Understanding the value of advertising: an overview of current thinking - a report from the Brand Finance Forum

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How to measure the contribution of marketing activity to business performance was the headline theme of the Brand Finance Forum. The presentations revealed that plenty of progress has been made, but plenty of questions remain.

The keynote speaker was John Quelch, Lincoln Filene Professor of Business Administration at Harvard Business School. His speech set out the context in which marketers are working, and the growing challenges of measurement in an increasingly complex media landscape. In some ways, he pointed out, we are moving toward a more quantitative world. Data is cheaper, behavioural targeting is growing, understanding social media requires mathematical rigour, and automation of marketing processes is spreading.

Progress So Far

Quelch began by looking at the progress the industry has made. He argued that we now know there is a correlation between share of voice (SOV) and share of market, though the relationship varies by category. And he highlighted three academic studies worthy of a practitioner audience.

1. An article by Simester, Brynjolfsson and Anderson from 2008 looked at the dynamics of catalogue and internet advertising in retail (durables rather than FMCG). The study separated the retailer's best customers (long-term users of the brand) from others. It found that, among the best customers, the marketing activity led to a short-term sales boost, but the overall quantity purchased remained the same over the long term. For other customers, however, short-term demand rose, but long-term demand was also more likely to be higher.
2. An article by Lewis and Reiley from 2010 examined the impact of Yahoo banner ads on retailer sales. The retailer matched customers who also used Yahoo and used pre- and post-analysis to examine the impact of the ads. It found the advertising drove sales in both the short and long term. The key impact of online ads was on offline sales. Interestingly, the impact was bigger among customers who did not click on banners - a finding with major implications for measurement of online using click-through rates. Overall, the revenue lift was seven times the ad cost.
3. The third study, by >Mizik and Jacobson, used as its base Young & Rubicam's BAV brand measurement model. It found a correlation between the scores for brand 'relevance' and 'energy' and future stock price. There was no correlation

between scores for brand 'esteem' or 'knowledge' and future stock price.

Quelch also highlighted the "often overlooked" impact of advertising on the actions of retailers. Retailers are more likely to stock products that are advertised, and "this distribution effect, by acting at the point of sale, can have the effect of increasing demand". What's more, advertising encourages retailers to accept lower margins on products in anticipation of higher volume sales. That means higher value sales for the brand owner.

However, Quelch added that there remain plenty of challenges in measurement. In particular:

- Underinvestment in field experiments looking at the role of creative options and media weight.
- The rise of integration - "The irony is that the more effective the integrated mix is, the harder it is to isolate effects [of individual media]."
- The rise of emerging markets, which "require the retesting of many of the assumptions we have come to in the developed world".
- Media complexity is outpacing optimisation trends. "It is possible to optimise allocation among apples, it is not yet possible to optimise allocation among apples and oranges, especially when the number of oranges is growing every five minutes." Every extra medium complicates things further.
- Digital media metrics. "We have not got a good handle on social media measurement," and it remains hard to predict the impact of a 'buzz' campaign.

IPA Research

Hamish Pringle, Director General of the Institute of Practitioners in Advertising, and independent consultant Peter Field presented two pieces of IPA-backed research that seek to link advertising - and creative advertising in particular - to business performance.

Pringle presented a study comparing sales data and media spend data from Nielsen. The study's results were presented by Peter Field in an Admap article from 2009, but the headline findings are that, for every 10 points of extra share of voice a brand invests in (based on an 'equilibrium' curve established over many studies), it gains an average of 0.5 points of market share. The impact is greater for big brands (1.4 points market share per 10 points extra SOV) than for challenger brands (0.4 points).

Interestingly, the share gain statistics are greater for campaigns entered into the IPA Effectiveness Awards, with an average gain of 0.8 points. The implication is that investing in good strategy, creative and planning leads to campaigns that are 60% more effective. "This is the first time you can put a number on quality," said Pringle.

The upshot, said Pringle, was that marketers should only set budgets once they have looked at share of voice and share of market. Recessions are perfect times to invest in advertising as buying extra share of voice becomes cheaper. What's more, payment-by-results deals should also take this into account; agencies should consider whether the goals set are achievable with the budgets.

As an example, he pointed to Virgin Atlantic's 25th anniversary campaign from 2009. The brand raised its communications budget by 10%, while its competitor's spend dropped 13%. The return on marketing investment was, says Pringle, over 1000%.

Field, meanwhile, presented data released earlier in 2010 comparing results from the Gunn Report, which tracks campaign success in creative awards, with results from the IPA Effectiveness Awards (the results were originally reported in Warc News). The study looked at IPA Effectiveness campaigns that had won points in the Gunn Report and compared them with IPA Effectiveness campaigns that had not won points.

