Empirical Generalizations about Advertising Campaign Success

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An analysis of 880 IPA Effectiveness Awards cases suggests that the following strategies increase advertising effectiveness in terms of sales and profit performance:

- focusing on "hard" objectives;
- focusing on price, not volume;
- focusing on penetration, not loyalty;
- influencing consumers on an emotional, rather than rational level;
- creating "talk value";
- having a high SOV relative to market share;
- including TV in the media mix;
- using a small number of channels in concert.

These results, which generalize across a variety of conditions, suggest that much common practice in advertising is suboptimal.

METHOD

The U.K.'s IPA Effectiveness Awards is recognized as one of the most rigorous tests of advertising effectiveness in the world. Entrants to the competition must submit detail d evidence proving *beyond reasonable doubt* to an expert panel that the campaign in question really did work in hard business terms, and that it achieved a good financial return. Since 1980, nearly 1,000 cases have been entered into the competition, creating a valuable body of data about how advertising works.

Until recently, the only way to access this information was to read the individual cases studies. However, 2004 saw the launch of a searchable database summarizing key information from all the cases in a consistent form. This database is now updated on a regular basis.

This project was the first attempt to use the database to draw general conclusions about how advertising works across a wide range of conditions, including product categories. Our aim was to find out which advertising strategies and methods are most closely correlated with business success. For example, which strategy is more likely to lead to increased profitability: trying to increase penetration or trying to increase brand loyalty?

Although the database contains both winners and losers, it is not a random sample of all advertising campaigns. Campaigns that are entered into the competition are likely to be "above average" in terms of effectiveness; they are also likely to be larger and to involve professional and large advertising agencies. This is a population of great interest, nevertheless, and comparing "very effective" campaigns with "quite effective" is a very useful exercise.

To do this, we created a metric that we called the "Effectiveness Success Rate" (ESR). This is the percentage of cases that reported "very large" (as defined by the authors) improvements in one or more of the following business metrics: sales, market share, penetration, loyalty, price sensitivity or profit. It is important to note that this analysis is based on business outcomes, not on awards.

Our analytical approach was simple and transparent. We compared aspects of the campaigns against the ESR. As an example of our method, we found that the ESR for the 131 loyalty campaigns in the database was 44 percent — i.e., only 44 percent of them reported any "very large" business effects of the kind outlined above. On the other hand, the ESR for the 137 penetration campaigns was 77 percent. Given the sample sizes (we have ESR data for 586 campaigns), the difference between these two percentages is statistically significant at the 99 percent confidence level. Only results that pass conventional statistical tests that allow us to rule out random sampling variation have been reported.

EMPIRICAL GENERALIZATION

Our findings essentially are based on a single large natural experiment. To give insight into the generalizability of our findings, we split our database in terms of variables of interest. This gave us multiple sets of data covering different conditions, which is essential for learning about the generalizability of a finding (Ehrenberg, 1990; Ehrenberg and Bound, 1993).

The choice of variables used to split the data set was based on theoretical speculation and constrained by the sample sizes:

- category: fast moving consumer goods (FMCG) versus durables versus services versus nonprofit;
- category life stage: new/growth/matures / decline;
- category growth rate (regardless of life stage): high/medium/low/stagnant/decline;
- brand size: niche/small/large/leader.

We also ran some special tests for particular hypotheses. For instance, one of the questions that authors were asked was how important emotional influences and rational decision making were in the category in question. So we tested the efficacy (in terms of claimed business results) of different strategies in a range of categories. We found that emotional strategies seemed to be more effective, even in categories where the purchase decision was thought to be primarily rational. This particular test was not applied to all hypotheses, so is not listed above.

If we found statistically significant differences between these groups, we reported these. It should be noted, however, that a failure to find conditions where the main result did not appear is not definitive "proof" that generalizes across the conditions we examined. We are in the process of adding new data to the dataBANK at the moment, and as the sample sizes for different conditions get bigger, we will no doubt find that some of our generalizations do not hold true in certain more complicated contexts. This is normal scientific progress in refining empirical laws (see the Introduction to this Special Issue — Sharp and Wind, 2009).

