



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

**The Pursuit of Knowing Instead of Assuming**  
A study of Value-Based Advertising

Johan Gustafsson and Adam Östling

**Graduate School**

Master of Science in Marketing and Consumption

Master Degree Project No. 2011:184

Supervisors: Eva Ossiansson and Henrik Hansson

# THE PURSUIT OF KNOWING INSTEAD OF ASSUMING

## A Study on Value-Based Advertising

Adam Östling and Johan Gustafsson

**ABSTRACT:** A traditional advertising deal is paid for in advance and the price is typically based on space and reach. Value-based advertising, as the word implies, means that the advertiser, instead of paying in advance, is paying for the actual value the ad generates. This study illuminates what differentiates value-based advertising deals from traditional advertising. Our findings shows that the most significant differences are the changed relationship between the media company and the advertiser, the media company's ability to attract new advertisers, advertisers' willingness to pay more and that value-based advertising is considered complex in many aspects. Moreover this study explains what is required to develop value-based advertising further. Those requirements are that media companies have to increase advertisers' knowledge, obtain reference cases and approach senior management instead of marketing managers. If these areas are developed in an accurate way, value-based advertising deals will in the near future become a vital part of advertising.

## INTRODUCTION

The price of an advertising deal is traditionally based on the media company's estimation of what a certain media space is worth. As a pricing strategy this could be considered as a combination of competition-based pricing and cost-plus pricing where the price is set in accordance to what the market and competition suggests as well as with regards to internal costs. These strategies have their strengths in the usability, simplicity, and that the data is quickly available. However, they have a major weakness in not considering what the advertiser is willing to pay. (Hinterhuber, 2008)

Besides the two pricing strategies mentioned there is also value-based pricing. Value-based pricing is increasingly considered superior to the others, especially if profit maximization is the objective (Hinterhuber, 2008). Value-based pricing is a business strategy with the fundamental idea that the company sets the selling price in accordance to the customer's perceived value, regardless of the actual cost for the product or service, the market price, competitors' prices or historical prices (Stedman, 2000). Hinterhuber (2008) defines it as follows;

*“Value-based pricing approaches use the value a product or service delivers to a predefined segment of customers as the main factor for setting prices”.* (Hinterhuber, 2008, p. 2)

This quote captures the essence of the whole theory around value-based pricing, i.e., setting the price as a reflection of what the selling company provides and what the buying company gains.

Despite value-based pricing is increasingly recognized it is still not as frequently used as cost-plus

pricing and competition-based pricing (Hinterhuber, 2008). There are, however, multiple examples of companies that have used pricing strategies based on the concept of value in a wide variety of businesses. In American law, for instance, it is not uncommon with so-called 'contingent fees' where the lawyer only charge the client if the case is won (Bogdan, 2003). The same basic principle goes for pay-per-click Internet banners where the advertiser pays for each click on the banner instead of a fixed advertising fee. Pay-per-click is currently one of the fastest growing pricing models and has been a contributing factor in bringing the concept of value-based pricing into the changing media landscape. (Dinev, Hu & Yayla, 2009)

One large change in the media landscape is the high and increasing impact of Internet where consumers, easily and free of charge, can access almost the same content as in other media, e.g. newspapers, have put pressure on media companies and newspapers to discuss development of their current product offer (Juhren et al., 2011). Most Swedish newspapers are available on the Internet and since recently also on portable reading devices such as iPad. Partly due to this, paper edition sales have declined since the mid-1980s (Weibull & Jönsson in Terzis, 2008). Moreover newspapers' share of the total advertising volume in Sweden has also declined (ibid). We argue that this testifies of a media climate that is characterized by tough competition and where every single penny must be fought for.

In non-digital media, and particularly print, the concept of value-based compensation is fairly new (Stampen's marketing director). One could think that the media business would always be in the forefront in terms of development in all senses considering the massive changes it has gone through the last ten years. Yet it seems that implementing value-based

advertising is a true challenge (Provines, 2010; Hinterhuber, 2008). We believe that this is probably due to the strong traditions attached to the media business where advertising deals have been the same for ages and are hence not easily changed. Since a concept like this affects the media company's and the advertiser's organizations, an extensive complexity is added. Thus, successful implementation of value-based advertising will require in-depth knowledge of what is actually gained from a switch to this idea and what incentives media companies and advertisers have to engage in a potential transformation.

From other businesses one can see that companies are often dealing with competition by emphasizing the relationship between customers and the company (Gummesson, 2008). We believe that media companies have not considered this opportunity to an adequate extent with their customers, i.e., the advertisers. The relationship aspect seems to have been under-prioritized and research on this could add valuable insights on how media companies and advertisers possibly could add an extra dimension to their collaboration. It would be of great interest for both practitioners as well as the academia too see how a relationship between a media company and an advertiser could be structured differently. Particularly if put in contrast to the current structure of advertising deals and thus see what implications it could have for the media company and the advertiser. A value-based advertising model intends to imply a different relationship between the media company and the advertiser compared to the traditional advertising deal.

Relationship building with advertisers may be beneficial for media companies and advertisers, but considering the increased competition it is challenging for any actor to succeed with this. Along with that, it is also hard to attract new advertisers that either do not advertise at all or prefer to advertise in other media. Newspapers have historically had a strength compared to other media in its local roots. The advertiser could be fairly convinced that an advertisement in the local newspaper was seen by its target groups, as the local newspaper did not have as much competition from other media as today. (Hallandsposten's marketing manager) Because of that advantage we initially thought that newspapers were better prepared for the massive changes in the media landscape and the new competition than any other media. However, as commercial radio and commercial local TV entered the market this advantage has, or is at least about to, disappear. In comparison to these 'new' media, newspaper advertising is costly, and this probably is one of the reasons why local TV and radio is becoming increasingly popular among advertisers. Considering this it would be useful for everyone

working with advertising to know whether value-based advertising affects the competitive strength for a media company.

Traditionally newspapers have negotiated with advertisers with price as the only parameter. Thus, attracting new advertisers has basically been a fight over discounts and arguments for why print is superior to other media (GP's sales director). Logically it becomes unsustainable to only have price as negotiation tool when new and hard competition enters the same market with better prices. Hence it becomes interesting to investigate what implications a value-based advertising model would have on this dilemma.

Buying media space is usually a large expenditure without safety or guarantee of outcome. Think of a marketing manager with a fixed marketing budget deciding that a full page ad for a fixed price in a newspaper is the best choice. When the campaign is over it is time to evaluate the effect of the bought media space and this is where the problem may appear. Seldom has the advertiser paid for the actual value. Either the advertiser has paid too much or too little i.e. the campaign likely gave better or worse effect than expected (Relationer & Affärer's manager). Part of marketing and advertising deals is associated with uncertainty and speculation since the outcome is unknown on beforehand. That can be problematic also for the media company as they are constantly taking the risk of charging the advertiser less than they could have done. Pasura and Ryals (2005) claim that most pricing strategies fail to connect value and price, meaning that companies either are under-pricing their product and services or the other way around, over-pricing them. This has implications, both for the media company and for the advertiser, since the efforts are not reflecting the value. On the other hand it may also be an advantage for both parts as they know from day one what the price of investment and income will be.

