
Marketing Science Future: Measurement Development and Process Management

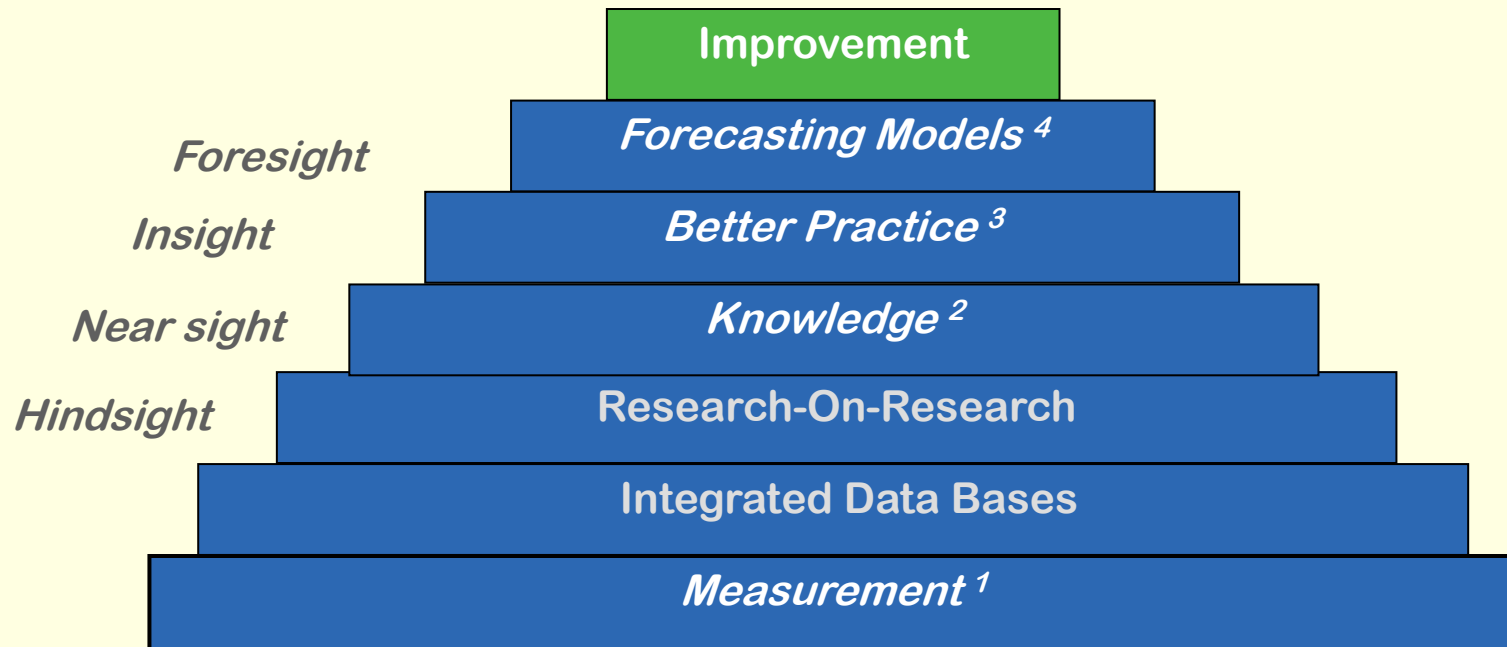
Learning, Process Implications and Application

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March 2010
Chicago



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Measurement is The Foundation for Learning, Knowledge and Better Practice



¹ *Reliably identify business opportunities (or threats) given current context & (potential) actions (MR Vision 2003); Process of achieving & maintaining measurement reliability, predictive validity, sensitivity & calibration.*

² *Profound understanding (of the business process or human & customer behavior) that yields a clear prioritization of action; Learning or principles that yield true predictions with unvarying uniformity (IBID); Process of explaining variance/identifying the causal drivers of the business or human behavior.*

³ *Documented method of operating that yields higher level of performance than other operating behaviors (IBID); Process of applying Knowledge to the operating process for improved performance.*

⁴ *Analytical technique that represent causal relationships among various conditions & actions taken to achieve specific business results, and forecast future outcomes of various potential actions & conditions (IBID)*

The Learning: Note 1

“The body of relevant knowledge about (how advertising works, what differentiates ads with more or less impact, how advertising can be improved, etc)...would be limited if we depended solely on the collective learning from the multitude of one-off studies conducted in the academic or business environments (with varying metrics and dependent variables).

