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BRIEFING

The Cost-Effectiveness of Military Advertising

Evidence from 2002–2004

James N. Dertouzos

Prepared for the Office of the Secretary of Defense

Approved for public release; distribution unlimited

NATIONAL DEFENSE RESEARCH INSTITUTE

The research described in this report was prepared for the Office of the Secretary of Defense (OSD). The research was conducted in the RAND National Defense Research Institute, a federally funded research and development center sponsored by the OSD, the Joint Staff, the Unified Combatant Commands, the Department of the Navy, the Marine Corps, the defense agencies, and the defense Intelligence Community under Contract W74V8H-06-C-0002.

Library of Congress Cataloging-in-Publication Data is available for this publication.

ISBN 978-0-8330-4566-9

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Published 2009 by the RAND Corporation
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Summary

The four military Services spent over $600 million on recruiting advertising in 2007. This represents a 150 percent increase since the 1999 fiscal year (FY). In addition, the mix of advertising programs has changed significantly. In particular, the Army share of traditional advertising (primarily print, radio, and television advertising) has gone down relative to the other Services, especially the Air Force and Marine Corps. In addition, all the Services are spending relatively more on new advertising vehicles, namely, the Internet and cable television.

These patterns in the data suggest several policy questions worthy of investigation. First, does all this spending on advertising produce enlistments? On a marginal cost basis, how does advertising compare with such alternatives as bonuses or adding more recruiters? Which Service programs are most effective? Does this depend on the size or mix of the budget? Finally, what are the inter-Service effects? Has the increase in the Air Force and Marine Corps budgets harmed the Army's and/or Navy's recruiting efforts?

These questions are addressed in an econometric analysis of military enlistments. Using data on advertising expenditures for the 2002–2004 time period, the study controls for other factors (such as recruiters, bonuses, the local economy, demographic changes, and the mission) and isolates the impact of advertising on active-duty enlistments.

The results for the Army indicate that advertising remains a very effective recruiting tool. At spending levels that prevailed during 2000–2002, contracts increased annually by about 13,000. With expansions in the budget, the marginal advertising cost of a contract was about $10,000. In contrast, the cost from adding recruiters was $15,000. The cost from increasing bonuses, even if targeted effectively, was over $90,000.

Advertising could have been made even more effective by smoothing spending across the entire year, allocating a larger portion of the budget to magazine advertising, and increasing the total advertising budget.

During this time period, the Army was hurt by competing Service programs. In comparison with earlier periods, the Air Force, Navy, and Marine Corps had relatively higher budget levels. This competition reduced the incremental value of advertising to the Army by 50 percent.

Finally, it also worth noting that the marginal costs of all types of military recruiting efforts (not just advertising) appear to have increased. Given the overall difficulty in meeting enlistment objectives, this result is not surprising. To meet stable recruiting objectives, the Army will need more resources than were required previously.