## **Research Question**

*What differentiates a value-based advertising model from traditional advertising, and what is required to develop the model further?*

## **Purpose**

Our purpose with this study was to describe the two different types of advertising deals (traditional and value-based) and highlight the differences between them, in order to find potential strengths and weaknesses with a value-based advertising model in contrast to traditional advertising deals. We also aimed to elaborate on what contributions a value-based advertising model adds to a media company and the

advertiser in relation to the traditional practice. By doing this we were able to investigate what implications a value-based model would have on advertising deals and suggest development areas.

## METHODOLOGY

We wanted to dig deep into distinguishing aspects of value-based advertising deals in relation to traditional advertising and simultaneously enlighten strengths as well as weaknesses with it to be able to know how the model could be developed further. The investigated phenomenon, value-based advertising deals, is relatively new and had not yet been introduced to the broad mass, meaning that few were familiar with the subject. Having this said, there was not an endless source of respondents knowledgeable enough to provide us with relevant information. In order to overcome the situation of limited number of respondents our target was to obtain information from the small number of knowledgeable and informed individuals that could provide us with the information needed to answer our research question and our purposes. Apart from that we also found in-depth interviews preferable to other research methods as some questions were rather complex and required exhaustive answers. We were also keen on letting the respondent speak freely around the subject and not be limited to certain response alternatives. Since the subject is new and we talked to people in different positions we did not know what direction each interview was going to take, hence it was important for us to have the possibility to ask follow-up questions. This study was hence executed with a qualitative approach which according to Jacobsen (2000) is preferable given the preconditions described above.

The respondents were carefully selected from the criteria that they worked or had been working with value-based advertising thus having a clear idea of what such a deal implies. This meant that the respondents were representatives from advertisers, media companies and a freelancing media strategist, in total this became 9 interviews. The sampling technique is called judgment sampling and is suitable when certain knowledge is required from the respondents (Blumberg, Cooper and Schindler, 2008). We also attended a work shop at a media company where managers and sales representatives from different newspapers participated and discussed value-based advertising, which gave us useful information.

Documentation and descriptions of finished projects was used as secondary data. Supporting the interviews with documentation is according to Blumberg et al. (2008) a preferable way to collect data when conducting a qualitative study. This source enabled us

to go through the process and highlight positive and negative implications as well as common success factors. Other secondary data sources were retrieved through an extensive literature review within the subject. Early in the review we found that there was little research on the topic, particularly in the advertising context we researched. Hence we were forced to use pricing literature from other contexts and apply it on our own. We believe that this has no implications on the result as the foundation of the concept is equal even though the context varies.

The main instrument when conducting interviews was an interview guide that was developed from a review of existing literature within the subject, and with regards to our research question and purpose. The interviews were of semi-structured character with the aim of enabling the respondent to speak freely around the subject but in the same time stay within the borders of what was relevant to the study. The respondents gave us permission to record the interviews, which enabled us to focus on the conversation rather than taking notes. The interviews were transcribed no more than 24 hours later when we still had the interview clear in our minds. Information from the work shop was collected through notes, audio recording and photos. This methodological procedure is recommended by Jacobsen (2000) and Blumberg et al. (2008).

We began our data collection with a literature review to get a holistic picture around the subject and then chose the theories we found most relevant. We did, however, not intend to limit our secondary data collection to those theories we found in the initial phase. Instead, we wanted to have the possibility to extend our theoretical framework after we had conducted the interviews. The analysis of the empirical findings was used in a combination with chosen theoretical framework in order to gain a broader understanding (Eriksson & Kovalainen, 2008). We found this approach suitable due to the open character of the interviews where we did not know what we were going to derive from them.

We aimed to get respondents representing media companies, advertisers and media agencies. To get a media company's perspective we talked at several occasions to the marketing director at Stampen and the manager of Relationer & Affärer, which is the department at Stampen Media Group working with value-based advertising development. We needed their opinions and description of the value-based model to understand how it works in reality. Those meetings were particularly important in the initial phase and took place before, during and after the other interviews.

Our data analysis began with transcription of the recorded material. The next step was to reduce data and discover themes in relation to the research question in order to make the data perspicuous as suggested by Jacobsen (2008). We soon found clear themes but also interesting deviations. These themes were then used as the foundation in our results and analysis chapter.

The trustworthiness of this study can be considered as good as methodological guidelines have been followed. Yet, we acknowledge that our theoretical framework is consistently positive towards value-based pricing, thus we partly lack a theoretical counterpart to the presented theory. On the other hand, the theory we present recognizes severe difficulties with value-based pricing which make up for an adequate balance.

### **The Setting of the Study**

This study aims to provide valuable insights in how a value-based compensation model could be used in an advertising context. The findings and conclusions aim to be generalizable in that particular context. Yet we have limited our study to a case in print advertising and Stampen Media Group (henceforth Stampen), thus the empirical findings are all connected to advertisers and media representatives with experience of value-based advertising mainly in print. The reason for choosing Stampen as case was due to their position as pioneers in the subject, on the Swedish market. The advertisers all represent national or international brands in which the use of media- and advertising agencies is typical when buying media, hence smaller firms' media buying process is omitted.

An advertising deal can be constructed in several different ways. In this paper, though, we refer to value-based pricing and what we have decided to call traditional advertising. By traditional advertising we include the features that most advertising deals have in common. These features are described in the section Characteristics of a Traditional Advertising Deal.

## **THEORETICAL FRAMEWORK**

### **Pricing Strategies**

Wardell, Wynter and Helander (2008) states that service companies usually apply *cost-plus pricing*. This basically means that the service's price is based on the cost for the performed service with some predetermined additional margin. Wardell et al. (2008) states that even though this is a viable way of pricing services it may not be the most effective one in regards to overall profit, especially since it does not consider

competition. Hinterhuber (2008) considers this strategy the weakest among the three. The second price strategy mentioned, *competition-based pricing*, is based on observed price levels of competitors. The obvious advantage with this strategy is that the data is easily available, i.e. the company does not have to reflect much about the price as they just follow the average market. This strategy can also be favorable if the products or services cannot be distinguished from each other. The weakness with competition-based pricing is that the strategy does not take the customer into account, and more importantly, it does not consider what the customer is willing to pay (Hinterhuber, 2008). The research on current pricing strategies is important for us as it reveals whether there are incentives or not for companies to abandon these strategies for something else.

Wardell et al. (2008) mean that that is the case as they state that these weaknesses connected to competition-based and cost-plus pricing have forced companies to look for more accurate ways to price their services and the value it provides. Moreover they state that if companies can manage to price their services closer to the value provided, profit margins could be increased without necessarily increasing the workload or required resources. This automatically lead us to the third strategy; *value-based pricing*. It is a pricing strategy with the fundamental idea that the company sets the selling price in accordance to the customer's perceived value, regardless of the actual cost of the product or service, the market price, competitors' prices or historical prices (Business Link, 2011). We mean that value is a complex conception that can be interpreted in different ways, thus the meaning of it must be substantially considered and we will come back to that in our case description. Yet Joshi and Hanssens (2010) present two different types of values, tangible and intangible. Tangible value includes sales and profits whereas intangible value is associated with customer satisfaction and brand equity. Value can be associated with different meanings to different people, which testifies of the extensive complexity attached to value-based pricing.