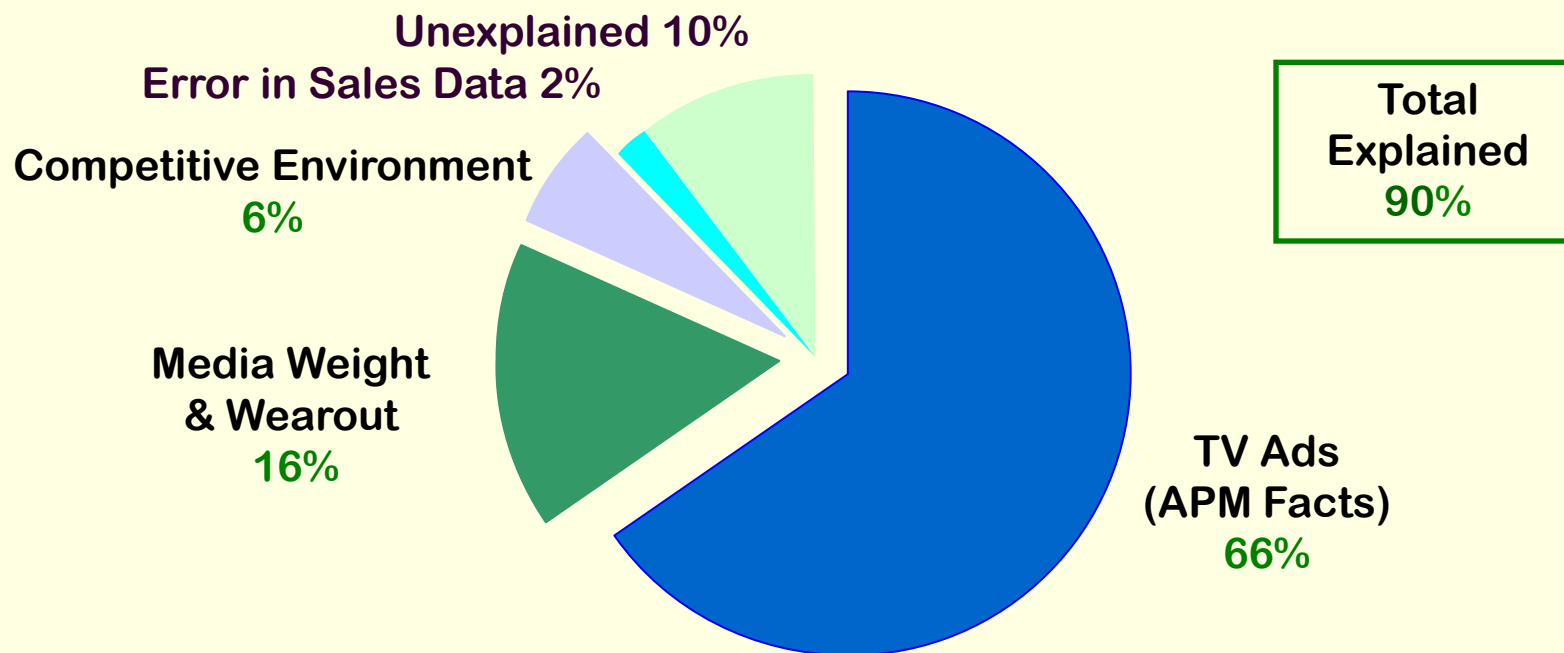
On the other hand, with sound measurement (reliably predictive of sales volume/market share) housed in holistically integrated databases, along with continually funded basic-research activity, the body of knowledge grows geometrically...

The following learning comes from such an integrated database and is based on more than three decades of (ARS Group) basic-research activity...”

Source: “Measuring and Improving the Return from TV Advertising (An Example)” MASB April 2008

