
Statement of Marketing Accountability Standards No. 1

Measuring the Impact of TV Advertising

TV Exemplar
Draft V (8/13/07)

August 2007



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

This first Statement of Standards was selected, conducted, and reviewed by members of The Boardroom Project. It's purpose is to test the MMAP process and to serve as an example of what the MASB standards work and output will look like.

Areas of potential improvement in the overall process as well as questions regarding the content of this particular standards project were, and will continue to be addressed.

Continual improvement in process and output will be central to the work of MASB .

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Introduction

- **New forms of marketing communications/media are emerging**
 - Internet, Tivo, Mobile Devices, et al
 - Experimentation and learning underway
 - Not yet a substitute for traditional media
- **Network & Cable TV remain largest media investment**
 - Biggest piece of most marketing/brand budgets
 - Costs climbing rapidly
 - Greatest leverage and improvement opportunity
- **Modelers finding sizable differences in TV impact**
 - Depending on specific “message” aired
 - As well as amount of “media” placed behind them
 - Analytics conducted after the media expense & impact occur

Introduction cont

- **Standard methods & metrics for TV “media” have long been established**
 - Reach, GRPs & TRPs
 - Based on program ratings or “opportunity to see” the ads
 - Can be planned & managed before the media investment
- **“Copy-testing” of TV “messages” frequently conducted before airing**
 - With various and varying metrics and methods
 - Using prototypes of ads planned (“roughs”)
 - Only 15%-20% of actual “messages” (ads) aired are measured
- **Standard methods & metrics for TV “messages” are warranted**
 - Based on effectiveness given “opportunity to see”
 - Applied at appropriate stages along the investment continuum
 - To improve return from the activity
- **Among the various methods and metrics used by practitioners**
 - Which ones pass the MASB Marketing Metric Audit Protocol?
 - Is there one (or more) worthy of serving as a “standard”?
 - If so, how might it be applied for improved return?
 - How much improvement might be realized?

Pre-Market Metrics Commonly Used by Practitioners

- **Recall**
 - % recalling key message elements
- **Likeability**
 - % judging product/service “likeable”
- **Different**
 - % judging product/service positively “different”
- **New Information**
 - % judging ad provides “news” or “new information”
- **Persuasion**
 - % judged to be positively persuaded

These metrics/classes of measures were listed as commonly used by practitioners in the *ANA Marketing Accountability Task Force Report*; they are based on varying theories of what to measure; none were tied to financial performance.

Body of Knowledge: Recall

**“Recall is a very poor measure of a commercial’s effect on consumer purchase”
(Ross 1982)**

**“We know that recall data are inherently weak - we know that the theory on which recall data are based is empirically shaky. We know that the evidence for validity of recall is -to be charitable- ‘checkered’”
(Gibson 1983)**

**“A powerful body of evidence has established that there is no simple and direct connection between factual recall on the one hand, and preference and buying behavior on the other”
(Jones 1986)**

**“Recall correctly indicated a sales effect in only 12 of 20 (split cable) Spend tests and two of seven Copy tests...52 percent success rate”
(Blair 1989, Kuse 1991)**

**“The combined evidence (9 papers) suggests that it is unwise to look to recall for an accurate assessment of a commercial’s sales effect”
(Jones et al, 1996)**

Body of Knowledge: Likeability

“Across 30 years of...published large-scale...validation work (including studies performed by rsc, IRI, and the ARF)... the predictive track record of... liking, related recall, and brand-name recall have fared no better than the 50-50 coin toss, hit-or-miss odds”

(Wells, 1997)

“Likeability does not necessarily imply preference”

(ANA 2005)

Body of Knowledge: “Different” & “New Information”

No published studies regarding the relationship between these measures (or classes of measures) and preference or purchase behavior could be found

**“News itself not necessarily persuasive”
(ANA 2005)**

Body of Knowledge: persuasion

“The selling power of advertising can be measured (pre-market)”
(Blair 1988)

“Ads which are *not* persuasive do not increase sales and do not improve over time-related-to-spending. Ads which *are* persuasive *do* increase sales...; and they wear *out* in the process ”
(ibid)

“The implications from this (forward validation) story speak to the request for advertising accountability”
(Adams et al 1992)

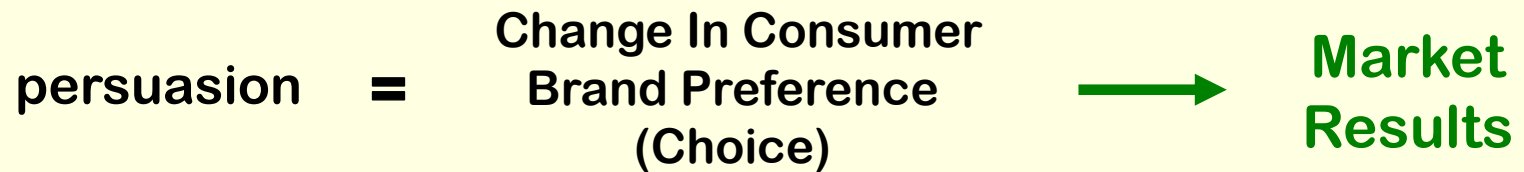
“The (persuasion) measure has successfully indicated the split-cable...results **91 percent** of the time”
(Blair et al, 1994)

“It *is* possible to identify sales-effective advertising *before airing* if the proper (persuasion) measurement tools are used”
(Jones et al, 1996; citing 15 papers)

“This evidence supports the use of this measurement as the primary source of feedback during the advertising development and management process”
(Wells, 1997)

Measurement Tools: persuasion

The body of knowledge regarding the validity of “persuasion” is based on a particular measure of consumer brand preference, developed and maintained by a specific measurement company, where:



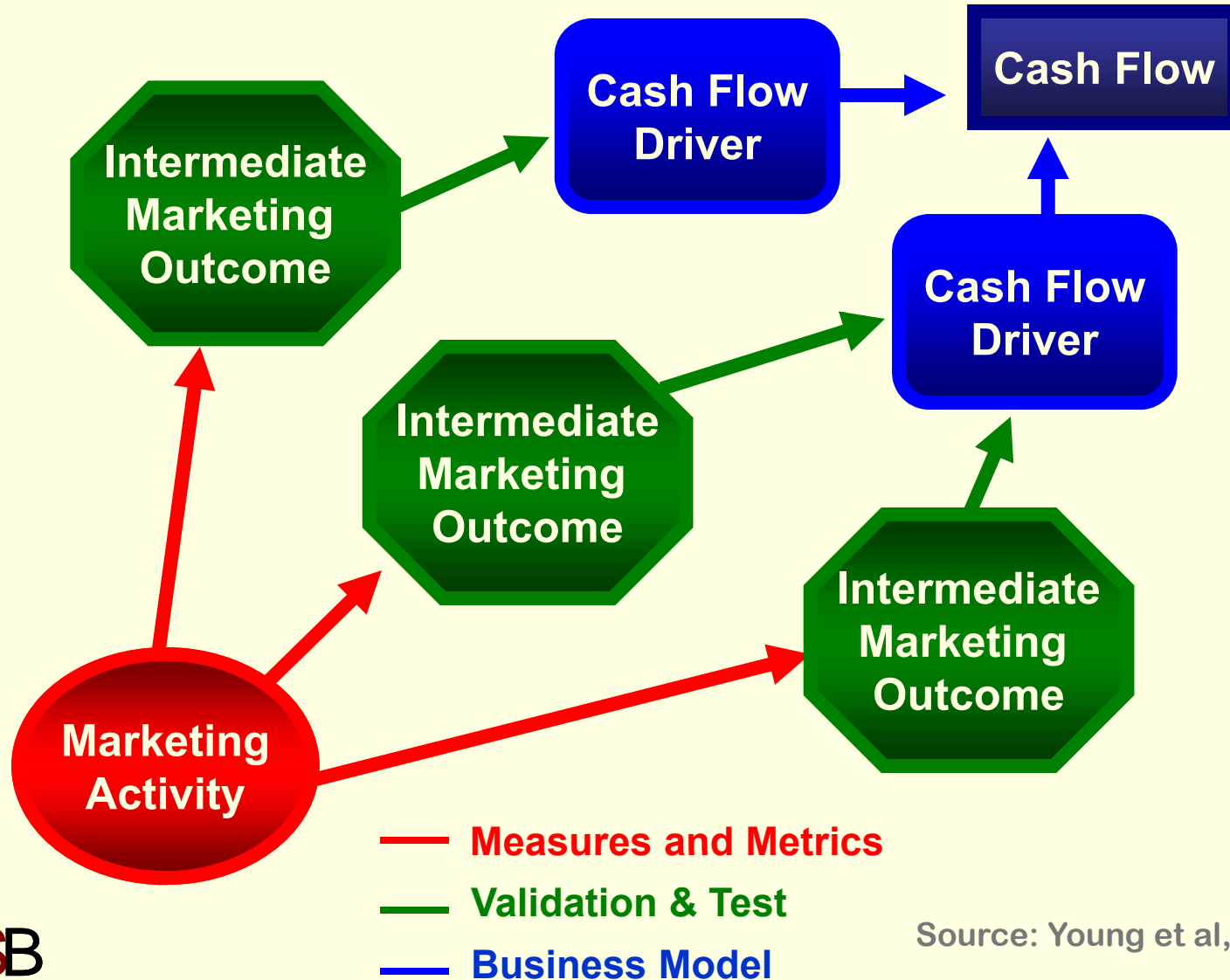
The work that follows will thus refer to measuring consumer “brand preference” rather than the broader concept of “persuasion”.

Note: While there are other providers of metrics labeled “persuasion” or “motivation”, the body of knowledge regarding the validity track records is sparse to weak (see Appendix B).

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MMAP: Marketing Metric Audit Protocol



MMAP: Marketing Metric Audit Protocol

Step 1: Identify Cash Flow Drivers

There will be at least one source of cash and one business model.
In many businesses there is a dominant source and a dominant model.

Step 2: Identify Intermediate Measures of Marketing Outcomes

Distinguish between measures of efficiency, like CPM and cost per lead, and measures of effectiveness, like redemption rate for coupons and market share.
Focus first on measures of effectiveness.

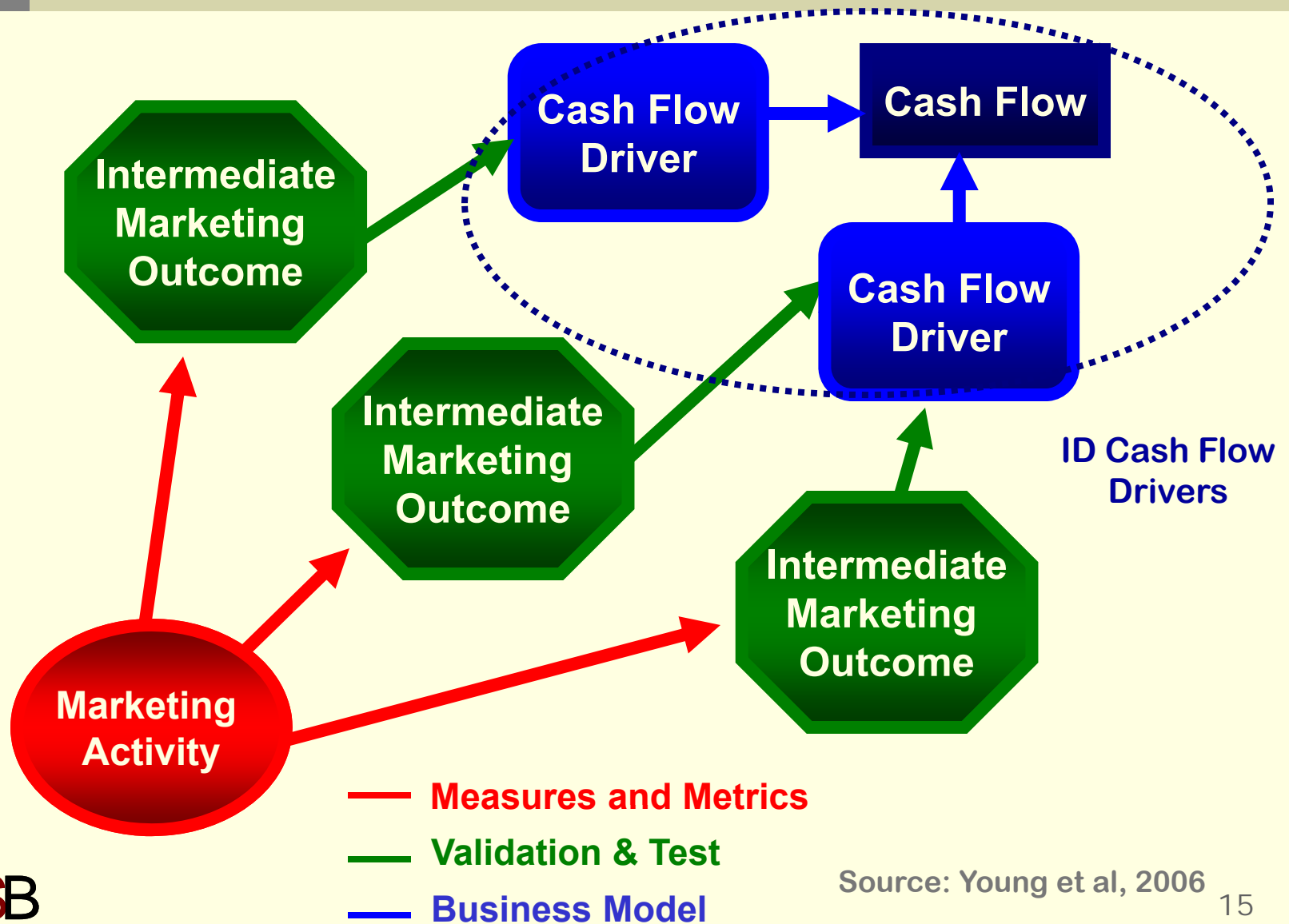
Step 3: Identify the Conceptual Links

Every marketing action should have an identified outcome metric.
If there is no logical link between a marketing outcome and a cash flow driver, you might question the need for the associated marketing activity.