### **Value-Based Advertising Implementation Barriers**

Shu Fen (2008) has observed a recent change in how agencies are compensated. She highlights that the firm of the future will price its services based upon external value provided, not internal effort generated. However, there are some risks associated with value-based advertising. For instance, the payment is based on quality, thus a poor execution can result in one part losing money. Secondly, an issue in value-based advertising could also be inertia, meaning; do

advertisers want to pay more? Further Shu Fen (2008) means that value-based pricing is hard to implement and her view is supported from other researchers. As a matter of fact, several researchers argue that value-based pricing is superior to other pricing strategies, yet on the other hand they also acknowledge several implementation barriers. Provines (2010), for instance, means that the success of implementation of value-based advertising is dependent on how well the company manages to:

1. Understand stakeholders' true needs and what they really want or demand.
2. Gain in-depth insights on stakeholders' key value drivers and economics.
3. Conceptualize on how the company's offer impacts each stakeholder relative to other available alternatives.
4. Quantify value and decide on how to fairly share value through pricing.

Dinev et al. (2009) identify a fifth critical aspect with value-based advertising, namely *trust*. Dinev et al. (2009) states that trust cannot eliminate potential problems with value-based advertising, yet without trust perceived risk becomes stronger than perceived benefits. Thus, trust enhances perceived benefits. Even though value-based pricing is considered superior and underestimated by both Provines (2010) and Hinterhuber (2008) they both recognize implementation barriers. According to Provines (2010) there are mainly four internal organizational barriers that stand in the way of successful implementation. The *first* one is poor integration of value assessment through the whole process. Thus, companies must improve their knowledge about where and how they create value for their advertisers, and thereby have a better chance of pricing the service or product correctly. The *second* barrier is whether pricing has a central role in the company, and hence there is a clear organization around who has which responsibilities when it comes to pricing. This is important as value-based pricing requires knowledge and experience to a larger extent than less complex pricing. The *third* factor Provines (2010) consider to be a barrier is the leadership in the company. He states that senior marketing persons often think that value-based pricing is not going to work in their particular industry. This concerns Provines (2010) as he thinks that it shows a lack of understanding of business-to-business marketing. He furthermore states that companies no longer can sell on features, and that relying heavily on relationships is also coming to an end. Provines' (2010) solution to this is educating managers to give them better understanding in these matters. The *fourth*

barrier is not really a barrier, rather a strength if exploited properly – namely the sales force. Provines (2010) means that the true key in value-based pricing is how well the sales force manages to communicate the value they will provide the advertiser. To make the sales force successful with this they must be able to understand the advertiser's business economics and how the offer impacts the advertiser's economics. They must also have the tools to demonstrate the value of their offer.

So, this far we can see that, despite the implementation barriers, value-based pricing has obvious benefits in terms of prices that reflect what the customer actually receives and the opportunity for the seller to increase profits. But even though researchers conclude that value-based pricing is the preferable pricing strategy it is not yet widely adopted. Hinterhuber (2008) adds obstacles, besides those already presented by Provines (2010), which are in the way of a broader implementation of this pricing strategy. He suggests five main obstacles:

*Difficulties in making value assessment* were ranked as the largest obstacle to implement value-based pricing. Hinterhuber (2008) mean that managers find it hard to estimate the value they provide and hence they find it hard to set a fair price on their services or products. He states that the best way to overcome this problem is by rigorous value measurement.

*Difficulties in communicating value* were also considered a large obstacle. With the huge contemporary supply of services and products it is hard to convince customers that one's own company provide the best solution with the highest value. The solution to this, according to Hinterhuber (2008) would be to communicate benefits with one's own offer, since that basically refers to value. The advantage with this strategy is that advertisers care about benefits. The disadvantage is that companies do not always know what benefits are most important to the advertiser. Therefore, next step would be to communicate benefits in accordance to customer needs. If the company can find out what benefits the advertiser really needs it will be easier to communicate it since needed benefits are more easily remembered than just features.

*Difficulties with market segmentation* regards the problems with finding the right segment of customers that are not too price sensitive, and are willing to pay more for the extra value they receive from a customer value-based priced product or service. Hinterhuber (2008) calls this needs-based market segmentation – segmentation that displays the market segments where price is not the primary dimension.

*Difficulties with sales force management* include sales teams' willingness to sell more and thus offer

discounts. Hinterhuber (2008) mean that since value-based pricing is structured around a long-term relationship discounts or too generous deals will in the end decrease the profitability. One way to avoid this problem is to educate the sales personnel since value-based pricing require a massive shift in the attitude. Value-based pricing require an understanding of the advertiser's needs and hence the sales personnel must be good listeners and be able to sell solutions instead of single products or services.

*Difficulties with senior management support* are stated by Hinterhuber (2008) to be a major issue. One of the respondents stated that managers in the initial phase supported the strategy of value-based pricing as a mean of maximizing profits but then punished sales people that not filled their quota. A key to succeed with value-based pricing is to have the senior management's support. This is achieved by lobbying and networking. According to Hinterhuber (2008), research shows that the frequency of senior management with pricing authority is increasing.

Provines' (2010) and Hinterhuber's (2008) views on what may be problematic with an implementation of value-based pricing has, when bundled together, provided us with an adequate framework when moving into the next sections.

### **Characteristics of a Traditional Advertising Deal**

The price of a traditional advertising deal is based on simple mathematics; the size of the ad connected to the reach equals the price. The more readers a newspaper has and the larger the ad space is the higher the price will be. There are, however, other parameters that also affect the price, such as the media's brand and position on the market. The price is also a reflection of what the competitors charge for a similar deal, i.e. the negotiation between the seller and the buyer is based on a fixed price list. Logically the media is offering better discount if the advertiser buys a lot of media. Another aspect that can affect the deal is the competition; if the advertiser is running a national campaign the media is probably competing with other media and thus have to consider that when pricing the service. If the advertiser is only running locally alternative media may be fewer. (GP's Sales Director)

Depending on what time perspective the advertiser has, a plan for the near future's advertising is typically developed. This time perspective can vary a lot depending on the size of the company or the size of the campaign and may reach from a few weeks to years to come. The advertiser likely has a vision of what they want to communicate in terms of values and message and together with an advertising agency this is formed into a campaign. Unless it is a small campaign from a

small advertiser the rest is typically handled by a media agency. The media agency has discussions with the advertiser about budget, time when launches are planned etcetera and is later coming back with a suggested strategy. If it is accepted by the advertiser the media agency is then responsible for the media buying, i.e., choosing the right media channel and negotiate about the price. When the deal is closed the media agency pays the media up-front. The advertiser then pays the media agency for the bought media and an additional fee of approximately 5%. (AnnKi Bryhn Jansson Insikt Analys Strategi's Media Planner)

## **THE CASE**

### **A Value-Based Advertising Model**

The following description is based on the media group Stampen's development of a value-based advertising model. All information provided in this section is derived from Stampen's marketing director and Relationer & Affärer's manager who are the founders of Stampen's value-based advertising model.