What Has Been Learned about TV Medium & Message

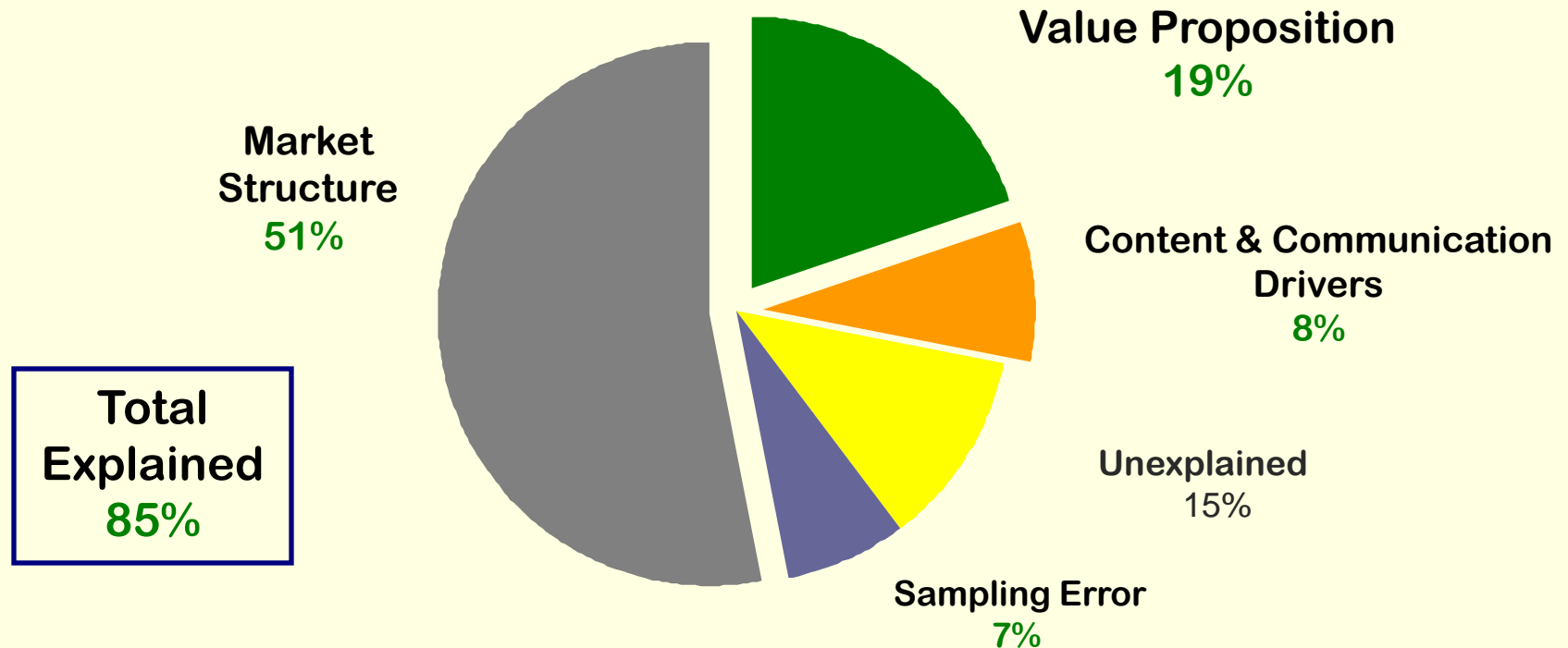
Explaining Variation in TV Impact* Business Quarter-to-Quarter



The power of the ad accounts for most of the overall variation in TV impact as derived independently by Marketing Mix Modelers; metrics of GRPs for media weight, (APM Facts) for the TV messages, the wearout function and normal competitive environment function explain ~ 90% of all differences.

* Marketing Mix Modeling Output: Sales Volume Impacted from TV.

What Has Been Learned About TV Ads (Factors Explaining Effectiveness of TV Ads)



The several hundred *conditions and elements* explored over 3 decades explain 85 percent of the total variation in (ARS Persuasion) outcomes. . .

Source: "Measuring and Improving the Return from TV Advertising (An Example)" MASB April 2008

The Learning: Note 2

Much of the basic research activities have focused on identifying the “drivers” of stronger versus weaker ads, exploring market structure, strategic approach, content and timing elements of the execution, and consumer feedback measures of recall, liking, emotion, etc.”

“The several hundred conditions and elements explored...explain 85% of the total variation in...outcomes.” (See Appendix C)

The following learning relates to “specific knowledge about the television medium which provides insights into better advertising practices that when adopted, leads to more consistent and desirable contribution to the business enterprise ”

Source: “Measuring and Improving the Return from TV Advertising (An Example)” MASB April 2008

The Learning w/Practice Implications

Airing ads—even those with modest impact—produces more sales than going dark.

*(Greater than 80 percent) of all ads have a positive impact on sales.**

Continuous airing produces more sales than flighting (with similar weight).

An ad’s selling power works quickly with diminishing returns...and wears out in the process.

27 percent (of 15-second ads) achieve results the same or higher than their 30-second counterparts.

Executing from a superior (best-in-class) proposition results in superior (ads) over two-thirds of the time.