Step 4: Identify the Causal Links

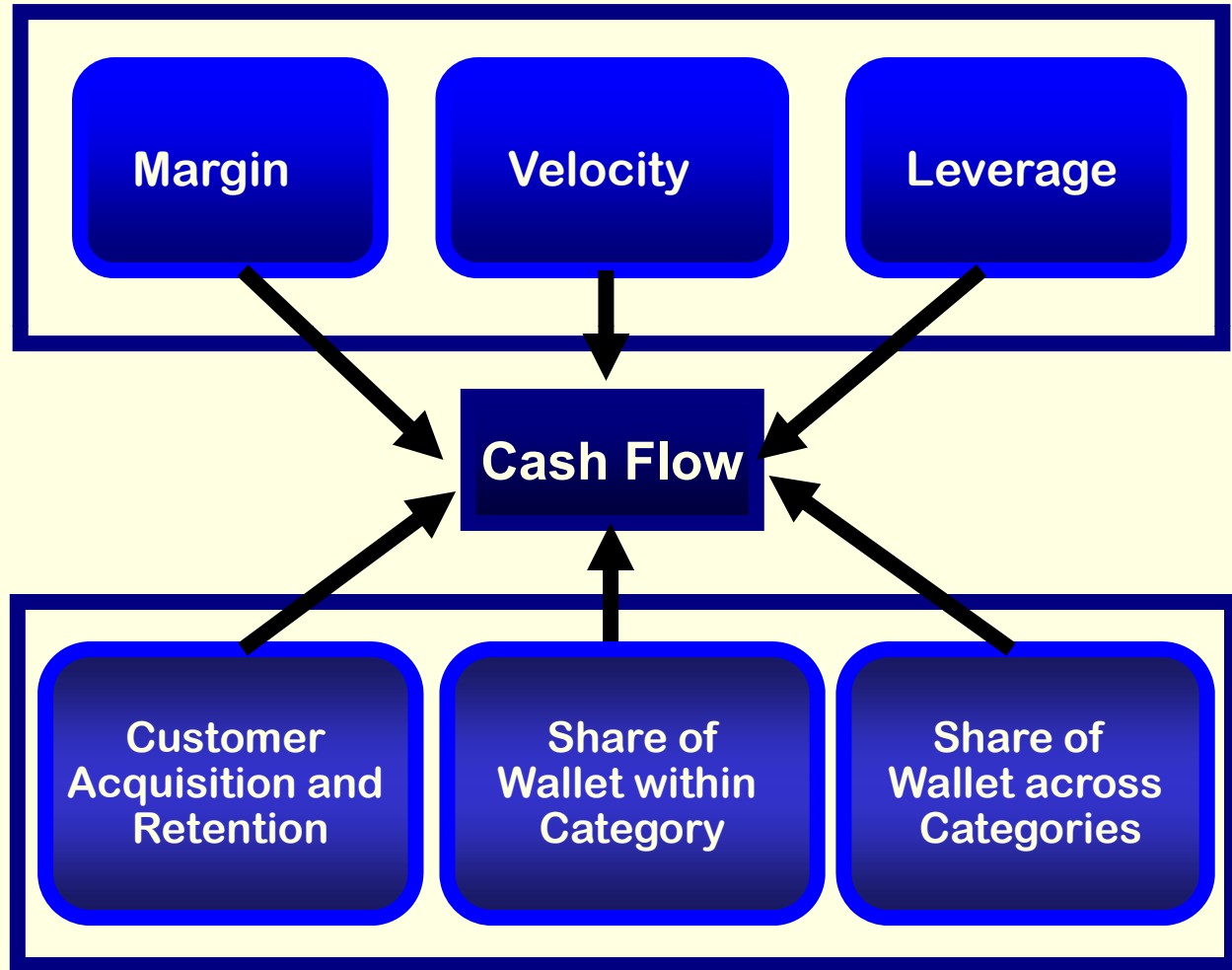
When there is uncertainty about the causal link between a marketing outcome and one or more cash flow drivers, validation or test is appropriate—especially if the costs of the marketing activity are high (validity and causality audit).

MMAP: Step 1

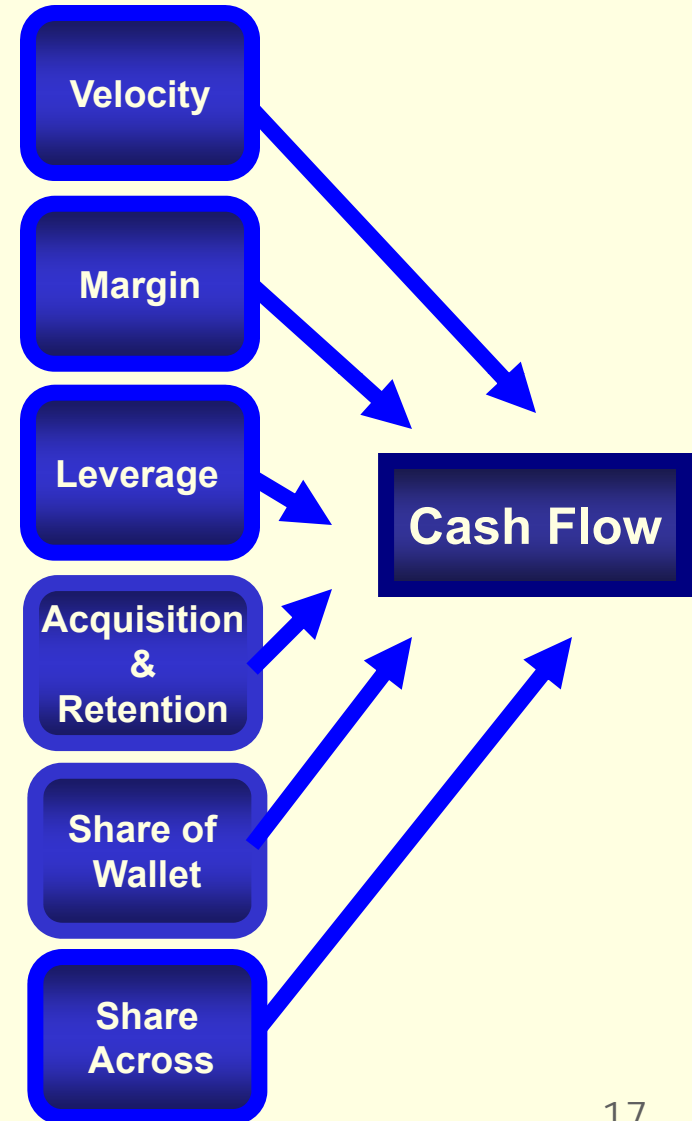


Cash Flow Drivers

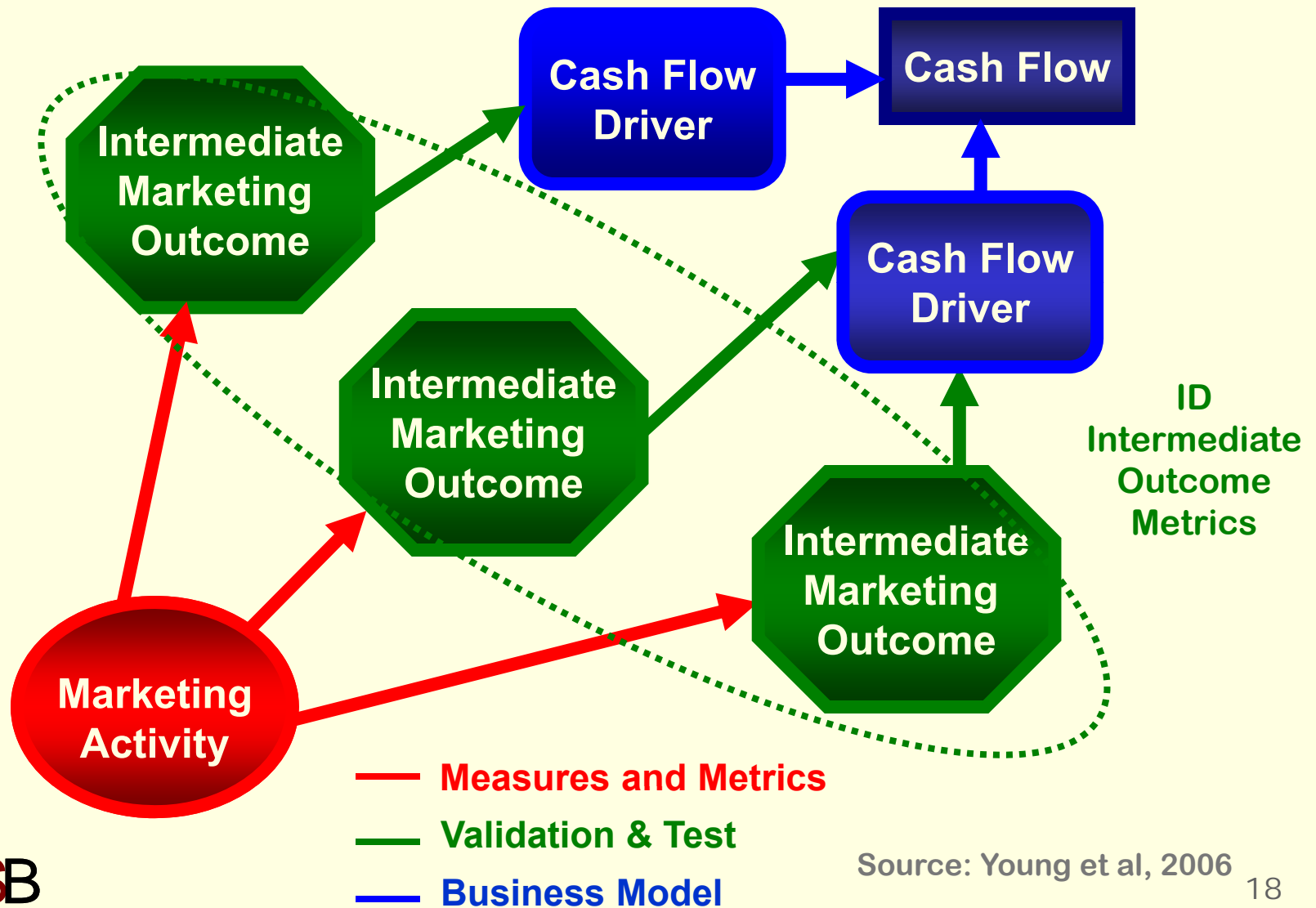
Business Model
(How the firm generates Cash)



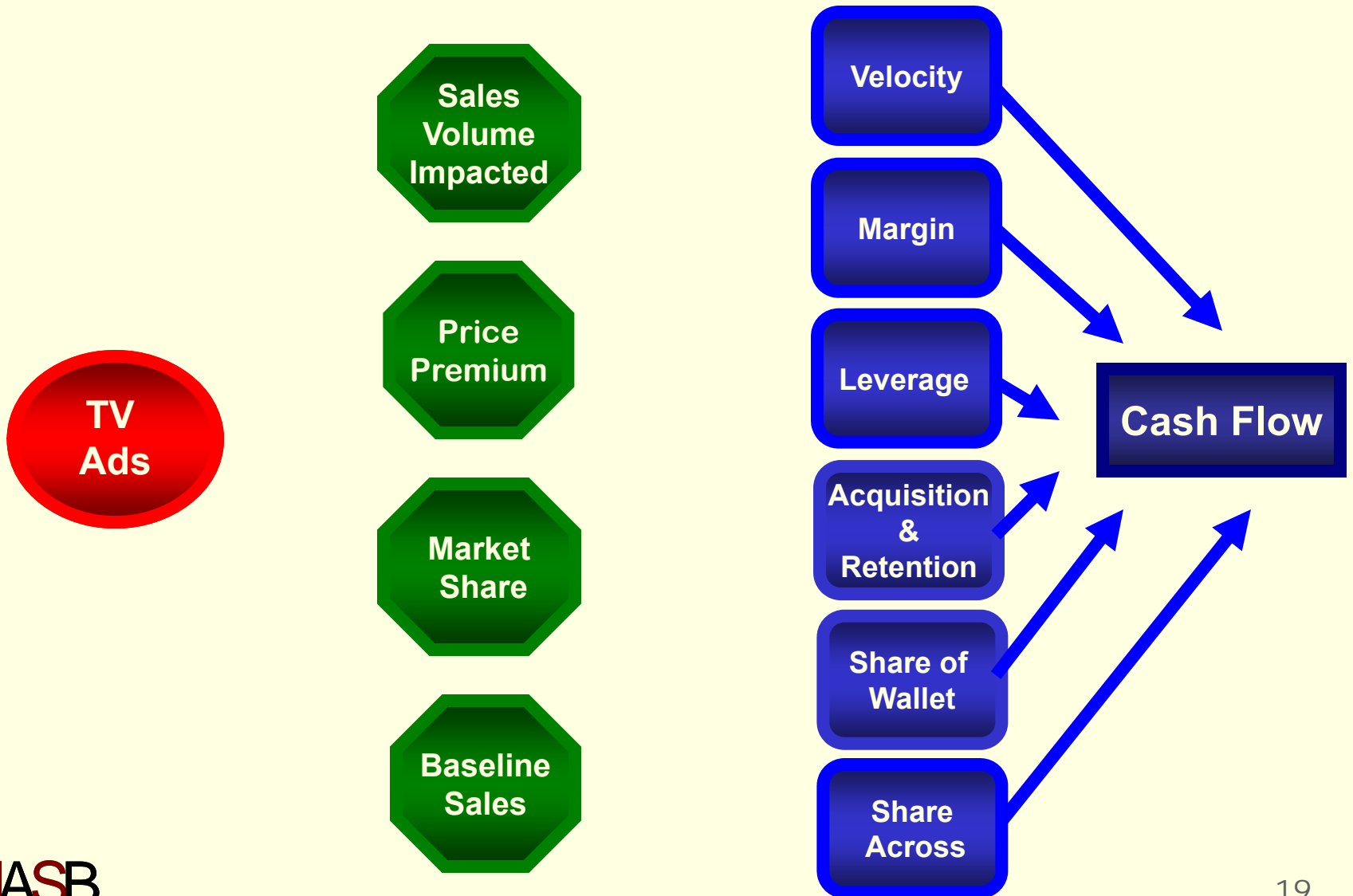
All Drivers Might be Relevant for TV Ads