Stampen's value-based advertising model has a primary focus on long-term relationships that are supposed to generate profits over time. Instead of traditionally paying a fixed price for media on beforehand, the advertisers instead pay for the value the campaign generates. The value measure is individual from case to case and is predetermined by Stampen and the advertiser together. At this stage transparency and openness is key in order to reach an agreement that satisfies both parties. The deal is based on data on what is required to reach the goals, e.g. to sell 100 units. Those requirements could for instance be that; 200 000 persons are aware of the product, 20 000 seeks information about the product on the website, 2 000 persons like the product, and that 200 persons tries the product in the store.

Value can then be based on products sold, i.e. the objective of the campaign might be to sell 100 units during a period of time. If 200 units are sold the value of the campaign is obviously higher whereas if 50 units are sold the value is lower and the price is set in accordance to those parameters. Other parameters of value are market share, store visitors, website visitors, brand awareness, perception of the brand, likeliness of buying product or service from the certain brand, or even the company as a whole. This means that the specific conditions for value measurement of the advertising are set in advance e.g. the investment in advertising is x % of the value it provides to the company. If then the campaign is successful the price of the investment will be higher, yet if the campaign is

not as successful i.e. not reaching the required levels on the predetermined parameters, the price of the advertising investment will be lower. This way of selling media space creates an interesting relationship between the media company and the advertiser where they put themselves 'in the same boat', thus it is crucial for both parties that the campaign turns out as successful as possible. The advertiser obviously wants the best possible results and the media company is dependent on that as well – from that perspective it is a win-win situation if the campaign turns out successful.

This business concept makes the media company's responsibility for the outcome much larger compared to the traditional advertising practice where the media first and foremost provides media space but a limited input of know-how. In this concept the media company is dependent on the advertisement's outcome and must therefore put more effort in to each deal. This creates a relationship between the advertiser and the media company that is closer than before and potentially increases the chances of higher revenues for both.

One crucial aspect to consider in this model is the measurement of the campaign's provided value, i.e., the basis for the eventual invoice. Stampen, together with the advertiser, pay for the measurement which is typically conducted by a third party. The measurement obviously looks different depending on what the targets of the campaign were. Usually though, both soft as well as hard values are measured. Soft values include attitudes and feelings towards the brand whereas hard values are those that could be found in the advertiser's database like sold products, floor traffic, marginal income etc.

What might be difficult with measuring the impact of a campaign is the isolation of the campaign's contribution to the results. In cases where an advertiser simultaneously runs another campaign, like national TV, the measurement must make sure which effect is derived from which campaign. The same problem occurs for different reasons, e.g. a toy retailer may increase their sales tremendously during an advertising campaign compared to the previous month, yet if the campaign is run over Christmas that has likely had a big impact as well. These problems are overcome by reference measures. In the case of the national TV campaign the problem is solved by having reference cities that are exposed similarly to TV but not to the print advertising. By then comparing the cities exposed to both local and national advertising with the cities exposed only to national advertising one can see the differences. In the case of the toy retailer the measurement must be compared to Christmas the year before instead of the previous month. In general there might be several external aspects that must be

considered when analyzing the results. In order to evaluate the effect one does compare the effect with; previous year, the market in general, the advertiser's previous forecast, reference places where Stampen is not present.

## RESULTS AND ANALYSIS

This chapter aims to provide the reader with strengths and weaknesses with traditional and value-based advertising deals as well as development areas in value-based advertising. The data in this chapter is derived from interviews with several persons in leading positions that has been introduced to value-based advertising deals and have experience from advertising deals and the media landscape in general. Their opinions were analyzed with regards to our theoretical framework. Please note that all interviews were conducted 2011. For detailed information on the respondents please see presentation in the end of the paper.

### Strengths with Traditional Advertising Deals

Contemporary research on pricing strategies suggests that cost-plus pricing and competition-based pricing has their strengths in the easily available data. This means that applying such pricing strategies does not require much effort more than monitoring the market (Hinterhuber, 2008). We found that traditional advertising deals are built around a combination of these two strategies and has been so for ages. These strategies were considered favorable in several aspects by our respondents. One of the positive aspects with the pricing strategy in traditional advertising deals was the sense of safety, as one of our respondents stated:

*"The traditional advertising deals are good. I have a certain amount of money and the media guarantees that a certain number of people have seen the advertisement. It is a safety in that. Then I just hope it will lead to the business goals."* (Arvid Nordqvist's marketing manager)

By safety the respondent referred to the fixed price a traditional deal is based on. According Arvid Nordqvist's marketing manager the media budget is seldom flexible, hence it is a necessity that the media investment is fixed within certain limitations. We conclude that this is a common view among marketing managers as it was reflected in most interviews. In regards to budget limitations a fixed price on advertising was considered comfortable in order to not risk exceeding budget. Therefore the traditional advertising deals were considered to be good in terms



of safety. Another strength that is closely connected to safety is the simplicity which was mentioned by all our respondents. It was a common view that the traditional advertising deal is clear and direct – including a buyer, a seller and a money transfer. It is not hard to understand that this is considered simple and practical as it basically works as an everyday purchase, with an amount of money that both the seller and buyer can relate to from the very start. Even though Hinterhuber (2008) consider these pricing strategies weak he yet recognizes the simplicity in them. Furthermore, the major strength with traditional advertising deals was considered to be that it is widely accepted. The whole media industry is historically and currently built around this structure which makes all actors confident with the system (GP' sales director). We believe that the strong establishment of the current system has a big impact on the ability of structural changes. However, it became obvious to us that the traditional advertising deals also have weaknesses which should work as incentives for change. Yet we mean that because of the wide acceptance these changes are not easily implemented since it will require efforts from many actors and will challenge the whole system. It was, however, evident during the interviews that a change was generally regarded as positive by our respondents as they recognized several weaknesses with traditional advertising deals in its current practice. Those weaknesses are further elaborated in the next section.

### **Weaknesses with Traditional Advertising Deals**

The strongest criticism towards the traditional pricing strategies according to Hinterhuber (2008) is that it disables profit maximization since it does not take what advertisers are willing to pay into consideration. Mediekompantiet's CEO agreed with this and proclaimed that advertisers are willing to pay more but only if the price could be justified. He meant that traditional advertising deals, which only take costs and competition into consideration, do not justify a higher price for the advertiser. We mean that one reason for why traditional advertising deals do not justify a higher price is because it is simply a transaction where the media have no further responsibility for the outcome. From the buyers perspective this issue was highlighted by Folkspel's CFO who meant that the media wants to make as much money from each deal and that the sales person probably does not consider the advertiser's holistic communication goals.

*“In traditional advertising both sides are trying to get the most out of the deal in terms of price and discounts. Then the media company does*

*not always have the advertiser's overall business in mind, just that particular transaction. The media want to make as much money as possible. At that point they perhaps do not care much about the advertiser's result of the advertisement.”* (Folkspel's CFO)

Our findings, as well as theory, supported that traditional models overlooked advertisers' wants and needs in general. This is probably why Provines (2010) states that companies can no longer sell features to justify a higher price, they must instead look into the needs of the advertiser. GP's sales director acknowledged that traditional advertising deals are based on too few instruments; in his case space, price and discounts, which sometimes is not enough to make a good deal for both sides. In relation to Provines' (2010) theory we mean that space and price could be considered as features, which then according to both Provines (2010) and GP's Sales Director is not enough to offer a competitive service. GP's sales director established this problem by saying that the traditional model has too few instruments to work with and that the sales force wants to give as little discount as possible, but have few other things to negotiate with that motivates a higher price.