* In the absence of valid and precise metrics for the ads, and/or knowledge about how ads “wear-in and wear-out”, researchers have reached misleading conclusions about the impact of TV...and missed opportunities for improvement (see Disclosures 1 & 2).

Source: “Measuring and Improving the Return from TV Advertising (An Example)” MASB April 2008

The Learning w/Practice Implications cont

Each execution—even within a campaign—has its own unique Brand Preference building power/value.

Market Mix Modelers are discovering the same for the Advertised Brand and the Brand Portfolio.

...it is no longer a matter of whether or not TV advertising is effective, but whether it is effective enough to meet the specific business objectives.

When there are indications that the advertising plan will not meet the business objectives, just a “couple of points” improvement will often make the difference.

Improvement of a “couple of points” can be achieved through several proven better advertising practices.

Source: “Measuring and Improving the Return from TV Advertising (An Example)” MASB April 2008

I. Strength of Value Proposition Determines Overall Level of Subsequent Ads

(ARS Persuasion Results)

Bare Bones <u>Value Proposition</u>	Resulting Ad Executions		
	<u>Below</u>	<u>At</u>	<u>Above*</u>
Below (Normal)	67%	33%	0%
(Normal)	22%	68%	11%
Above (Normal)*	0%	31%	69%

While differences in creative execution generate ads with a range of effectiveness, they tend toward a “level” similar to that of their underlying value proposition (reason to buy)...

* Also referred to as *best-in-class*.

I. Process Application for Improved Return

Knowledge:

A best-in-class value proposition is worth dramatic improvement in subsequent advertising impact

Process Improvement I:

Measure upstream to find a value proposition strong enough to meet subsequent advertising return objectives... spend a little more early on and less later...in classic Deming fashion

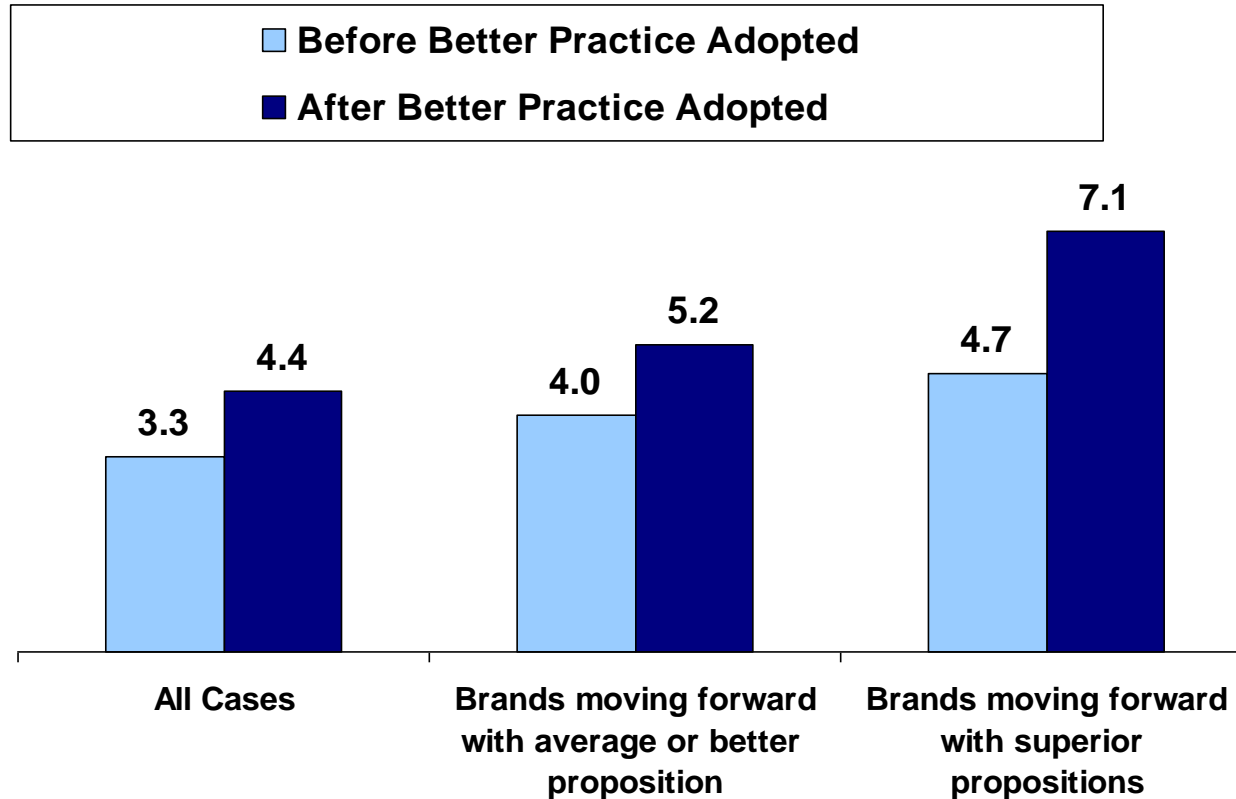
Improvement in (quarterly) Return:

+83% increase in average “payback” CPG, +52% non-CPG*

* Average “payback” is the modeled contribution of advertising to total brand sales, minus the cost of goods, divided by the cost of the advertising....averaged across brands in the study. It is the equivalent of advertising-delivered “profit before taxes.” (Ephron et al 2003)

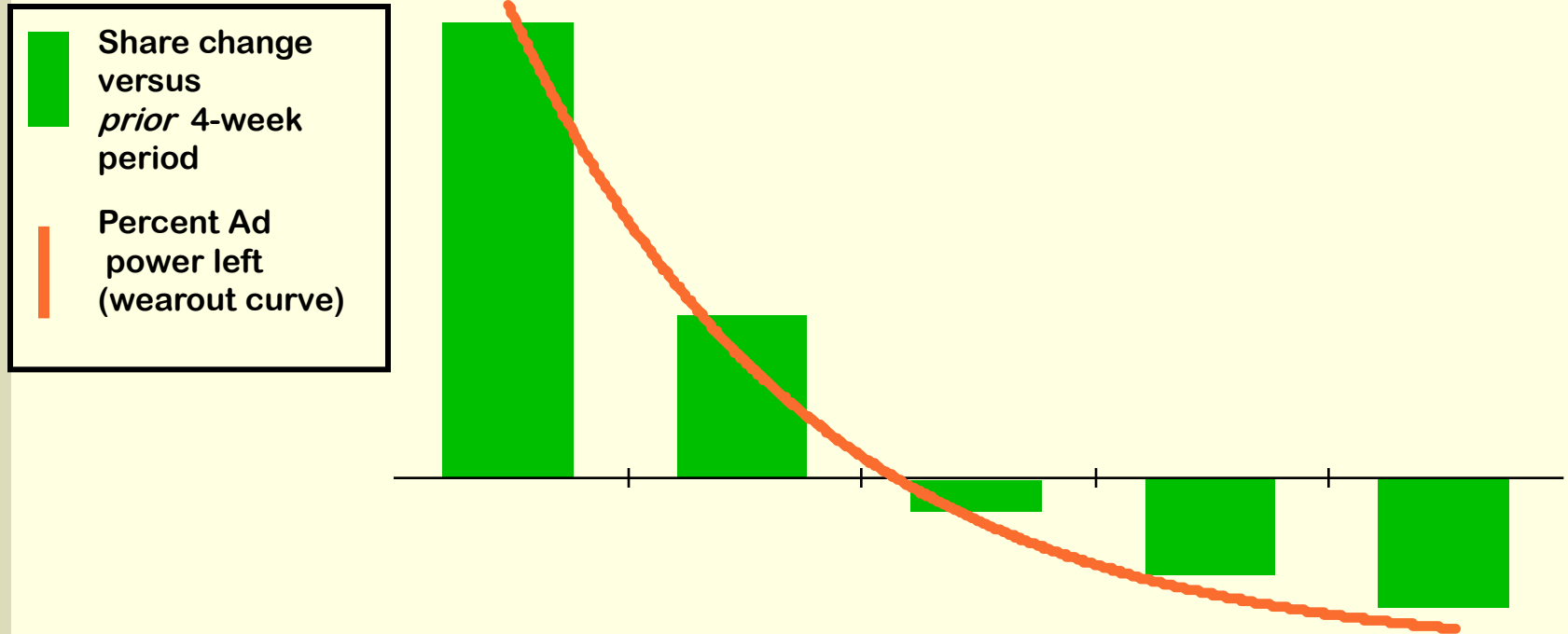
Source: “Measuring and Improving the Return from TV Advertising (An Example)” MASB April 2008

Business Implications (Better Practice Insight and ROI) *Focus Ad Development Behind Strong Value Propositions*



Using the *ARS Firststep* service to access the relative strength of a brand's value propositions helps brands achieve more sales effective advertising in the year following *ARS Firststep* testing (compared to the year preceding its use), even for brands that did not successfully identify a strong value proposition. As expected, the largest improvements came from brands that identified a value proposition with *ARS Persuasion* results above the *Fair Share* benchmark.