The study found that creatively awarded campaigns delivered greater share growth. Across the sample, campaigns delivered 1.1 points of market share growth per 10 points of extra SOV. Non-creatively-awarded campaigns delivered 0.5 points, compared with 5.7 points for those winning creative awards. Creativity, says Field, reduces risk in advertising.

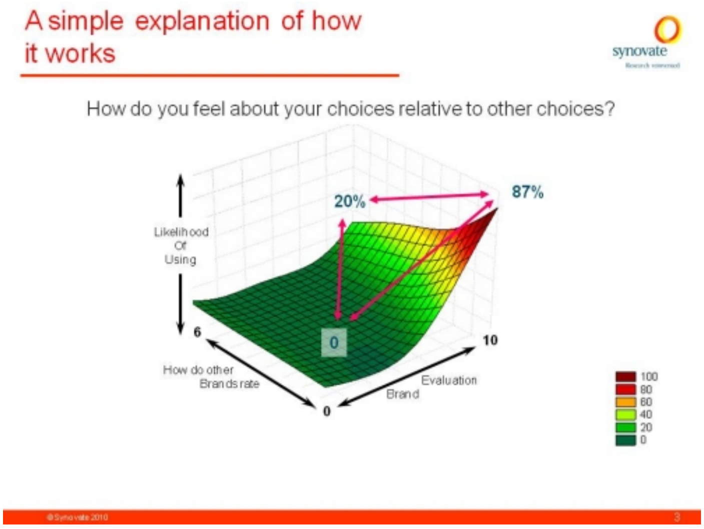
Field explained that creativity appears to drive brand 'fame', which earlier studies had suggested was key to advertising effectiveness. And this 'buzz' factor can be pushed across media very effectively. He pointed to the Barclaycard 'Waterslide' campaign, which was turned into a very successful iPhone app.

He also argued that brands that find they have a creative hit on their hands should seize the opportunity to invest in it, as the extra spend will have a major impact on market share. Some clients, he said, still think creative cut-through enables them to reduce media spend.

Measuring the Market

A different framework was put forward by Jannie Hofmeyr, Global Director of Innovation for Brand and Communications Research at Synovate. His argument was that brands that measure their own performance with customers are missing key pieces of information - the performance of their competitors. It is, he said, possible for people to be in love with more than one brand at a time.

At the basis of his model are performance and involvement, and by comparing how a brand is ranked versus all its competitors, brand owners can work out their 'attitudinal equity', which Hofmeyr said was "strongly correlated with market share".



The clients' view

After all the theory, the Forum ended with a number of client panels, in an effort to understand what marketing directors were actually interested in measuring. Gavin Laws, Group Head of Corporate Affairs at Standard Chartered, described the evolution of the brand's sponsorship of

English football club Liverpool FC, which has a large following in the bank's key markets around the world. It has sought to measure this sponsorship, which launched in 2010, through response to contests for tickets or merchandise, as well as engagement of staff. Sponsorship was a "slow burn" for awareness, said Laws, but the bank was already seeing results. "We have trained rottweilers in the finance department who make me account for everything," he added.

Laws commented that financial services brands have largely failed to understand the role of emotion in advertising, and have assumed that appearing on TV will shift products. Sponsorship, he said, was a way of bringing the brand closer to communities in key markets (for example, by taking children in Kenya to the Liverpool soccer school).

In addition, Standard Chartered has launched an umbrella brand promise called 'Here for good', a four-year goal to raise awareness in Asia, Africa and the Middle East. It will use the net promoter score across brand experience, product experience and customer experience as a measure of success.

Among the other client marketers there was a scepticism towards an over-reliance on data. Chris Clark, Group Head of Customer Experience at HSBC, described customer recommendation indicators as "marinade metrics" that could not always be relied on. He pointed out that, when asked to rate the ATM service they received, First Direct customers gave higher marks than HSBC customers, even though both groups use exactly the same ATMs.

Finally, Martin Glenn, CEO of Birds Eye Iglo and a former marketer director at PepsiCo, admitted to being "a sceptic about deep science". He argued against demanding too many measures from the marketing department. "If the burden of proof is too strong for the marketing department, [the campaign] won't get done."

He recalled a hugely effective campaign for Walkers crisps featuring former England football star Gary Lineker. The ad was 60 seconds long, which he was told by PepsiCo headquarters in the US was inefficient, and the pre-testing scores were mediocre. "That was an example of where the data didn't help you," he said. "You can't test for fame, and that made products famous."

The message from the clients, it seems, is that, despite recent advances, the science of measuring advertising still leaves a lot to be desired.

About the author:

David Tiltman is Warc's International Editor. He has been writing about media and marketing for more than a decade, including six years at Haymarket Media Group. There he was features editor on Marketing magazine, based in London, before moving to the Hong Kong Office to become Managing Editor of Haymarket's Media magazine (now Campaign Asia), covering marketing and media across Asia-Pacific.