Another weakness with the traditional advertising deal seemed to be the 'pig in a poke'-risk, i.e. not knowing what the outcome of the advertisement will be. This issue was recognized from both the buying and selling side. One of the respondents expressed it like this:

*“The thing is, the advertiser actually pays for the advertisement in advance and must then wait for the outcome to see the result of the investment. One could say that the advertiser pretty much buys a pig in a poke.”* (GP's sales director)

When the discussion was further developed we found that this is not only an issue for the buyer, it was also problematic for the seller as they are not sure on beforehand what value they provide to the advertiser. The prior quotation, however, describes what is problematic for the advertiser, namely not knowing whether the investment will be successful or not. GP's sales director admitted that advertisers are taking a risk with extensive advertising due to high price and the uncertainty of outcome. Therefore it is logical to conclude that traditional advertising deals, which previously were described as 'safe' also has a weakness in being unsafe in terms of uncertainty of outcome. Obviously there are no guarantees of a successful advertising campaign and a failure is costly.

This criticism is likely part of the reasons why Shu Fen (2008) states that the traditional strategies are not good enough and that more and more companies are about to change strategy towards a value-based mind set.

### Strengths with Value-Based Advertising

We have identified three main strengths with value-based advertising that differentiates it from the traditional model; changed relationship, reduced barriers for new advertisers and justifies larger advertising investment.

#### Changed Relationship

A strength with the concept of value-based advertising, which a majority of our respondents mentioned, was the changed structure of the relationship between media and advertiser that the model implies. We believe that since the media company has a larger interest in a successful advertisement compared to a traditional deal, the relationship between buyer and seller becomes tighter as both sides have an equal interest in the outcome. This creates trust between the media company and the advertiser which is considered a key according to Dinev et al. (2009). Arvid Nordqvist's marketing manager liked how value-based advertising takes the advertiser's goals with the campaign into consideration, and how it could be formed in accordance to that. This was put in relation to the traditional advertising deals where the media has no further responsibility but providing the media space. An increased interest from the media company in the outcome of the ad make them more involved in the strategic thinking behind the ad and in line with that, the relationship with the advertiser grows stronger:

*“In traditional deals you select your media channel, you make your investment and then it is over. In value-based deals the media company has to understand what goes on behind the scenes and get a deeper insight in the advertiser's business. This is a major opportunity for both sides, given that there is an openness and transparency between both parties”* (Mediekompaniet's CEO).

In line with this closer relationship Folkspel's CFO explained that a benefit for him as an advertiser is the ability to use the media company's competence in the media buying process. In order for the media company to provide this competence it is important that they understand the advertiser's needs according to Hinterhuber (2008). Furthermore he states that the

media company must gain in-depth insights in the advertiser's key-value drivers. We mean that Mediekompaniet's CEO was right when he talked about the importance of transparency and openness in value-based advertising. This is due to need for information the media company has when deciding on how to make the value assessment and get in-depth insights. Based on this we conclude that openness and transparency are prerequisites to fully make use of value-based advertising.

If complete transparency is achieved and correctly applied a structural change occurs where the media company takes an active role in the shaping-process of the advertising. This enables the media company to take part of the advertiser's business in a partner-like way. Folkspel's CFO implied that this eventuates in a closer relationship between the media company and the advertiser which strengthens the bond between them and most probably generates a long-lasting advertiser for the media company. The long-term commitment between the media company and the advertiser is also considered an advantage by GP's Sales Director. He explained that the traditional practice is much more short-term where an advertiser all of a sudden can decide to terminate the business relation. The changed relationship between the media company and the advertiser, that a value-based advertising deal implicates, is described in figure 1. Value-based advertising deals imply that the media company and the advertiser is going further up to the right and hence sometimes even reach a level of partner-like relationship.

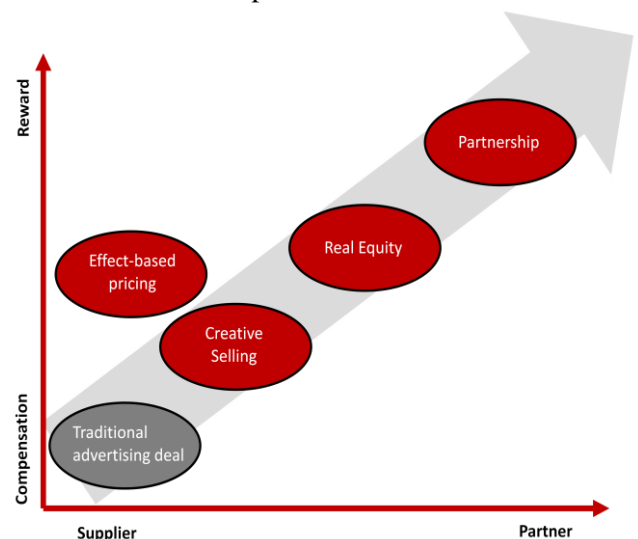


Figure 1: From supplier to partner. (Stampen's marketing director & Relationer & Affärer's manager)

Whether such a development is beneficial for both sides can be discussed. One may at a first glance think that it first and foremost is favorable for the media

company as they commit a long-term advertiser that guarantees income. We mean that the media company has the largest incentive to push for this type of advertising deals. However, it is important to note that the target is to raise the value of the advertising company. There is no point for the media company to make deals based on real equity or even partnership if the advertising company is not performing well. Furthermore, we believe that in order to make a fair value assessment it is a necessity to have a long time frame to be able to identify a change over time. This is particularly important when the value assessment includes softer values like brand awareness or brand preference i.e., things that can be measured but you cannot see the immediate effect from. For example; a campaign may generate immediate sales, but over time it may also have generated value to the brand, hence the advertisement had higher value than what just the sales indicated. We find it obvious that it is the media companies that have more to gain from long-term deals, but on the other hand it must also be said that we find it reasonable. Only by measuring over time the media companies can be compensated for what they actually provide with their service. In addition to that, the measurements should work as an incentive for advertisers to work with media companies over time as well. It is likely in their interest to see what their advertisements generate.

#### *Reduced Barriers for New Advertisers*

Another aspect with value-based advertising deals that became evident during the interviews was that it lowers the threshold for new advertisers to try a media channel they have not tried before. Volvo Cars' advertising manager made it clear that advertisers want to know what they will get before trying a new media channel and that value-based advertising facilitates that demand. We mean that it is hard to establish on beforehand what the advertiser will get, yet value-based pricing minimizes the risk of a bad investment as the advertiser pays for the actual result. Volvo Cars' advertising manager argued that when they first tried value-based advertising they were in the middle of a recession. They had an urgent need of advertising but no resources available to do so. The solution for Volvo Cars at that point became to try value-based advertising hence avoided paying in advance and minimizing the risk. GP's sales director explained that by offering an advertising deal that initially did not require large monetary investments from the advertiser has enabled his organization to reach new advertisers and segments. He also mentioned how advertisers that otherwise spend their media budget on other channels, such as TV or Internet, now felt they could try print. According to us this testifies of a strength with value-

based advertising that is beneficial for both the advertiser and the media company. For the media company it has the obvious benefit of more easily attracting new advertisers. The advertiser is able to try new channels that may be suitable for them and which they would not have tried otherwise due to high investment costs.