II. An Ad's Power Works Quickly With Diminishing Returns and Wears Out in the Process



Both occur in a predictable fashion given GRPs, indicating how fast effective delivery is achieved, when/where to look for the market impact, and when to refresh with new executions.

Source: "Measuring and Improving the Return from TV Advertising (An Example)" MASB April 2008

II. Process Application for Improved Return

Knowledge:

Ads work quickly (and predictably) to impact market results, and they wearout just as quickly in the process

Process Improvement II:

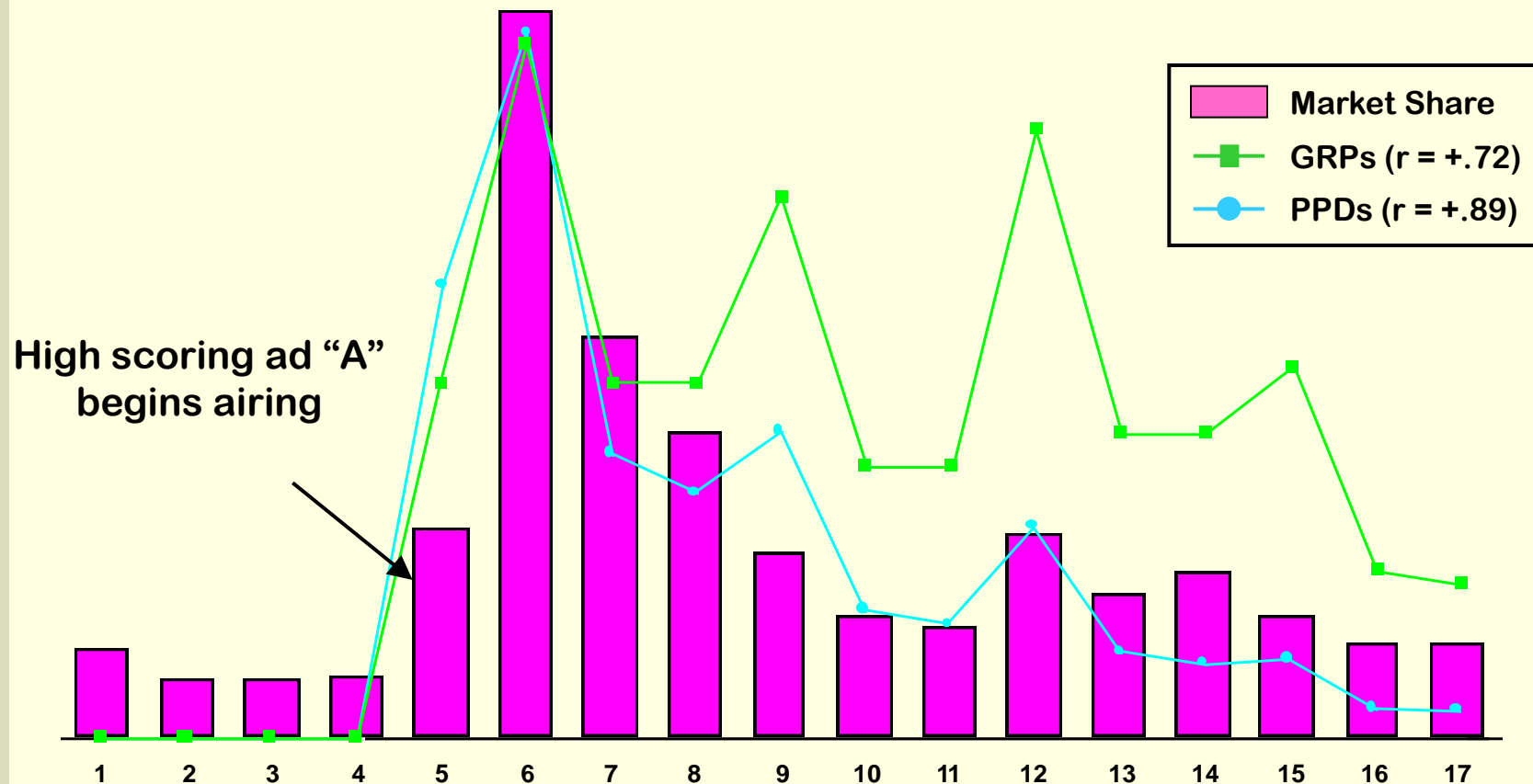
Account for wearout at the “shoot” so that there is enough footage to refresh ads with others when they will no longer be working at desirable levels