MMAP: Step 2



Widely Used Post-Market Intermediate Outcome Metrics (Effectiveness)

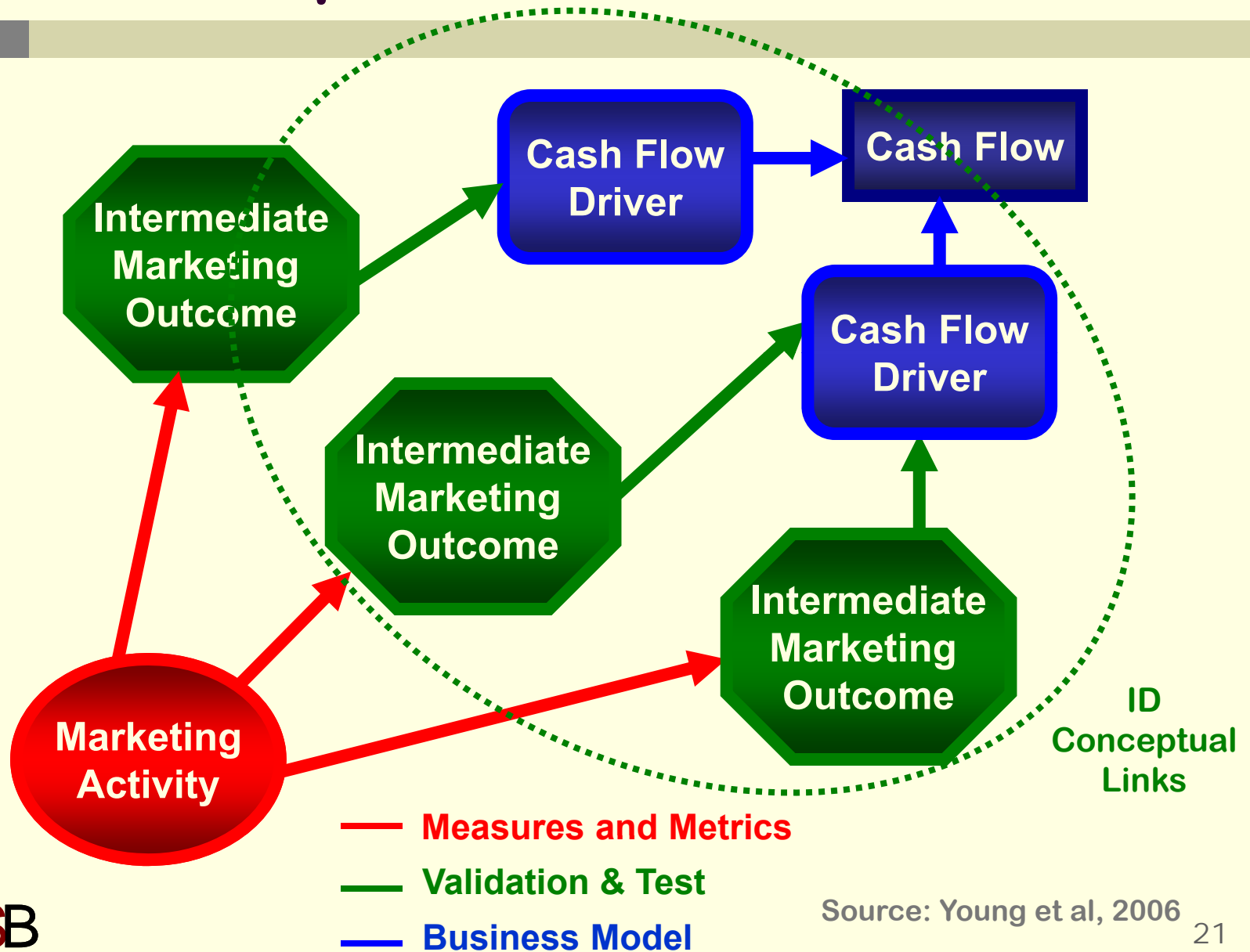


About the Post-Market Intermediate Outcome Metrics

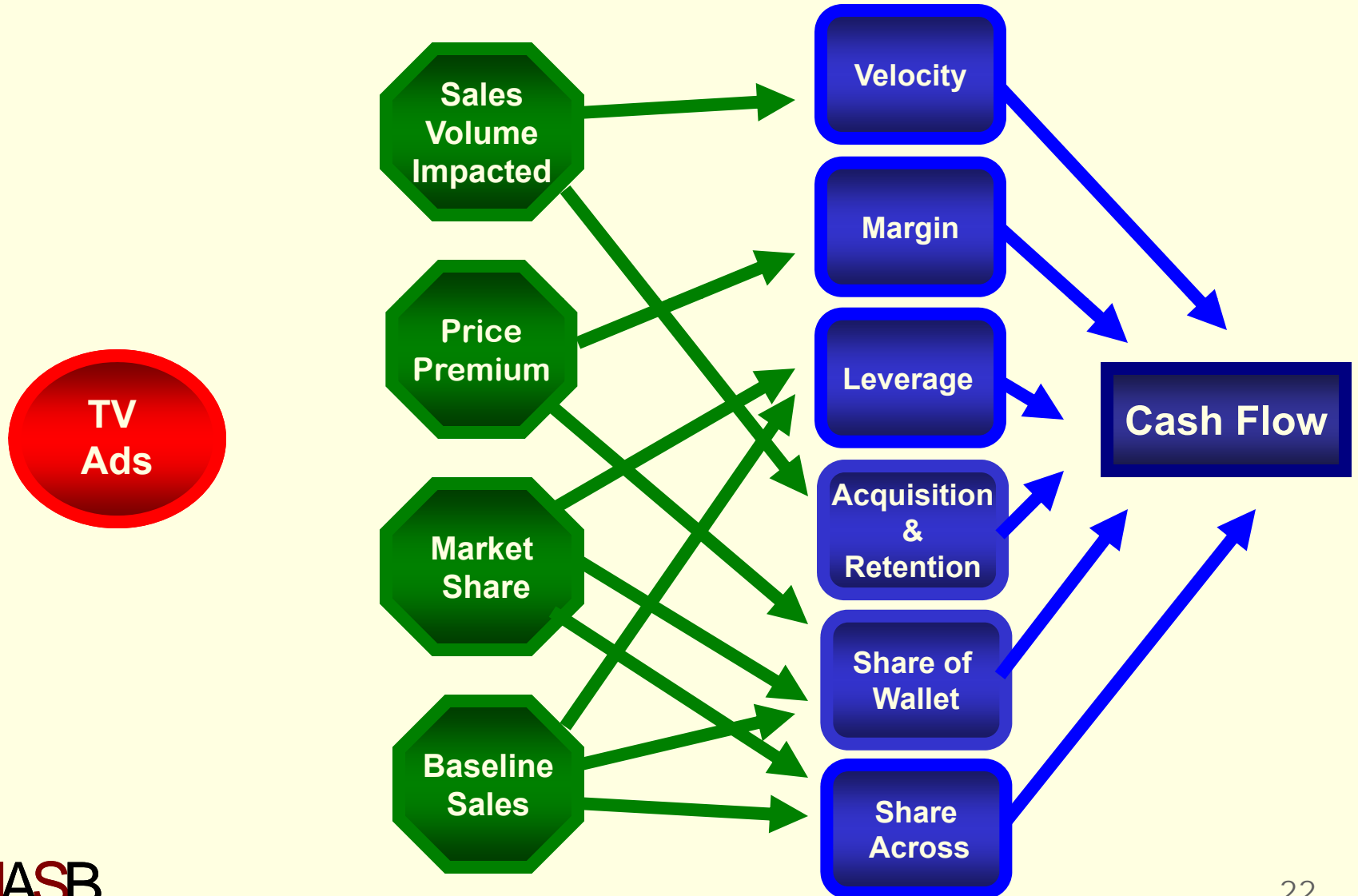
In the MASB world, each of the Intermediate post-market outcome metrics would be reviewed by specific metric/methodology/provider...and in doing so, would be improved.

Importantly, the MMAP process will take us beyond the audits currently conducted in today's world of efficiency and controls (reliability, simplicity, objectivity, costs) to the world of effectiveness and improvement in financial performance (relevancy, prediction, calibration, causality).

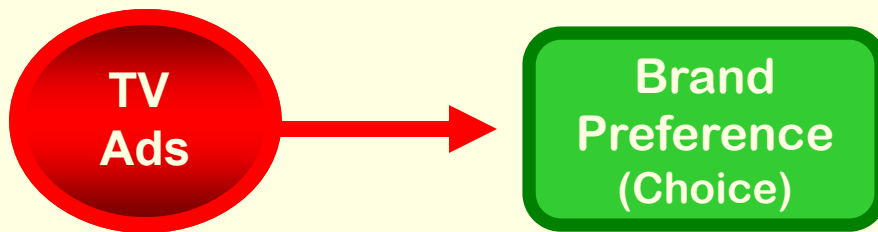
MMAP: Step 3



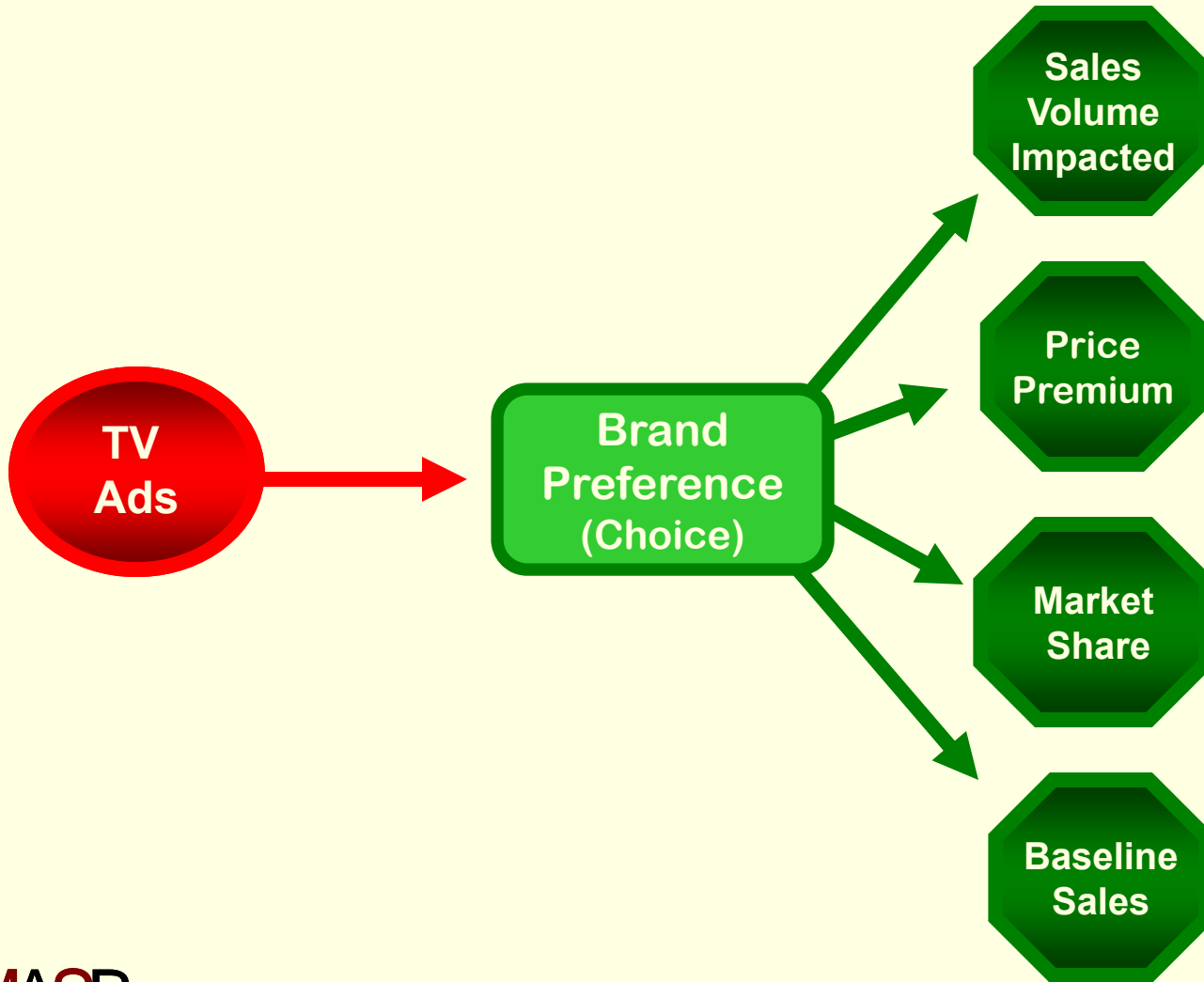
Post-Market Metrics of Outcomes and Links



Pre-Market Metric of Intermediate Outcomes



Pre & Post Market Metrics & Conceptual Links



MMAP: Step 4

Validation & Causality Audit

Every Intermediate Marketing Outcome Metric Should Be Validated Against Short-term and/or Long-Term Cash Flow Drivers and Ultimately Cash Flow (or to the Drivers of the Cash Flow Drivers).