#### *Justifies Larger Advertising Investment*

Hinterhuber (2008) stated that the traditional pricing strategies do not take the advertisers' willingness to pay into consideration. According to him that is one of the strengths with value-based pricing as the advertiser is willing to pay more if the price is connected to the provided value. This seems correct as our respondents agreed in this matter. We mean that this increased willingness to make larger advertising investments could be derived from the evidence of effect that value-based advertising generates. Folkspel's CFO claimed that if a value-based advertising deal is correctly executed and if the campaign is successful, the advertiser is most probably willing to pay a lot more money than in traditional deals. He also added that if the advertiser is able to see the effect on the media investment, a higher price tag is of minor importance. Our respondents have also noticed a trend in stricter requirements on evidence of what the media spending actually generates (Mediekompaniet's CEO; Hallandsposten's marketing manager). This reasoning could be linked to Shu Fen's (2008) argumentation around that firms in the future will be compensated for the value they generate to the advertiser, rather than a fixed price list, which the traditional advertising deal has relied on. It is logical to conclude, based on the proclaims of our respondents, as well as Shu Fen (2008), that price, space and reach simply will not be adequate arguments to appeal to marketing managers in the future. The advertiser in the future will be more demanding when it comes to evidence of the media investments' outcome (Mediekompaniet's CEO). Value-based advertising hence seems to be perfectly in time.

GP's sales director had similar views and implied that the advertiser is willing to pay a lot more than a fixed price from a price list if they get the result they were hoping for. By determining the effect of the advertising retrospectively and then link the price to that effect, one creates a situation where the media group gets paid more than they would have had with a traditional deal in case the objective with the campaign is achieved (GP's sales director). This enables the media company to earn more money and in the same time keep the advertiser satisfied. This is Hinterhuber's (2008) perception as well, as he states that value-based pricing is the prime tool for profit

maximization. Furthermore, value-based advertising was mentioned as a competitive advantage by Hallandsposten's marketing manager. He meant that the fact that they use value-based advertising models show they are in the front-line, add some 'spice' to their offer and thus locate them in an advantageous position in the market.

Finally we recognized an aspect that affects the structure of the deal and eventually the price. GP's sales director saw a great advantage in that the value-based advertising model has more parameters to negotiate around for the sales force. He explained that usually the only thing the sales force can negotiate with is the price and potential discount on a certain space in the paper. With this model, however, price is based on several parameters and that facilitates more flexible deals, according to GP's sales director.

### **Weaknesses with Value-Based Advertising**

As Joshi and Hanssens (2010) states, the meaning of value is truly complex. Since value obviously is a fundamental part of value-based pricing it is important to decide what is meant by value and for whom it is worth what. This is one of the main difficulties when implementing value-based pricing according to Hinterhuber (2008). He concludes that companies often find it hard to estimate the value of their service or product. Our findings support Hinterhuber's (2008) thoughts. GP's sales director and Mediekompaniet's CEO said that it is important but difficult to decide on beforehand which parameters one should measure and charge the advertiser for. Arvid Nordqvist's marketing manager believed that it is hard to isolate the effect, and thus the value, in value-based advertising. She particularly emphasized value assessment of softer values, like brand awareness, as complex since it is not connected directly to sales. Of Provines' (2010) four success factors two of them regards the issue of value assessment. Firstly, the media company must strive to conceptualize their offer in relation to other alternatives and thus assess value they provide. In this study this means that the media companies must clearly display the advantages with value-based advertising in comparison to traditional advertising. Secondly, the media company must quantify value and share it fairly through pricing (Provines, 2010). This is an important aspect in the initial negotiations between the advertiser and the media company. According to Mediekompaniet's CEO this is difficult in case there is room for interpretation of the value. Volvo Cars' advertising manager expressed a fear around measuring, for instance, floor traffic:

*"I know how many visitors we have in the dealerships, but some people may be there to hand in the car to the work shop. It is, thus, quite kittle goals to use as a base for the media price."* (Volvo's advertising manager)

Based on these arguments the conditions of the parameters of value assessment must be clearly established in advance for both sides. We mean that the value assessment is crucial, and according to Hinterhuber (2008) rigorous measurements are required. In the value-based model that we have described in the theoretical framework, the measurement is extensive. For instance is value defined by several parameters and compared to reference cities. We come to the conclusion that these measurements are one of the most important parts in a value-based advertising deal. This is due to two reasons mainly. First, it is obviously important as the price of the advertisement is based on the measured value. Second, during the interviews a few respondents were skeptical to let a measurement determine the price. However, as long as both sides have agreed on how value should be evaluated this should not be problematic.

### **Critical Development Areas**

#### *Structural Changes and Organizational Challenges*

In general we could see that our respondents considered the concept of value-based advertising deals as something great, yet hard to understand, implement or deal with. This is likely due to the fact that advertising deals have looked the same for ages and to change that safe and comfortable structure is difficult. Volvo's advertising manager did for instance say that value-based advertising is hard to implement as no one is used to it. The same thoughts were expressed by GP's sales director as he said that everyone in the business is used to a certain structure of work and to implement something new is not always a smooth process. Therefore it is reasonable to believe that Provines (2010) is right when he states that a key to success is to conceptualize on how value-based advertising deals impacts the advertiser compared to the traditional advertising deals. This means that organizations must be flexible internally to implement value-based advertising.

*"When entering a new field, it will of course be a bit bumpy and nervous sometimes, but you need to manage that. You know what you have, but you do not know what you'll get, that is what makes this process so exciting."* (GP's sales director)

Organizational challenges caused by value-based advertising deals were an important finding. GP's sales director claimed that one challenge internally is how to deal with the economical aspects related to value-based advertising. Volvo Cars' advertising manager also saw administrative problems connected to a value-based model since no one is used to it. He stated that it caused great difficulties for the financial department when no figures were definite in advance. And furthermore both Volvo Cars' advertising manager and Arvid Nordqvist's marketing manager stated that there cannot be a universal model that is applicable on all type of companies due to different internal structure.

Another aspect with value-based advertising is advertiser's required involvement of other departments besides the marketing department. This is, among other things, due to changed cash flow where the financial department cannot relate to any predetermined media investment figures. The media company had similar problems as the sales department cannot establish their sales figures until the value is assessed after the campaign. Folkspel's CFO implied that the adoption of value-based advertising deals in his business caused some internal contestation. He described that a change like this requires support from senior management and further stated:

*"There are strong wills internally in businesses and it is a long process to get something like this to work. It is a difficult journey with a lot of argumentation within the organization."*  
(Folkspel's CFO)

Hinterhuber (2008) also highlights the importance of senior management support. As value-based advertising imply flexible price it is vital that the senior management is fully supporting the idea. This seemed to be problematic according to our respondents. In addition to senior management support as suggested by Hinterhuber (2008), our findings showed that support from other parts of the organization is equally vital. We mean that the marketing department must have a close cooperation with the sales department as well as the finance department. Arvid Nordqvist's marketing manager said that in order to make value-based advertising deals she would have to involve senior management much more often, which she found inconvenient. A value-based advertising model requires involvement from more than one department and it is hence hard to implement since it must be accepted by many people within the organization with different opinions. Particularly the financial departments do not

appreciate completely flexible budgets (Volvo Cars' advertising manager; Folkspel's CFO).