Improvement in (quarterly) Return:

+93% increase in average “payback” CPG, +57% non-CPG

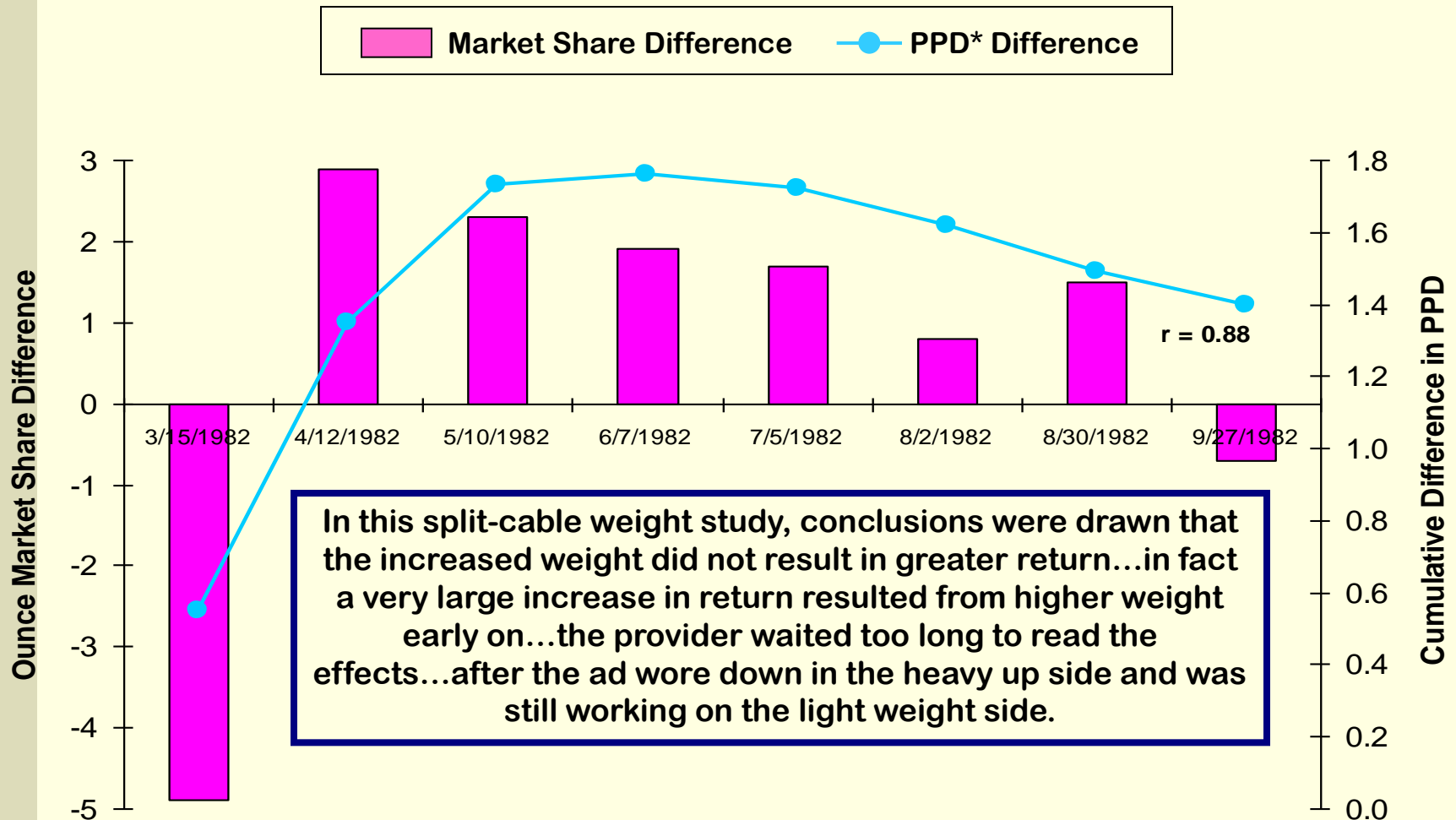
Source: “Measuring and Improving the Return from TV Advertising (An Example)” MASB April 2008

II. Example: Ad Wear-out and (Added) Weight



Note the diminishing returns as the single ad delivers its power and wears out. Managing ad refreshment with a second, third & fourth high scoring execution would have resulted in more Preference Points Delivered and higher return.