MMAP: 10 Characteristics of a Sound Metric

- 1) Relevant
- 2) Predictive
- 3) Calibrated
- 4) Reliable
- 5) Sensitive
- 6) Objective
- 7) Simple
- 8) Causal
- 9) Transparent
- 10) Quality Assured

MMAP: Exemplar Brand Preference Instrument

Relevant...addresses and informs specific pending action

**Is proposition strong enough to proceed w/ad development?
How much weight behind each ad to achieve desirable impact?**

Predictive...accurately predicts outcome of pending action

**Predicts ad impact on quarterly sales volume impacted
and market share @ .90+ level**

Calibrated...means the same across conditions & cultures

**2 is a 2 and 7 a 7 in US, Latin America, Europe...for new, restaging,
and established brands...no indexing or modeling necessary**

Reliable...dependable & stable over time

Actual test-retest reliability @ .90+ (over 3 decades)

Sensitive...identifies meaningful differences in outcomes

**A 2 point difference is detectable, and a 2 point difference
results in a .04 difference in quarterly market share**

Sources: Blair et al 2004; 2006;
The Boardroom Project 2006

Note About Predictability, Reliability & Sensitivity (Precision)

What are the Financial Implications of Precision?

The exemplar Brand Preference Metric detects about 2 points as significant at the 90% level of confidence...and a 2 point difference in results (airing just one ad) is associated with a .04 difference in market share over a business quarter.

In a category with sales of say \$500M per quarter using just one ad scoring 2 points higher returns ~\$2M more in sales for the same media costs and multiple ads return even more.

Sources: Blair et al 2004; 2006;
The Boardroom Project 2006

Exemplar Brand Preference Instrument cont

Objective...not subject to personal interpretation

What consumers choose post-ad exposure minus pre-exposure

Simple...uncomplicated meaning & implications clear

Level of impact on consumer brand choice

Causal...course of action leads to improvement

Improvement in return +83% to +130% on average

Transparent...subject to independent audit

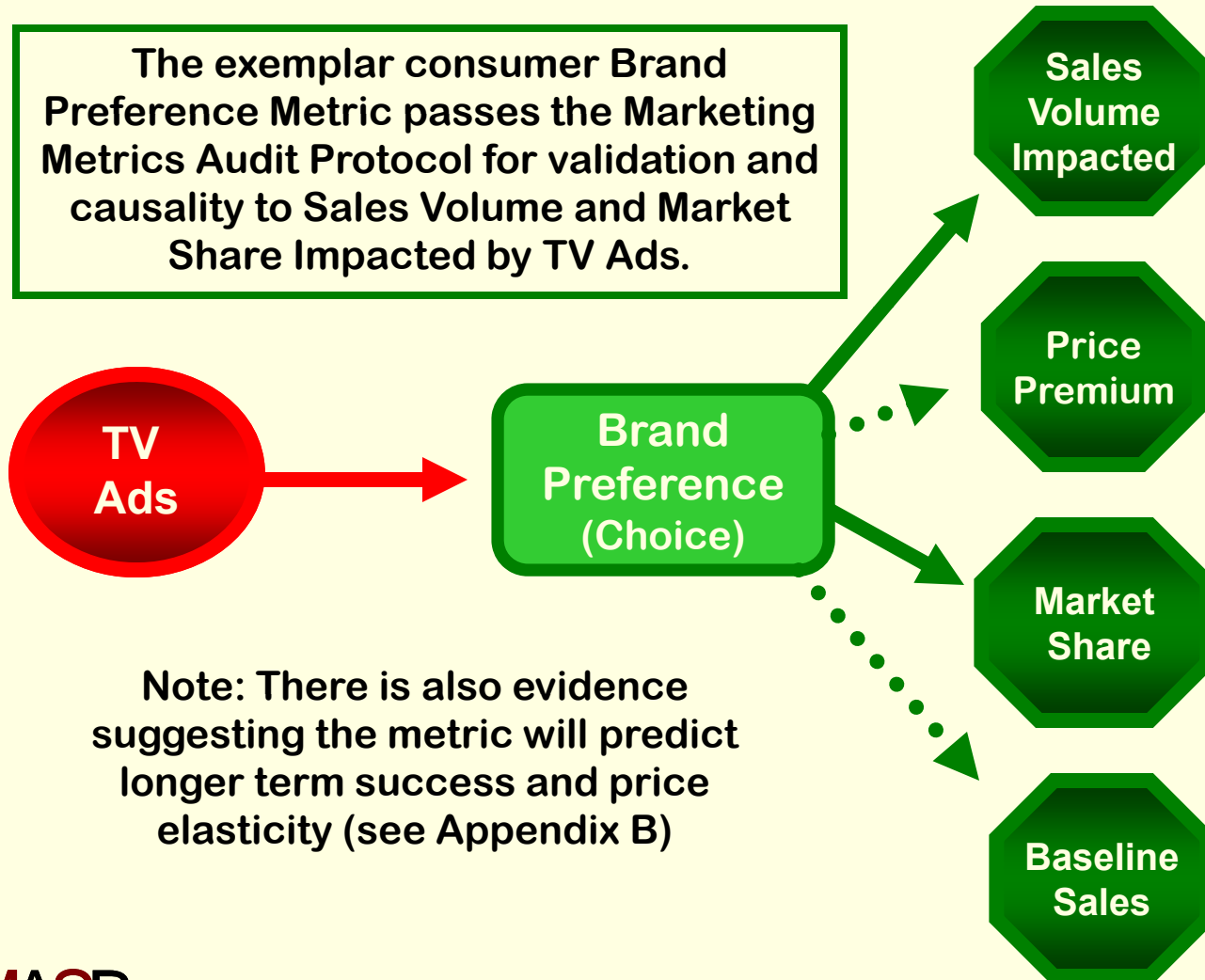
Furse, Stewart, Jones

Quality Assured...formal/on-going process to assure above

ARSAR-Reliability, ARSAV-Validity, ARSAW-Wear out

Sources: Blair et al 2004; 2006

MMAP: Pre & Post Market Metrics and Validated Links



Measuring and Improving the Impact of TV Ads

The exemplar consumer Brand Preference Metric passes the MASB Marketing Metrics Audit Protocol (MMAAP) and is worthy of becoming a Standard for measuring and forecasting the impact of TV advertising and for managing and improving the return.

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Body of Knowledge

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

*94 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, some have made destructively misleading conclusions about the impact of (TV) advertising (see Disclosures 1 & 2).

Source: Blair et al, 2004

Body of Knowledge cont

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

Sources: Blair et al 2004; 2006

Current Pre-Market “Copy-Testing” Practices

- Some form of “Copy-Testing” is practiced by most advertisers before going to market, using various methods and metrics.
- They are usually based on a single prototype of the approach planned for production of the ads, or what has been called “rough testing”
- Direction from these tests are used to “improve” the approach, but the “improved” executions are rarely tested to determine if improvement has been achieved
- Empirical evidence suggests that traditional “communications” tests/”diagnostics” lead to improvement only about 5% of the time (with lower effectiveness occurring about 15% of the time)
- However, advertisers often run with what they have regardless of test results, because it’s too late in the process...just before media dollars are committed and after a great deal of time, costs, and practitioner input and buy-in have occurred
- This 50 year old practice is analogous to early product quality practices in US manufacturing, when quality was inspected near the end of the line, and “adjustments” made to fix the end result
- Product quality did not improve significantly until measurement was used to fix the process rather than the product (Japan’s Toyota having just surpassed GM is a powerful testament to the value of applying the science of measurement to process management).

Process Application for Improved Return I

Knowledge:

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

Process Improvement I:

Use the exemplar Brand Preference Metric to Identify a best-in-class value proposition before moving to creative development...spend a little more early on and less later on, in classic Deming fashion

Improvement in (quarterly) Return:

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

Source: Blair et al 2004

Strength of Value Proposition Determines Overall Level of Subsequent Ads

(Exemplar Brand Preference 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)...

Process Application for Improved Return II

Knowledge:

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

Process Improvement II:

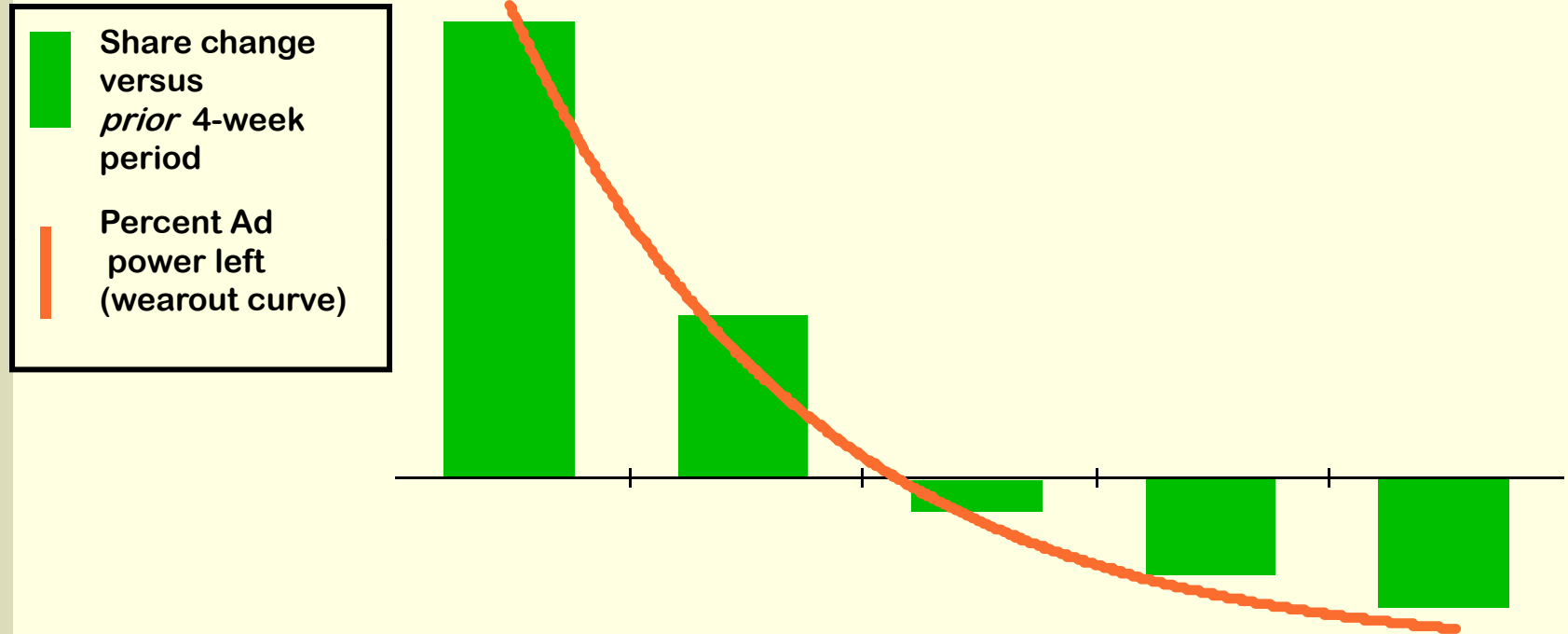
Account for wearout at the “shoot” so that there is enough footage to refresh ads with others when they are no longer working at desirable levels

Improvement in (quarterly) Return:

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

Source: Blair et al 2004

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.

Sources: Blair, 1987; Adams et al 1992; Blair, 1998 & 2000; Masterson, 1999.

