might actually be as much as 30 percent lower than predicted. They were resistant to dropping the retail price and hoped to prevent the need for a major increase in advertising spending. But executives also wanted to avoid carrying a significant quantity of inventory into the following year.

In response to this urgent business need, Proceed Media Group updated the media plan to align with the new goal of reducing inventory. Based on an analysis of Father’s

Day sales, the team predicted a similarly substantial increase in advertising elasticity as the end-of-year holidays approached. Advertising elasticity is a measure of the percent change in sales over the percent change in budget. They applied their insight into the multiplicative impact of changing elasticity on sales—an effect they compared to a “gravity slingshot”—to help Rockwell maximize the number of units sold during this period.

Results

Proceed Media Group made it possible for Rockwell Tools to quantify the optimal level of advertising support necessary to increase the sales of the Rockwell Jawhorse in a profitable way. Based on the six-month TV campaign that Proceed Media Group managed, the manufacturer sold 42,500 units of the Jawhorse, shattering its own sales records.

Enables More Effective Media Strategy

Proceed Media Group was able to calibrate the precise impact of media concentration on total sales for Rockwell. This has not only given the manufacturer an enormous advantage in managing advertising costs and maximizing profitability in the short term, but provides the tools and the framework for implementing a more efficient and productive media strategy in the future. “Proceed Media Group has solved the problem of transitioning direct response success to retail,” says Duncan.

Boosts Year-Over-Year Sales by 25 Percent

By taking advantage of advertising elasticity as suggested by the Proceed Media Group team, Rockwell exceeded its own sales projections by 25 percent. Rockwell was able to sell through its existing inventory, providing an unexpected infusion of working capital to aid the company’s growth efforts.

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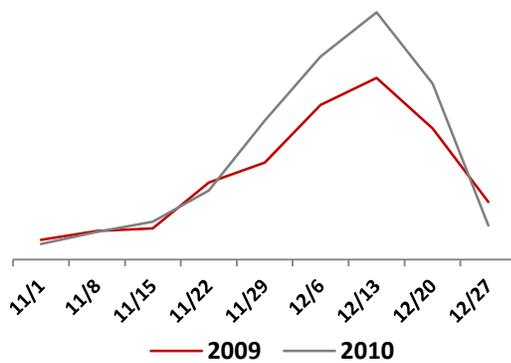
Figure 5— Proceed Media Group helped Rockwell shatter its own sales and revenue records set during the holiday season in the previous year.

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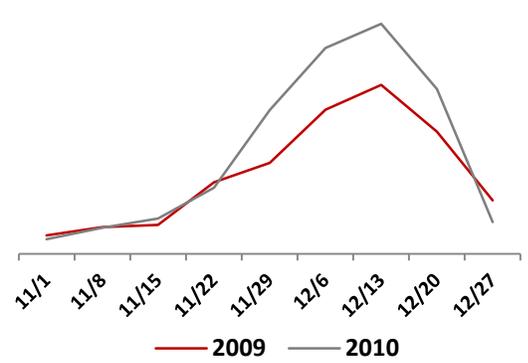
Increases Competitive Advantage

Proceed Media Group helped Rockwell to capitalize on the considerable investment it had already made in the Jawhorse. By increasing sales of an existing line, rather than

incurring the costs of developing, manufacturing, and supporting a new product, the company optimized its marginal profit. With robust sales of the Jawhorse line, the company was also able to regain lost market share, which helped to strengthen its competitive positioning and neutralize threats from inferior-quality brands.



Units 2010 vs. 2009



Revenue 2010 vs. 2009

For more information about other Proceed Media Group customer successes, please visit: www.proceedmediagroup.com