II. Example: Ad Wear-out in Split-Cable Study



* The PPD metric (Preference Points Delivered) combines GRPs, Exemplar Brand Preference Metric, and wearout as they work together.

III. Brand A: Media Allocation Plan for Available Ads

<u>Category</u>	<u>Commercial</u>	<u>Planned GRPs¹</u>
A	Tom Petty :30	0
A	Journey Music Slalom:60	116
A	Journey Push Mercedes :60	162
A	Journey Hot :30	58
A	Journey PC :15	0
A	Journey Music :60	34
A	Journey Final :60	0
A	Journey Run :30	42
A	Journey Push :30	35
A	Journey Slalom :30	36
B	Venice:30	981
B	Flat :30	0
B	Peace Rev. :30	812
B	Peace :30	54
B	Peace :60	128
B	Peace Rev :60	66

Source: "Measuring and Improving the Return from TV Advertising (An Example)" MASB April 2008

III. Managing Media & Message Together

All ads going to TV stations also sent to metric provider



Metric obtained for the advertised product, line, and halos



Incorporate into forecasting models



Traffic GRPs by putting more weight behind the strongest ads, relative to the size of the market and profit margins, and for only as long as they are working (wearout)



Populate data warehouse

Source: "Measuring and Improving the Return from TV Advertising (An Example)" MASB April 2008

III. Brand A: Knowledge of Ad Effectiveness

<u>Category</u>	<u>Commercial</u>	<u>Planned GRPs¹ (APM Facts)</u>	
A	Tom Petty :30	0	3.3
A	Journey Music Slalom:60	116	5.5
A	Journey Push Mercedes :60	162	2.6
A	Journey Hot :30	58	2.9
A	Journey PC :15	0	3.1
A	Journey Music :60	34	5.9
A	Journey Final :60	0	1.5
A	Journey Run :30	42	4.3
A	Journey Push :30	35	2.3
A	Journey Slalom :30	36	3.0
B	Venice:30	981	0.2
B	Flat :30	0	0.4
B	Peace Rev. :30	812	0.2
B	Peace :30	54	2.8
B	Peace :60	128	0.7
B	Peace Rev :60	66	2.5

Source: "Measuring and Improving the Return from TV Advertising (An Example)" MASB April 2008

III. Process Application for Improved Return

Knowledge:

Each discrete execution has its own unique Brand Preference building power

Process Improvement III:

Measure all executions as they go to air and apply weight (“traffic GRPs”) relative to the size of market and profit margins, and for only as long as they are working at desired levels

Begin managing the Media & the Messages together, based on forecasted returns from the combination

Improvement in (quarterly) Return:

Projected +115% improvement in live example

Source: “Measuring and Improving the Return from TV Advertising (An Example)” MASB April 2008

III. Brand A Example cont

	Plan	Optimized
Total <i>PPD</i>	3.3	7.0
Total Volume Impacted	\$67.2 Mil.	\$144.6 Mil.
Increase in Volume Impacted	\$77.4 Mil.	
% Increase in Volume Impacted	115%	

This Preference Points Delivered increase would yield a \$77.4 Million (or +115%) improvement in sales volume impacted.

Far more than enough to offset the price of the measurement results (<\$300K) as well as the price increases in the TV Medium.

Source: "Measuring and Improving the Return from TV Advertising (An Example)" MASB April 2008

IV. Process Application for Improved Return

Knowledge:

27 percent of 15-second ads achieve impact levels the same or higher than their 30-second counterparts

Process Improvement IV:

Measure all executions as they go to air and apply more weight behind these 15' executions

Improvement in (quarterly) Return:

+130% increase in average “payback” CPG, +80% non-CPG

Source: “Measuring and Improving the Return from TV Advertising (An Example)” MASB April 2008

Summary & Conclusions

The (ARS Persuasion) consumer Brand Preference Metric has met the MASB Marketing Metric Audit Protocol (MMAAP).

Its characteristics would deem it “ideal” for serving as a standard for measuring and forecasting the impact of TV advertising and for managing and improving the return.

Application of the metric during the advertising development and management processes has enabled improvement in return greater than that needed to offset the rises in TV Media costs.

Note: While various metrics may be called the same and even look alike in many ways, specific methodologies within classes and types of metrics often yield very different levels of reliability and validity (see Appendix B)

Source: “Measuring and Improving the Return from TV Advertising (An Example)” MASB April 2008



Thank-you!



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