Process Application for Improved Return III

Knowledge:

Each discrete execution has its own unique Brand Preference building power

Process Improvement III:

Apply exemplar Instrument to 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 to impact brand preference, sales volume, market share

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

Improvement in (quarterly) Return:

Projected +115% in live example

Source: Blair et al 2006

III Managing Media & Message Together

All ads going to TV stations also sent to exemplar Provider



(Exemplar Metric) obtained for the advertised product, line, and halos.



Incorporate into forecasting models (proprietary or Provider's planner).



Traffic GRPs by putting 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.

III Hollywood Analogy

- **While agency creative teams have resolved that the practice of “copy-testing” stifles the art of advertising, the right measurements taken at the right time need not be at odds with the creative process.**
- **The practices of big Hollywood movie houses can serve as an analogy.**
- **While the Hollywood houses have review committees at the start of the process, they generally don’t stifle creativity once the decision to move forward with production has been made. They understand that they’ll be producing a few big winners, a few losers, and most ranging in the middle.**
- **They do, however, manage their marketing and distribution expenditures wisely, once the movie and assessment of its appeal are in hand.**
- **The winners get advertised and promoted heavily for optimal return from the box office through the end of the chain; the losers go to the end of the distribution channel very quickly (video stores, etc.); and the ones in the middle get varying amounts of marketing support and enter the chain of distribution based on their appeal levels.**
- **Application III for TV advertising parallels this practice of measuring when finished and applying media dollars/weight based on forecasted return.**

Process Application for Improved Return IV

Knowledge:

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

Process Improvement IV:

Use the exemplar Brand Preference Metric to assess all executions as they go to air and apply more weight behind these 15' executions

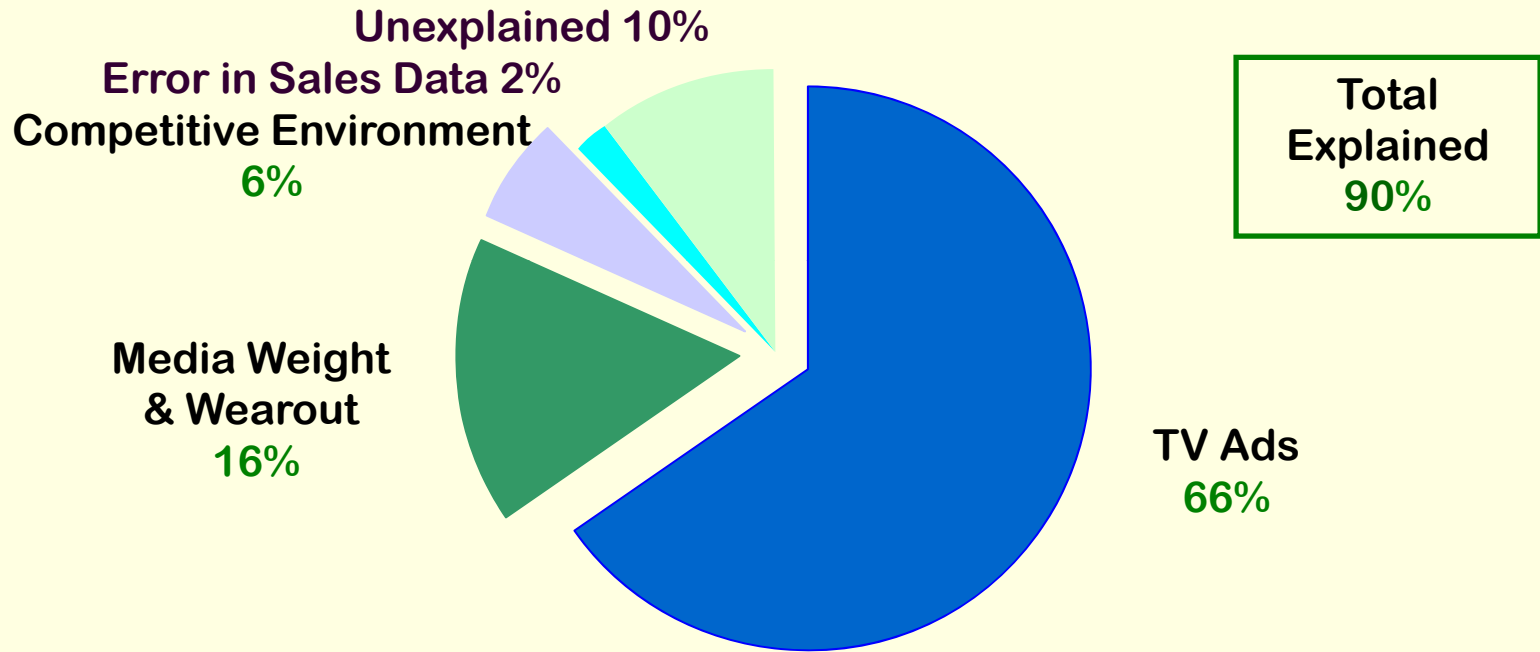
Improvement in (quarterly) Return:

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

Source: Blair et al 2004

TV Overview: The Media & The 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, (exemplar Brand Preference) for the TV messages, the wearout function and normal competitive environment function explain ~ 90% of all differences.

Summary & Conclusions

The exemplar consumer Brand Preference Metric passes the MASB Marketing Metrics Audit Protocol (MMAP) and is worthy of becoming a Standard for measuring and forecasting the impact of TV ads and for managing and improving the return

Application of the Metric during the advertising development and management processes indicates improvement in return greater than that which is 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 generally yield very different levels of reliability and validity (see Appendix B)

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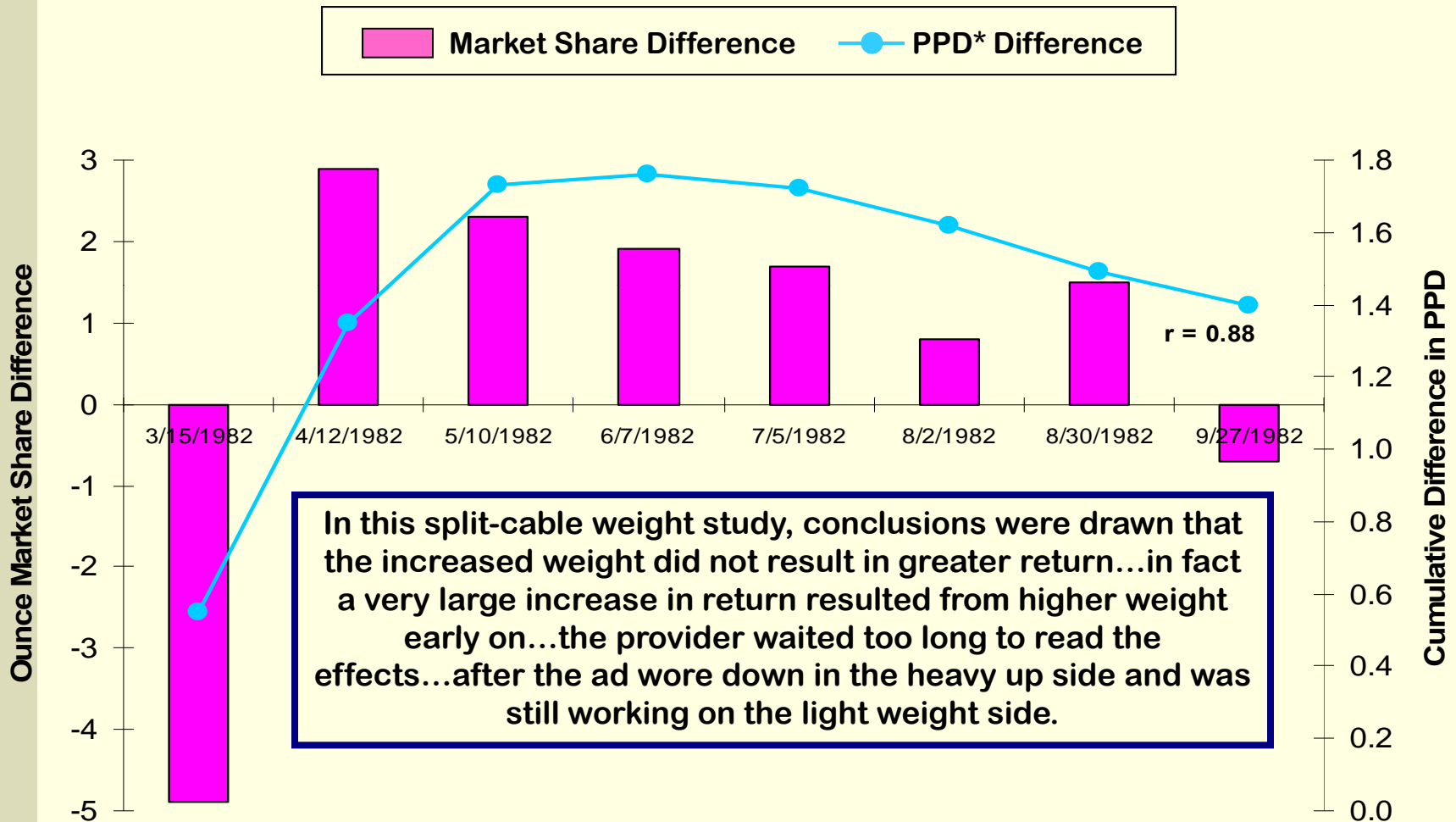
Disclosure (1): One study could not replicate

- The IRI split-cable “How T.V. Advertising Works” study based on 17 observations could not replicate the body of Knowledge regarding the predictive validity of the Brand Preference exemplar (Lodish et al, JMR 1995, 32)
- It was later learned and then confirmed by IRI that at least 11 of the 17 cases used in the study were measurement results for “rough” commercials, not scores for the ads that actually aired in the split-cable tests (Blair et al, JAR 1994, 34; Lodish et al, JMR 1995, 32)
- “Scores can only be used reliably to forecast marketplace results if they measure the persuasive power of the actual finished commercials that will be used on air. To use data from rough commercials is like forecasting the sales of a new brand from hypothetical data on price, distribution, promotional spending et al.” (Jones, JAR, 1998)

Disclosure (2): Same Study Found Less Discrimination

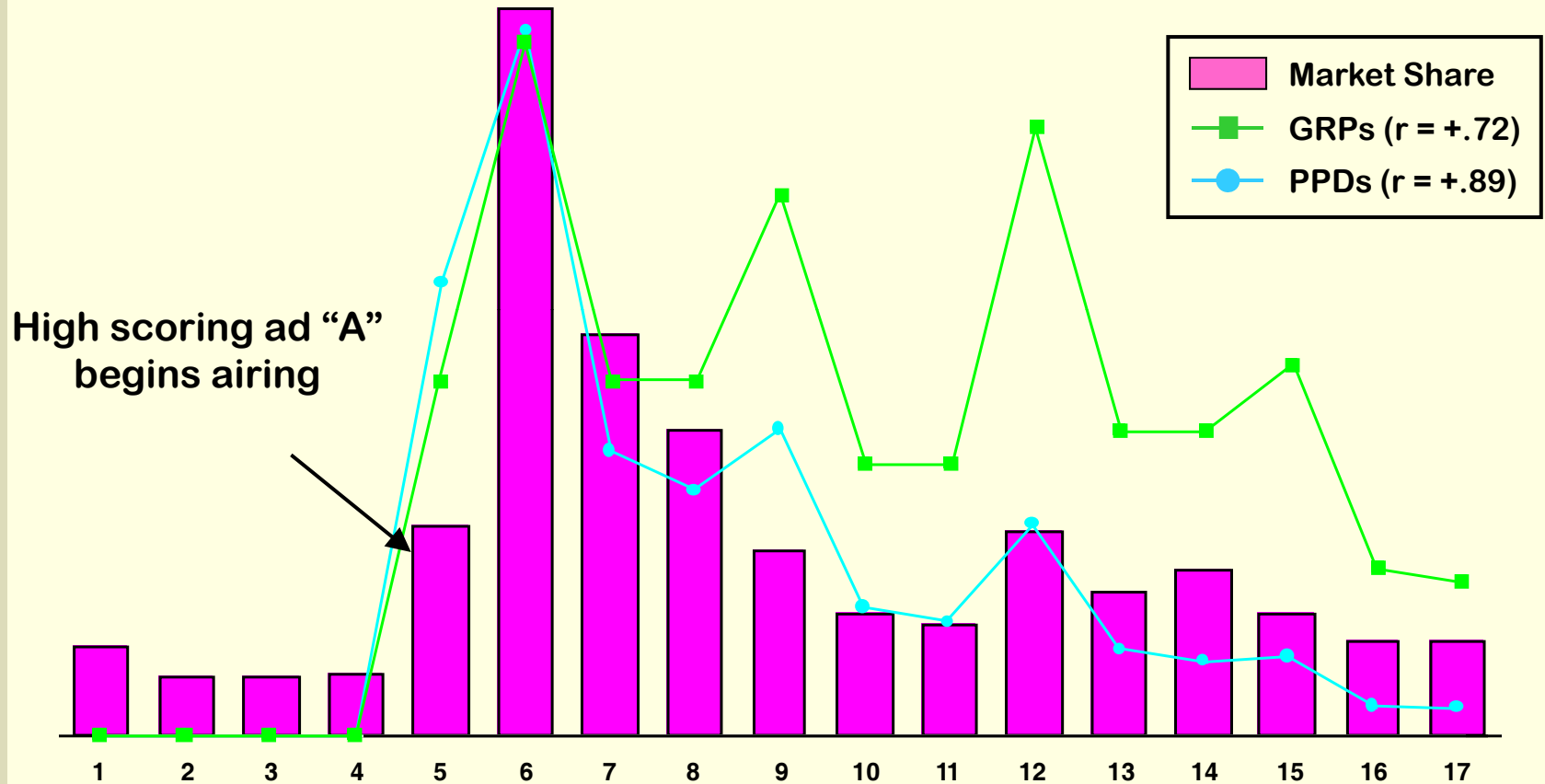
- The same IRI split-cable “How T.V. Advertising Works” study found “measurable” sales or market share effects for only about 50% of the T.V. ads run with differing media weight, and similar findings for pairs in which one cell was no advertising. This measurable impact finding (or lack of finding) is much lower than that reported by Blair using the Brand Preference exemplar (Lodish et al, JMR 1995, 32; Blair et al, JAR 2004).
- Several factors may explain this difference in discrimination:
 - First, some of the ads used in the split-cable experiments may have been “worn-out” at the start of the test; for instance, ads included in the split-cable studies were pre-tested as long as two years before the split-cable study commenced (Lodish 1995).
 - Second, the split-cable tests were read at the end of one year, when in the heavy-up cells the ads delivered their selling power faster than in the lighter cells and wore down to the level of effectiveness in the lower weight cells (or even lower) by the end of the test year (Blair, 2006 and 2006B).
 - And finally, 50% discrimination in the split-cable experiments reflects in part the lack of precision, or sensitivity, of the split-cable methodology. Finding “no significant impact” in the other 50% of the cases merely means that a true impact on sales or market share may have been smaller than the experiments were designed to detect.