*"Since a value-based deal changes an existing payment structure it is vital to anchor the concept within the advertiser's organization, all the way up to senior management. If not succeeding with getting everyone onboard, one will most likely face problems during the implementation phase."* (Folkspel's CFO)

Support from senior management is thus crucial, and it is achieved through lobbying, according to Hinterhuber (2008). Based on these findings we come to the conclusion that lobbying might be required, not only towards senior management but also towards other departments.

As with most ground-breaking business models there were several question marks raised and perceived difficulties came up during the interviews. Interestingly enough it became evident to us that the view on risk was perceived differently depending on if we talked to the buying or selling side. What seemed to be a large risk with value-based advertising, experienced by our respondents on the advertiser side, was the flexible price. Volvo Cars' advertising manager stated that value-based advertising is not considered favorable by the finance department since no figures are definite. Arvid Nordqvist's marketing manager added that she would have problems getting additional funds over and above her initial budget, in case the campaign would turn out more expensive than predicted. However, Stampen's marketing director as well as Relationer & Affärer's manager meant that an increased advertising investment is a result of a good campaign and thus likely higher income which then justifies an increased media budget. They stressed that the value-based advertising deal is constructed by both the media company and the advertiser, which minimizes the risk of an exceeded budget. We find a bit ironic that a payment model that aims to be risk reducing for the advertiser is perceived completely opposite. Based on the arguments presented above we come to the conclusion that investment-wise it is a safe deal for the advertiser as they pay for what they got. Yet, monetary-wise it is risk increasing as the advertiser may have to pay a lot more than planned. Therefore a clear conclusion that can be drawn from this is that the media companies have an important task to deal with when it comes to convincing the advertiser of the decreased risk the deal actually implies. That automatically takes us to the next section about understanding and education.

### *Understanding, Competence and Education*

GP's sales director claimed that a vital step in the adoption process of value-based advertising is to get the advertiser to understand that they have more to gain from a value-based deal than from a traditional. This is in line with Hinterhuber's (2008) views, thus it is logical to conclude that the media company's ability to communicate what contribution a value-based advertising model adds, in relation to the traditional advertising deals, is a crucial factor for the media company. To do so and to succeed with a value-based advertising deal Folkspel's CFO believed that competence is a critical factor. He stated that in comparison to a traditional advertising deal, a value-based deal requires a lot more competence from the seller, since the deal is significantly more complex. He further stated that in the implementation phase specifically, competence is the most important ingredient when transforming theory into practice. He also stated that it is more than just signing a contract, if media companies want to succeed with value-based advertising they must put effort in transfer their knowledge and educate the advertiser throughout the process. Provines (2010) is also stressing the importance of knowledge and experience in value-based deals and means that knowledge is required to a larger extent in value-based deals compared to less complex traditional deals. This reasoning goes hand in hand with what Mediekompagniet's CEO meant when he argued that education based on knowledge and transparency between the media company and advertiser are key ingredients to succeed with a value-based advertising deal. We think that education of advertisers is truly important as many of the perceived difficulties are a result of poor knowledge. Therefore the media company will have to allocate resources for education and see that as necessary investment in the initial phase. Important to notice in regards to this is that the education is particularly important in the beginning when the advertisers have few other examples to refer to. In case value-based advertising is becoming more common in the future the educational part will be of less importance, as the competence has then already been transferred to the advertiser.

### *Reference Case and Development Speed*

According to Hinterhuber (2008) communicating value is one of the largest barriers with value-based pricing. During our interviews the importance of a reference case was mentioned several times, mostly from the advertisers' side. From the advertisers' perspective it was important to see that the new model had worked before with other advertisers and hence understand what contribution value-based advertising add. Few advertisers wanted to be guinea pigs

regardless the arguments of reduced risk. Our theoretical framework does also highlight the importance of providing the sales force with the necessary tools to persuade the advertiser about the superiority of value-based advertising. Hence we come to the conclusion that a reference case is a truly important tool to add weight in a negotiation with a hesitant advertiser. Provines (2010) means that a key to success is how well the sales force communicates the value they provide the advertiser and a reference case is likely one of the best possible tools.

Even though it is important to get reference cases a rather common comment in our findings was 'more haste, less speed' and by that our respondents were targeting the importance of not forgetting the traditional advertising deals that still constitutes for 99,9% of the current advertising. One of our respondents stated:

*"I think it would be very unwise to completely turn around the process and make the traditional advertising deals unique."*  
(Hallandsposten's marketing manager)

Despite most of them were excited and interested in value-based advertising, they were at the same time keen on stressing that it is risky to make radical changes too quick and forget the current businesses. Part of the 'more haste, less speed' arguments was also the importance of working with the right advertisers rather than many advertisers. Hinterhuber (2008) consider this a difficulty, i.e., finding the right segment of advertisers that are financially but also organizationally mature to take on such complex change in structure. We believe that this is particularly important in the beginning. Media companies have, according to us, a lot to win if they focus on perfection with fewer advertisers and thus have good reference cases. When the structure is set and all sides feel confident there will be room for extended implementation.

## **CONCLUSION**

This study has illuminated what differentiates a value-based advertising deal from traditional advertising. The most significant differences are the changed relationship between the media company and the advertiser, the media company's ability to attract new advertisers and advertisers' willingness to pay more. We also found that value-based advertising is considered complex in many aspects.

With those saliencies as the foundation for the rest of the study we have concluded that several acts must be undertaken to develop the model even further. We

mean that those acts has little to do with the model per se, instead we mean that the success factors rather are embedded in the whole approach. All data in this study, primary as well as secondary, has a rather positive view on value-based advertising yet it is not frequently used. Thus, something is missing and we came to the conclusion that value-based advertising would gain larger acceptance if the following suggestions were considered. Firstly, the marketing managers represented in this study all expressed doubts over exceeded budgets and organizational challenges. We mean that such doubts can only be overcome by giving marketing managers greater authority. Thus senior management must be involved early to enable the increased authority and support the process. Since more departments than just the marketing department is affected by a value-based advertising deal we mean that it is a requirement to involve them as well from the very start. Ideally we suggest an initial meeting between the media company, the advertiser's CEO and the departments involved which likely are marketing, financial and sales depending on the advertiser's organization. If senior management is not involved early in the process we do not see how value-based advertising can succeed. Furthermore everyone involved in the process, from both selling and buying side, need to be educated in how the model works. Since the model differs a lot from what people in the business are used to a better knowledge in general is required. We mean that this knowledge is not achieved by one or two meetings, it will rather take weeks. Our solution is that the media company must act more as consultants and be present at the advertiser's office for a period of time to make sure that the organization completely understands the concept. As with most things new, people tend to be reluctant if they do not know what they will gain. It became evident to us that a good reference case is the evidence needed to attract a hesitant advertiser. Obviously it is a challenge to be a pioneer and being among the first ones to try something new, but if the media company can provide a successful reference case the advertiser will feel more confident. If the media company do not succeed with obtaining a perfected reference case we suggest they themselves finance one. These recommendations demand great resources but it is important to note that it is investments required initially until the concept of value-based advertising is widely accepted. When widely accepted, the concept will be self-driven like traditional advertising currently is and will thus not require the same resources anymore.