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.

Example: Ad Wear-out and (Added) Weight



Note the diminishing returns as the ad delivers its power and wears out.

Disclosure (3): GAPS

- **GAPS Identified in Exemplar Brand Preference Metric**
 - **Verticals sparse or missing from provider's data base**
 - **B2B**
 - **Other Services**
 - **Technology Ads**
- **Provider will be encouraged to:**
 - **Validate for remaining verticals**

Disclosure (4): Extension Opportunities

- The exemplar Brand Preference (choice) Instrument may be worthy of becoming a Standard for measuring, managing, and improving the return on all marketing/branding activities both short term (quarter-to-quarter) and over time (year-to-year)
- Thus the provider will be encouraged to:
 - Calibrate to Baseline for longer term effects and balance sheet implications
 - Calibrate to Price elasticity for pricing/margin implications
 - Extend and test the application for other advertising channels (where costs warrant)
 - Extend and test the application for other touch points (product, shelf, etc)
 - Extend and test the application as dependent variable/top-line Intermediate Outcome in Tracking

Disclosure (5): Knowledge Opportunities

- **Provider has explained 90% of the variation in a brand's quarterly TV impact including the effectiveness of TV ads, media weight & wearout, the normal competitive TV environment, and sampling error...leaving 10% of the variation unexplained**
 - **Provider will be encouraged to measure, quantify, and calibrate the effects of competitive advertising that is “not” normal**
 - **And to provide an application whereby these effects might be accounted for as they occur, to adjust forecasts and to improve**
- **Provider has explained 71% of the variation in a brand's quarterly market share changes including the effectiveness of TV ads, media weight, continuity & wearout , the normal competitive environment, and price & distribution...leaving 29% unexplained**
 - **Provider will be encouraged to measure, quantify, and calibrate the effects of competitive advertising that is “not” normal,**
 - **The effects of other media and other touch points**
 - **And to provide an application whereby these effects can be accounted for in the forecasting process, and for improvement**

Disclosure (6): Management Changes

- **Exemplar Brand Preference Metric Provider:**
 - This statement is based on audit information as of February 2006
 - Significant changes in the company's management occurred shortly thereafter
 - New management did not readily cooperate with The Boardroom Project in its final request for information and review
 - Metric "standards" must be transparent and open to independent audit at specific time intervals (and intermittently when major changes in management and/or ownership occur)
 - The provider of this exemplar TV Metric should undergo an intermittent audit as soon as possible
 - Members of the MASB Board will place this intermittent audit as one of its priorities during the 2007/08 calendar year

Disclosure (7): MASB Adoption

- This statement was reviewed and adopted by the unanimous vote of The independent MASB Board of Directors:
 - David Stewart, Chairman (UCR)
 - Margaret H Blair (recused)
 - Kate Sirkin (SMV)
 - Dominique Hanssens (UCLA)
 - Joseph Plummer (ARF)
 - Maryjo Cummings (Visa)
 - Mike Duffy (Nielsen)
 - Others joining in August 2007 will also review this statement
- Adoption occurs when the logical flow of the argument is tight, the empirical support material is convincing, the conclusions are managerially meaningful, and the scientific evidence pro and con is acknowledged.

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Background: The Boardroom Project

- Mounting pressure for accountability from Boardrooms
- Transparent measurement standards a requirement
- TBP formed & started work (2004)
- Cross-industry/discipline/domain body of marketing scientists:

David Stewart (Chair): Robert E Booker Professor of Marketing, USC

Meg Blair: Founding Pres, rsc THE QUALITY MEASUREMENT COMPANY

Dwight Risky: Sr VP CCI, Pepsico

Kate Sirkin: EVP Global Research, Starcom MediaVest Group

Mitch Barns: Pres, Nielsen Analytic Consulting & BASES

Mike Duffy: Sr VP, Nielsen Advisory Services

Joe Plummer: Chief Research Officer, The ARF

Dominique Hanssens: Exec Director, MSI; UCLA

Jim Nyce: Sr VP Global CIS, Kraft

Gene Cameron: Exec Director Media Solutions, J.D. Power

Maryjo Cummings: Group Director Strategic Sourcing, Visa U.S.A,

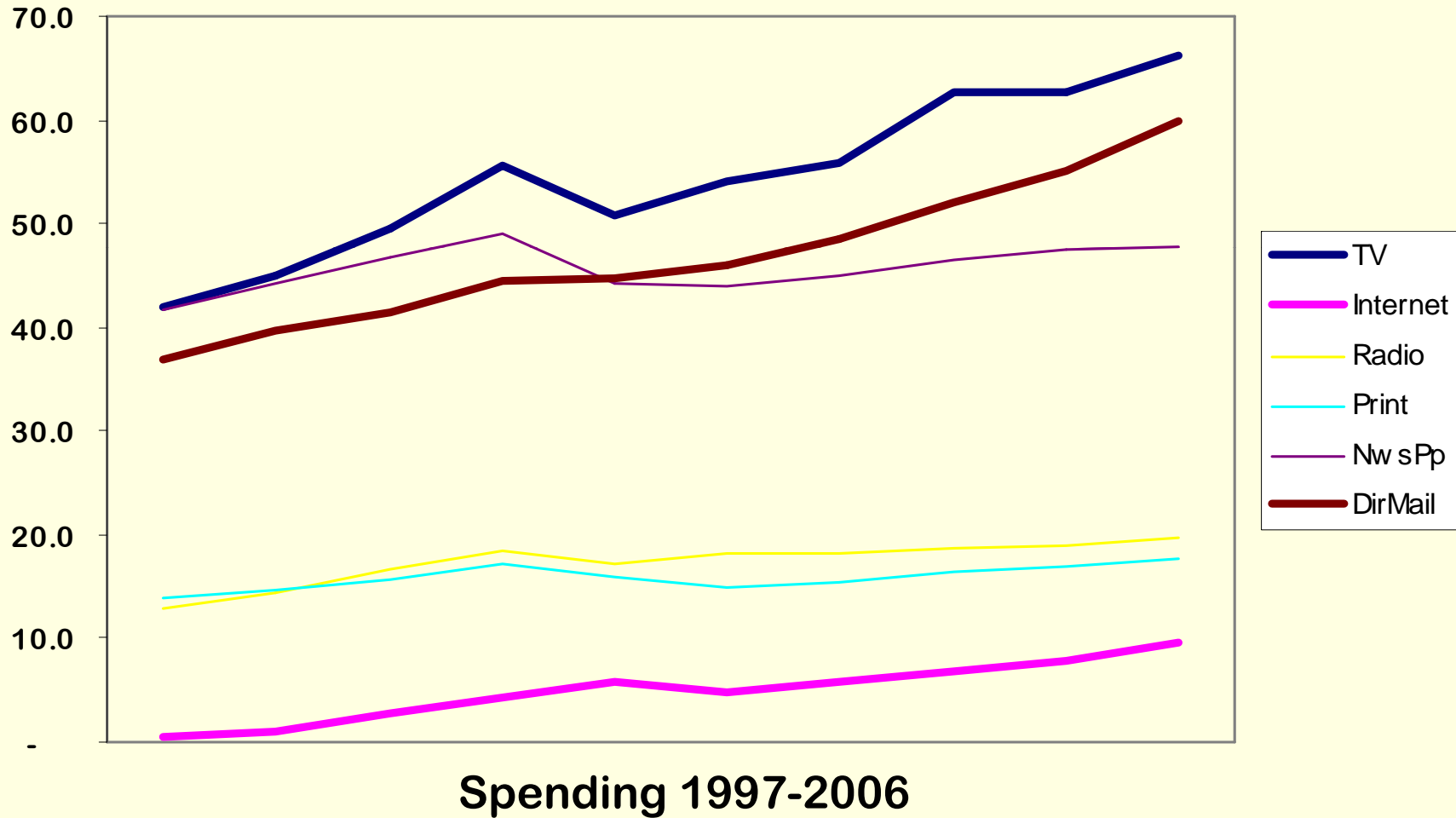
The Boardroom Project cont

Mission: *To Establish Marketing Measurement Standards for Continuous Improvement in Financial Performance*

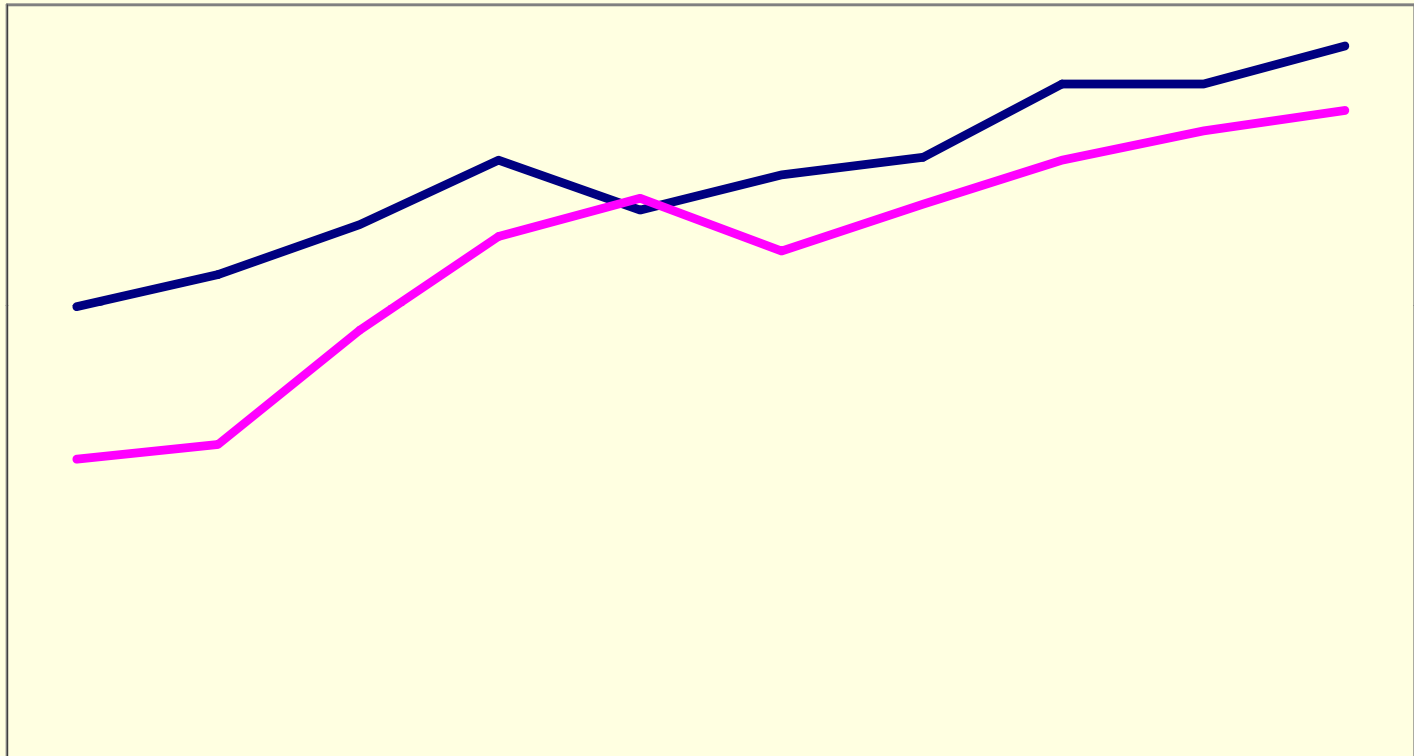


Project work by The Boardroom Project members is represented in 6 Exemplars presented to the MASB Board (August 16-17, 2007)

Background: TV Spending Largest & Growing



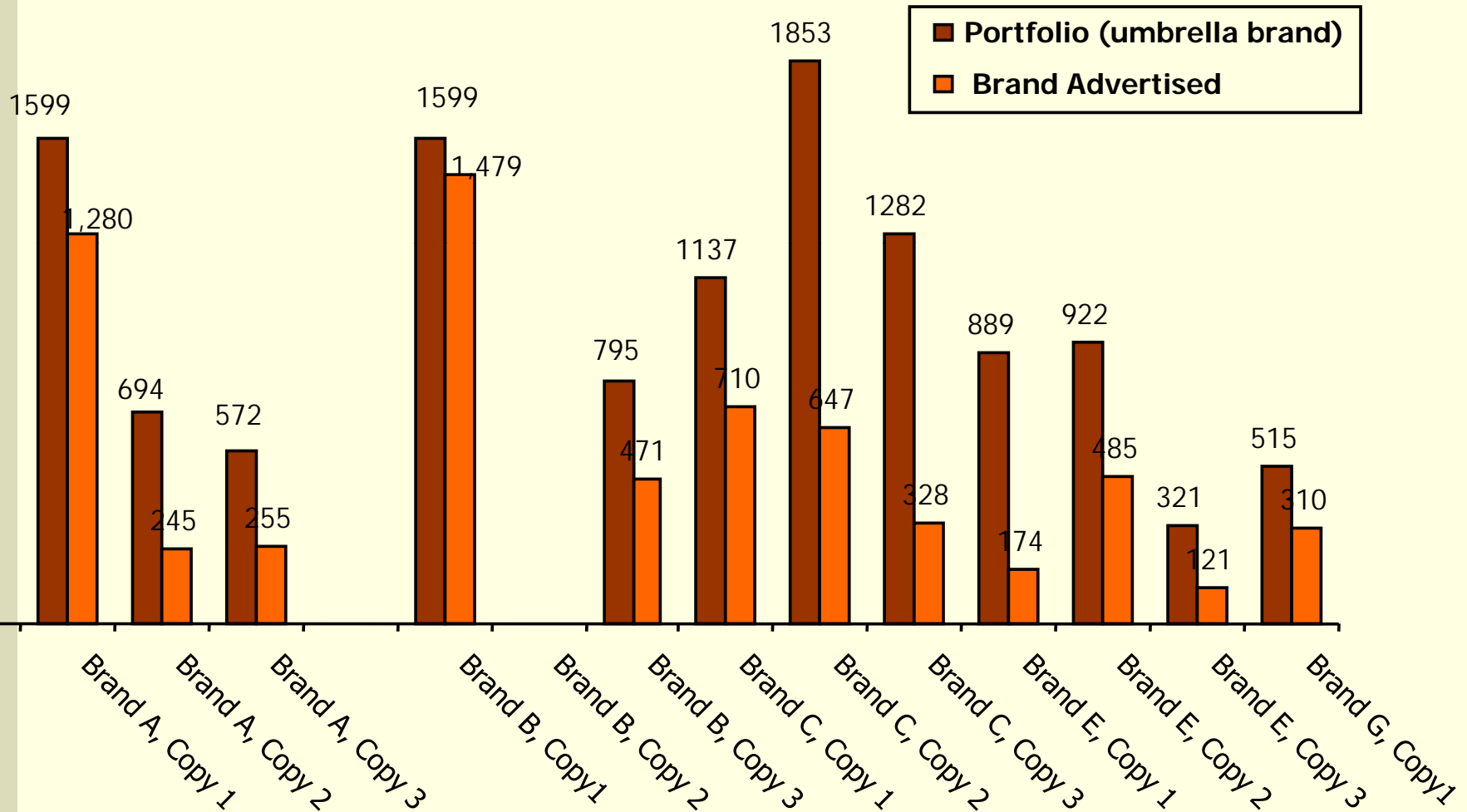
TV Prices Rising Rapidly (Super Bowl 30' Spot)



— TV Spend — \$\$/GRP SB

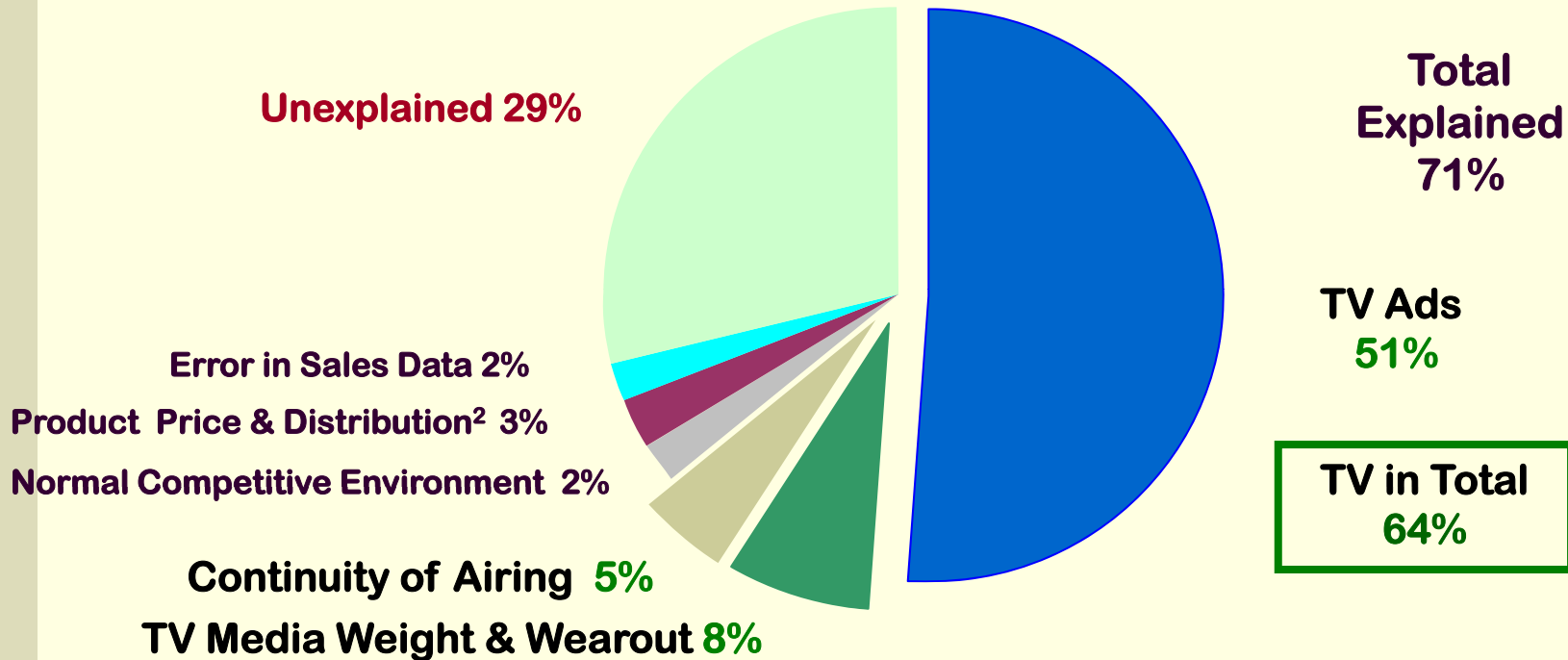
1997-2006

Marketing Mix Modelers finding sizable differences in TV Impact depending on ad...for advertised product & brand portfolio*



TV The Most Leverage/Improvement Opportunity

Explaining Differences/Variation in Quarterly Market Share Changes



Across ~175 brands, TV activity explains 64% of the total variation in Market Share changes, quarter-to-quarter

Indicates TV has the most leverage of all elements in the mix (other channels combined would account for <29% in today's environment)

(Bias in database: contains only brands that do TV)

Contents

- Introduction
- Standards of Marketing Accountability Metrics
 - Metrics commonly used by Practitioners
 - Body of Knowledge (metrics used)
 - Marketing Metric Audit Protocol (MMAP)
 - Measuring the Impact of TV Ads (exemplar)
 - Body of Knowledge (how ads work)
 - Applications
 - Disclosure
- Appendix A: Background Information
- **Appendix B: Basis for Conclusions**

Appendix B: Basis for Conclusions

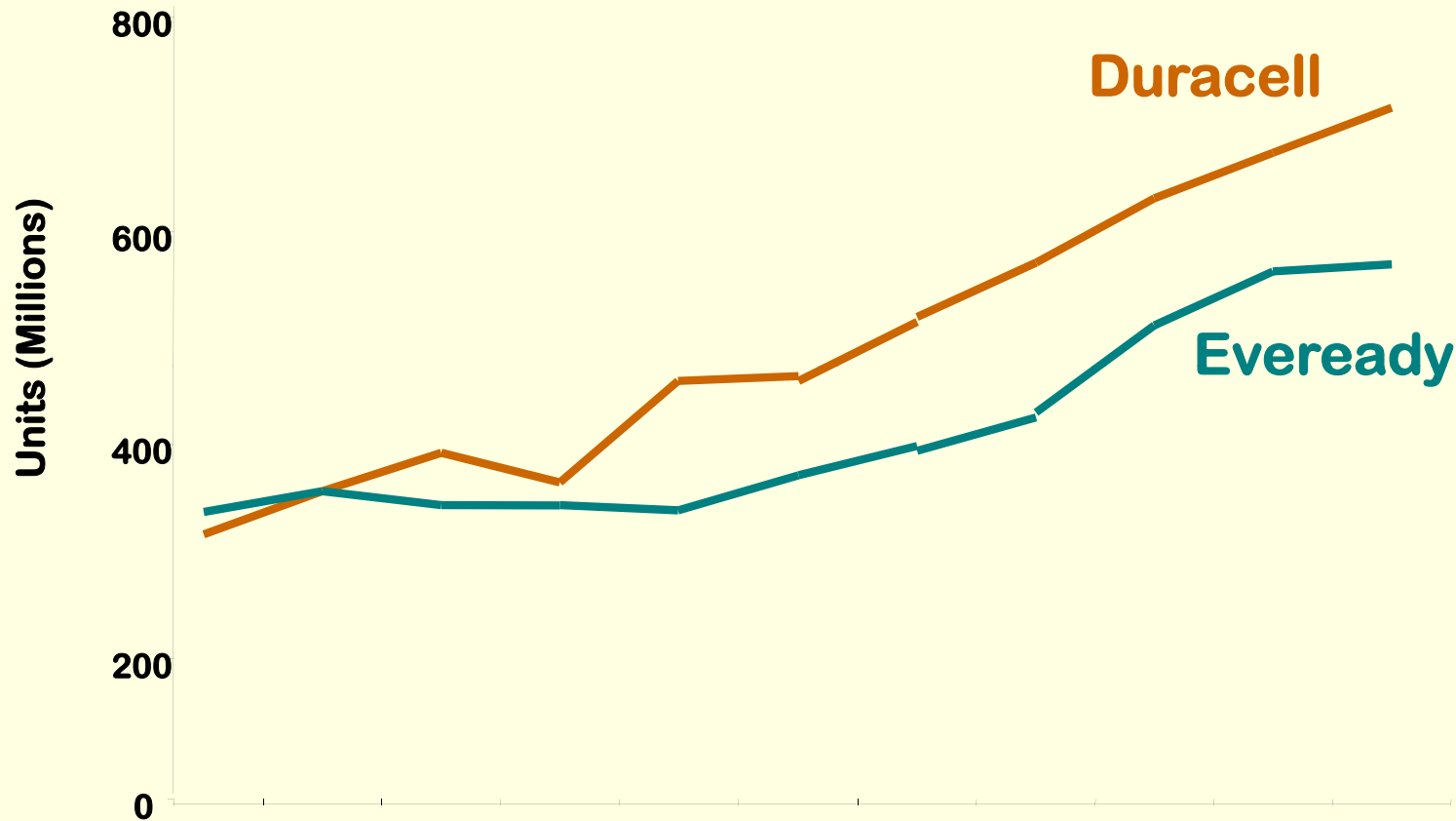
- **More about exemplar Brand Preference Metric**
 - Longer term effects
 - Price premium
 - Summary of Validity
- Summary of provider metrics reviewed
- Measurement development and management
- References

Exemplar: Evidence to suggest that metric will predict long term success and price elasticity (5yr Case Study I)

	<u>Prego</u>		<u>Ragu</u>
Total GRPs	15,034	←	20,400
Average Displays	22	←	43
Average Retailer Ads	29	←	37
Average Selling Price	\$1.80	→	\$1.64
Average (exemplar metric)	+7	→	+2
Total TV Power (PPD)	679	→	448
Δ Brand Preference over time	+11 pts		-21 pts
Δ Market Share (units)	+6 pts		-16 pts
Δ Sales (units)	+22%		-19%

The difference in performance was the result of Prego's powerful TV activity that drove consumer brand preference (choice) high enough (both short term and over time) to support a 10% higher selling price as well as a growing share of market, even in the face of many new brands entering the market and Ragu's heavier spending overall and price discounting.

Exemplar: Evidence to suggest that metric will predict long term success and price elasticity (10yr Case Study II)



Alkaline Battery sales began to take off in the late 1980s, with Duracell and Eveready starting the race at about the same place. They each sold millions of units more each year to meet the electronics demand . . .but why did Duracell sell more in the end? How did they each manage the brand? What was it worth?