If these refinement areas are being developed in an accurate way, value-based advertising deals faces a bright future. However, as our findings suggest it is

important to let the concept grow in an adequate pace where time is given to develop all key parts involved in the deal to enable its full potential.

## FUTURE RESEARCH

In addition to this study it would have been interesting to investigate value-based advertising on a wider level. By this we mean a comprehensive and generalizable study based on more respondents, yet this requires that the concept have become widely accepted. It would also be interesting with a follow-up study where one could identify potential changes around value-based advertising, over time. Finally, an equivalent study to this with focus on another media channel besides print would also be interesting to read.

## REFERENCE LIST

- AnnKi Bryhn Jansson Insikt Analys Strategi's Media Planner. Personal interview, conducted 2011-04-13
- Arens, W.F., Weigold, M.F., and Arens, C. (2009), *Contemporary Advertising*. McGraw-Hill/Irwin, The McGraw-Hill Companies, Inc. New York.
- Arvid Nordqvist's Marketing Manager. Personal interview, conducted 2011-03-25
- Blumberg, B., Cooper, R.D., & Schindler, P. (2008), *Business Research Methods*. Maidenhead, Berkshire: McGraw-Hill.
- Bogdan, M. (2003), *Komparativ rättskunskap*, Norstedts Juridik AB, Sverige
- Bush, A.J., Smart, D., and Nichols, E.L. (2002), Pursuing the concept of marketing productivity. Introduction to the JBR Special Issue on Marketing Productivity. *Journal of Business Research*, 55, 343-347.
- Business Link, Cost-plus versus value-based pricing, Accessed at 2011-03-18, <http://www.businesslink.gov.uk/bdotg/action/detail?itemId=1073790697&type=RESOURCES>
- Dinev, T., Hu, Q. and Yayla, A. (2009), Is There an On-line Advertisers' Dilemma? A Study of Click Fraud in the Pay-Per-Click Model, *International Journal of Electronic Commerce*, Winter 2008-9, Vol. 13, No. 2, pp. 29-59.
- Eriksson, P. and Kovalainen, A. (2010), *Qualitative Methods in Business Research*. London: SAGE Publications Ltd.
- Folkspel's CFO. Personal interview, conducted 2011-04-01
- GP's Sales Director. Personal interview, conducted 2011-03-16
- Gummesson, E. (2008), *Total Relationship Marketing*, Elsevier Science & Technology, Oxford, Great Britain
- Hallandsposten's Marketing Manager. Personal interview, conducted 2011-03-31
- Hinterhuber, A. (2008), Customer value-based pricing strategies: why companies resist, *Journal of Business Strategy*, Vol. 29, no. 4, pp. 41-50

- Jacobsen, D.I. (2000), *Vad, hur och varför?*, Studentlitteratur AB
- Joshi, A. and Hanssens, D.M. (2010), The Direct and Indirect Effects of Advertising Spending on Firm Value, *Journal of Marketing*, Vol. 74, pp. 20-33
- Juhrén, T., Kristiansson, M., Lidbom, O. and Stavegren, L. (2011), *Vägen till det svenska medielandskapet*, Smart Company, Stockholm
- Mediekompaniet's CEO. Personal interview, conducted 2011-03-25
- Pasura, A. and Ryals, L. (2005), Pricing for value in ICT, *Journal of Targeting, Measurement and Analysis for Marketing*. Vol. 14, 1, pp. 47-61
- Provines, C. (2010), Overcoming organizational barriers to implementing value-based pricing in the medical devices & diagnostics industry, *Journal of Medical Marketing*, Vol. 10, pp. 37-44.
- Relationer & Affärer's Manager. Personal interview, conducted 2011-02-11
- Shu Fen, G. (2008), Is there really true value in value-based pricing?, *Asia's Media and Marketing Newspaper*, January 10, pp.21
- Stampen's Marketing Director. Personal interview, conducted 2011-02-11
- Stedman, C. (2000), Value-based pricing, *Computer World*, vol 34. No 11 p.58
- Terzis, G. (2008), *European Media Governance*, Intellect Books, Bristol, Great Britain
- Tidningarnas förbund – Ekonomi (2010), Accessed at 2011-03-18, <http://www.sanomalehdet.fi/index.phtml?l=sv&s=127>
- Volvo Cars' Advertising Manager. Personal interview, conducted 2011-03-24
- Wardell, C., Wynter, L. and Helander, M. (2008), Capacity and value-based pricing model for professional services, *Journal of Revenue and Pricing Management*, Vol. 7, pp. 326-340

## PRESENTATION OF RESPONDENTS

### ***Annki Bryhn Jansson Insikt Analys Strategi's Media Planner***

Is a consultant with more than 20 years of experience from advertising and media agencies. She has worked in close collaboration with several value-based advertising projects, thus having a broad insight in the concept.

### ***Arvid Nordqvist's Marketing Manager***

Her daily work as Marketing Manager consists of, among other things, media buying. She has also been introduced to a value-based advertising model thus being aware of its pros and cons. However, she chose not to test value-based advertising in her business.

### ***Folkspel's CFO***

Has experience from media buying and is open-minded and innovative in his views on alternative payment models in media in general. He advocates alternative business solutions that seek new approaches to the traditional process of media buying. Folkspel has in collaboration with Stampen emphasized value-based advertising, thus providing him with useful insights to this study.

### ***GP's Sales Director***

Has extensive experience of media selling from a long career within GP. He is also open-minded towards alternative payment models and has tried several alternative ways to sell media.

### ***Hallandsposten's Marketing Manager***

Is an experienced ad seller and has embraced the concept of value-based advertising in several projects in his local market. He has useful reflections around the concept since he has the experience of practicing it in reality.

### ***Mediekompaniet's CEO***

Has many years of experience from the media industry where he has worked at media agencies as well as newspapers. He has had close collaboration with Stampen in a few projects around value-based advertising, thus possessing knowledge around how the concept works.

### ***Relationer & Affärer's Manager***

Together with Stampen's marketing director is he in charge for the development of value-based advertising models within Stampen's department Relationer & Affärer. He is a former consultant and has experience from business development and marketing related topics, both within Swedish and international corporations.

### ***Stampen's Marketing Director***

Is the founder of the value-based advertising concept within the Stampen. He has extensive management experience from the media industry where he, among other things, is the former CEO of Göteborgs-Posten. He is currently working with value-based advertising deals at the department Relationer & Affärer at Stampen.

### ***Volvo Cars' Advertising Manager***

Is an experienced media buyer from his long-standing work within Volvo Cars. He has also worked with value-based compensation models together with Stampen, thus having a good insight in how the concept works.