10yr Case Study II cont

	<u>Duracell</u>	→	<u>Eveready</u>
10 Yr Average (provider E persuasion)	5.1	→	3.9
Study End (10 th year):			
<i>Share of Brand Preference</i>	57%	→	37%
Market Share (units)	44%	→	35%
Sales (units)	715M	→	568M
Price per unit	\$1.02	→	\$.86
Profit	\$609M	→	\$275M
Market Value*	\$8 B	→	\$3 B

Duracell managed the Brand by continually building consumer brand preference (choice) high enough to charge a 19% premium price and still gain more than Eveready in both unit sales and market share; and the prize at the end of the 10 years was nearly a 3 to 1 market value of the Duracell Company over Eveready.

Exemplar: Summary of Validity

	<u>Correlation with Trial/Volume/Share</u>
1970s New Product <i>Reported</i> Trial (isolated impact)	$r = +.85$
1980s Split-cable Copy Tests (isolated impact)	(7/7)
1990s Split-cable Weight Tests (isolated impact)	$r = +.90$
2000s Marketing Mix Modeling Output (isolated impact)	$r = +.91+$
2000s Scanner Share Change (non-isolated impact)	$r = +.72$

...(exemplar Metric) predict TV advertising's impact on market results at ~.90 level when the TV activity is isolated from other elements of the marketing mix (about as high a relationship as possible, given sampling probability);

And at the ~.70 level within the context of other marketing activities (demonstrating the relative leverage of TV in the marketing mix, as well as the precision of this consumer brand preference/choice methodology).

Exemplar: Validity Data Base Composition

New, Established & Restaging Brands

Advertised Product, Product Line & Halos

Small & Large Brands

In North America, Europe & Latin America

Food, Household, Personal Care, OTC, DTC, & Auto Products

Categories where multiple brands are typically purchased in a single shopping occasion

Categories that are seasonal

Categories w/strong store brands

Gaps: Metric not yet validated for B2B, other Services, & Technology ads.

Source: “Summary of Global Validation and Business Implications; 2005 Update”

Providers Reviewed: Pre-Market “Copy Testing”

The specific persuasion or motivation methods and metrics of five major syndicated pre-market TV measurement providers have been reviewed

Their identities are not tied to the audit in order to focus at a conceptual level of due diligence, transparency, and comparison based on a standard process and set of criteria...all tied to measuring, forecasting, and improving financial return

The review is based on information found in Journal publications and/or speeches, on provider websites (1/07), and sent directly to The Boardroom Project administrator on request (2/07)

MMAP Characteristics of a Sound Pre-Market Metric

Provider	A	B	C	D	Exemplar
Metric	Brand Preference	Purchase Question	Motivation Question	Range of Methods	Brand Preference
Relevant	Yes (Market Share)	No	No	Yes (Sales)	Yes (Sales, Mkt Shr)
Predictive	Maybe (15 cases)	No	No	Maybe (Forward?)	Yes (Over 30 Yrs)
Objective	Yes	Unknown	Unknown	Maybe	Yes
Calibrated	No (Indices)	No	No	No (Indices)	Yes
Reliable	Unknown	Unknown	Unknown	Unknown	Yes
Sensitive	Unknown	Unknown	Unknown	Unknown	Yes
Simple	Yes (Choice)	No (Ratings)	No (Ratings)	No (Modeled)	Yes (Choice)
Causal	Unknown	Unknown	Unknown	Unknown	Yes
Transparent	Unknown	Unknown	Unknown	Unknown	Yes
QA (Above)	Unknown	No	No	Unknown	Yes

Measurement Development & Management

The methodological details of measurement development and processes utilized to manage a metric over time determine its level of reliability and predictive validity.

Most providers of “copy-testing” services are specialists in “survey” research, not “measurement”...and the cultures are very different.

Cultures are Very Different

	Survey <u>Attitudinal/Insight</u>	Measurement <u>Behavioral/Causal</u>
Properties	Voice of Consumer Relative Custom Small Samples Low Precision	Behavior of Consumer Calibrated Standardized Large Samples High Precision
Skills	Insight Creativity	Process Science
Activities	Questionnaire Design Interpretation Project Management	Measurement Development Data Base Management Basic Research/Knowledge
Application	Ideas Hypothesis Generation Story Telling	Prediction Hypothesis Testing Improved Performance

Measurement Development/Management Determines Precision

The precision of the Exemplar Instrument detects about 2 points as significant at the 90% level of confidence...and a 2 point difference in the metric (airing just one ad) is associated with a .04 difference in market share over a business quarter.

Pre-market measures and/or combinations of measures with less precision will be of little value in the ROMI future of measuring, *forecasting*, and improving financial performance.

Metrics composed of a combination of multiple measures and/or indexing will be less precise (by definition), as each one in the combination has a specific amount of “error” associated with it.

The Validation & Causality Audits (MMAAP) will surface these issues.

Metric Precision: Example

Relationship of Pre-Market TV Metrics to Sales Volume Impacted by TV¹

	<u>Provider D</u>	<u>Exemplar</u>
Media	.37	.40
Media & Message	.54	.91

The relationship (R) between Media and Sales Volume Impacted is very similar across the findings of the two providers, indicating similarity in composition of the data sets as well as the media metrics being standard/improved over time...

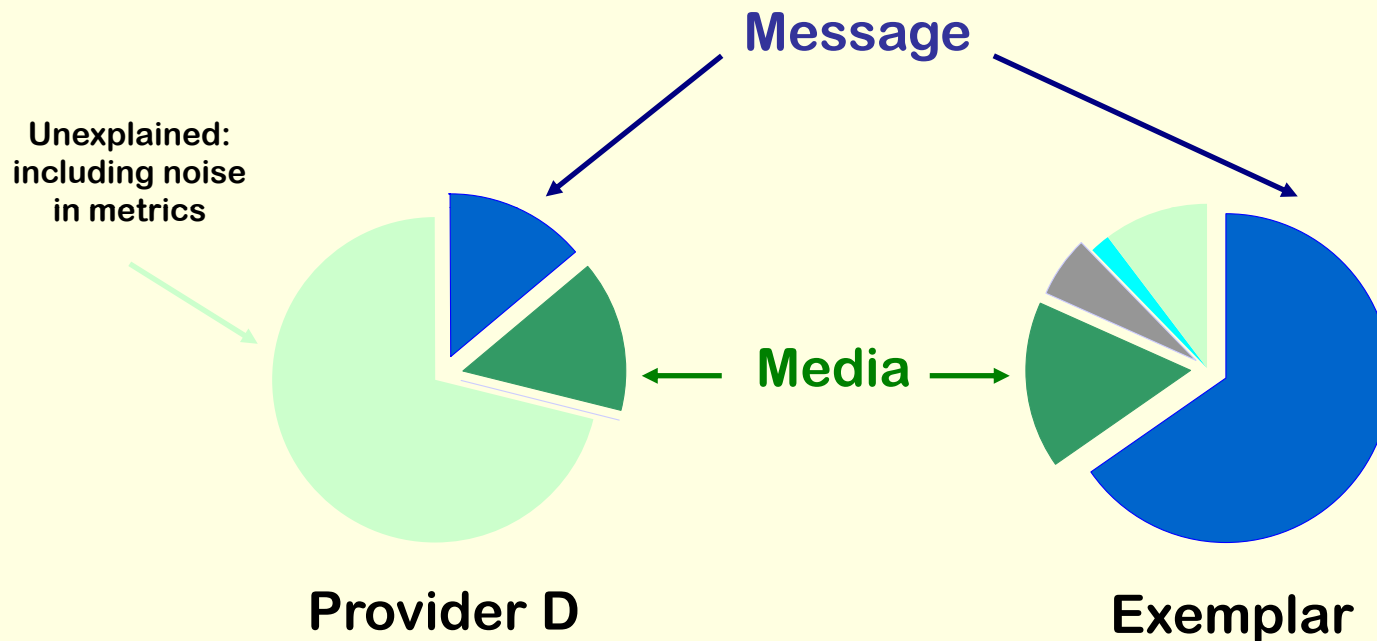
However, Provider D's pre-market metric, indexed and modeled from various and multiple measures/methodologies, has little precision with respect to predicting differences in actual Sales Volume Impacted from the TV ads... compared to the Exemplar's Metric, a single measure/methodology with no indexing or modeling involved in its derivation.

Note: Providers D & Exemplar are the only two providing Sales Volume Impacted validation findings.

¹ Determined independently by Market Mix Modeling

Metric Precision: Example cont

Explaining/Predicting Variation in Sales Volume Impacted by TV¹



Less than 30% of the actual Sales Volume Impacted from the TV activity can be explained/predicted using Provider D's metric for the Message, while more than 80% can be explained/predicted using the more precise Exemplar Metric.

Metric Precision: Example cont

Relationship of Pre-Market TV Metrics to Sales Volume Impacted by TV¹

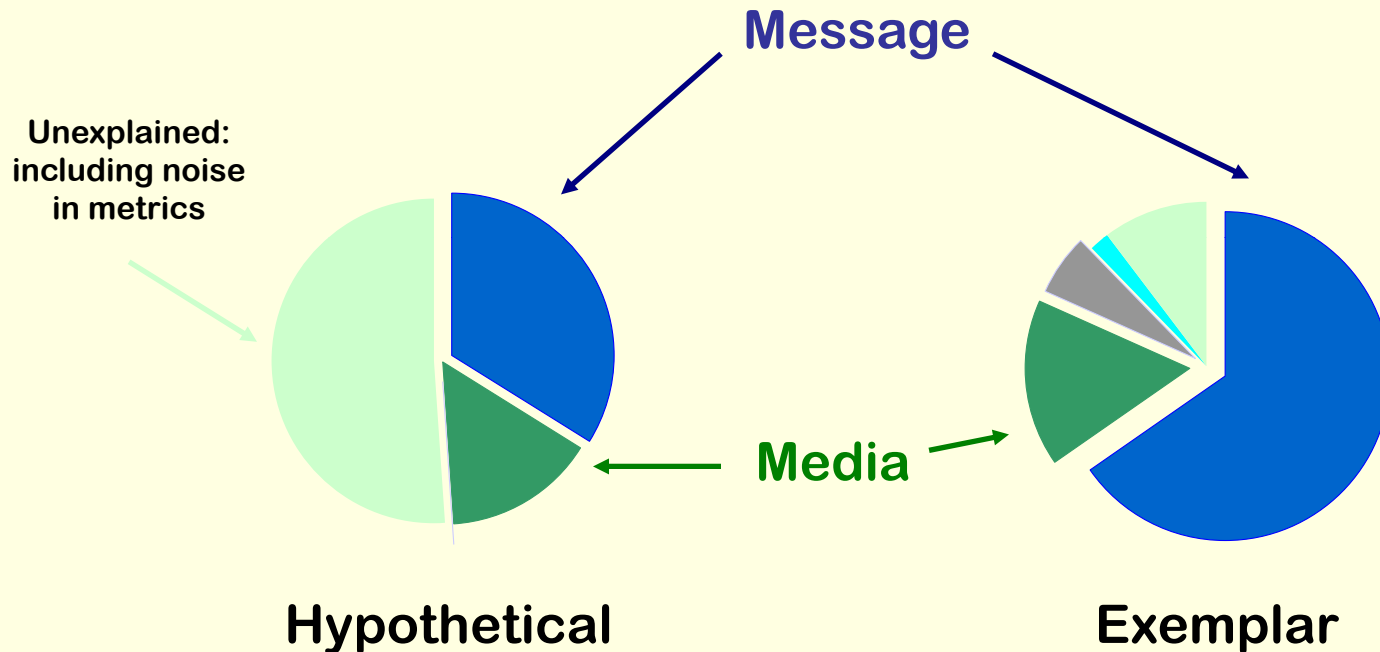
	<u>Provider D</u>	<u>Exemplar</u>	<u>Hypothetical</u>
Media	.37	.40	.40
Media & Message	.54	.91	.70

Even if a provider offered a measure or combination of measures for the Message that when combined with Media Metrics, predicted the post-market TV outcome metric at say the .70 level, the precision would still be of little value in the forecasting & improvement future...

¹ *Determined independently by Market Mix Modeling*

Metric Precision: Example cont

Explaining/Predicting Variation in Sales Volume Impacted by TV¹



In our hypothetical example, precision at the .70 level (which may seem quite high in the absolute sense) would explain/predict only about half the actual TV impact on sales as measured by the post-market metrics.

Value of Measurement Rigor (Brand Preference)

Test-Retest Reliability of (Exemplar)	$r^2 \sim .94$
Relationship to Volume Impacted (Exemplar)	$r^2 \sim .90$
Correspondence between (D & Exemplar)	$r^2 \sim .65$
Same Call between Ads within Brand	29%

“While the metrics are called the same and the methodologies look alike in many ways, they produce very different results over time”

(Plummer, 2007)

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Our first standards project (Standards Review) was communicated through podium and journal paper (now w/JAR)

Our second one (MMAP/MAP) was communicated via podium and a book (Marketing Champions)

Now that we've nearly completed this project, how shall we "publish" it to add value to the marketing community?

And what precedent do we want to set going forward as to ownership/authorship?