The book *Marketing in the Era of Accountability* (Binet and Field, 2007) contains the full results of the analysis. A summary of the key findings:

- Campaigns that have "soft" objectives (e.g., to increase brand awareness or improve brand image) underperform in business terms. The most effective campaigns start with a detailed strategy that links "soft" measures to business results (e.g., to increase market share to 11 percent by recruiting 14,500 new users by repositioning ourselves as the most authentic Italian brand).
- Campaigns that aim to reduce price sensitivity are more effective than campaigns that aim to increase sales or market share. In particular, they are much more likely to lead to big increases in profits.
- Campaigns that focus on customer acquisition and/or penetration are much more effective than those that focus on customer retention and/or loyalty. In fact, brand loyalty seems very unresponsive to advertising. Loyalty campaigns underperform on almost every business metric, and when so-called "loyalty" campaigns do work, they nearly always do so by increasing penetration. *[Editors' note:* This finding fits with the Double Jeopardy law (Ehrenberg, Goodhardt, and Barwise, 1990).]
- As part of the entry process of the competition, authors are asked how the campaign in question was intended to influence consumers. Responses vary from the very rational (e.g., "simply because of the information it provided") to the very emotional (e.g., "simply because of the emotions and feelings it touched"). Conventional wisdom suggests that the most effective approach is to mix rational messages with emotional appeal in a balanced way. The data, however, suggest otherwise. The more emotions dominate over rational messaging, the bigger the business effects. The most effective advertisements of all are those with little or no rational content. Emotional advertising appears particularly good at reducing price sensitivity and hence leads to particularly large profit gains. The only area where this generalization does not seem to hold true is for advertising that aims to generate a direct response. Direct response advertising seems to require a more rational approach.
- Campaigns that aim to get the **brand** and its marketing talked about **are** particularly effective. Most **campaigns of** this nature are highly **emotional, but** the additional element of **"talk value"** seems to boost effectiveness **even farther.** A good example **of this would** be a TV campaign for **Marks and**

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Spencer's (M&S) food that-not only engaged viewers with enticing shots of M&S food, but created the "This is not just food, this is M&S food" catchphrase that spread throughout the United Kingdom. Getting consumers to replay the advertisements to one another in this way helped amplify their impact. Again, these "fame" campaigns appear very good at reducing price sensitivity and hence are very profitable.

All other factors being equal, there is a correlation between a brand's advertising share of voice (SOV) and the rate at which its share of market (SOM) grows. On average, the number of market share points gained per year tends to be proportional to the difference between SOV and SOM. The "average" constant of proportionality is around 0.1, but the precise relationship between SOV and SOM, however, does depend on marketing context. SOM appears to be more responsive to SOV when the brand is small, the category is growing fast (either because of category life stage, or because of the state of the economy), when TV is used as part of the media mix, and when multiple media channels are used. SOM appears to be less responsive for FMCG brands. Even though big brands are less responsive than small ones, they require lower SOV to maintain SOM, because of economies of scale.

Over the period covered by the data (1980-2006), campaigns that included TV advertising in the mix outperformed those that did not both in terms of effectiveness (size-of-business effects) and efficiency (size of effects relative to budget). In particular, TV campaigns performed significantly better than press and outdoor campaigns. More surprisingly, the effects of TV seem to be getting bigger over time. Since the introduction of multichannel TV into the United Kingdom in 1990, the effect of TV on market share seems to have increased by around 40 percent (comparing data from 2000-2006 against the 1980s). This is perhaps due to digital competition driving TV costs-per-thousand down. However, the data also suggest that the addition of online advertising to the mix increases the effectiveness of TV.

There is no single research metric that consistently coincides with business success (although shifts in brand consideration come closest). However, the sheer *number* of measures that improve coincides with success. Really effective campaigns tend to shift *most or all* tracking measures, not just the ones that were targeted. *[Editors' note:* This suggests a strong degree of reverse causality as sales increases shift brand-tracking metrics.]

Multichannel campaigns tend to be more effective and efficient than single channel campaigns. However, there are diminishing returns. Optimum effectiveness is usually achieved with around three or four advertising media, depending on budget size. The combination of emotionally rich broadcast media and a direct response channel is particularly powerful.

- The financial ROI from advertising is affected by several factors:
  - Market/category size (+)
  - Market/category growth rate (+)
  - Media costs (—)
  - Amount of competitive advertising (-)
  - Own label penetration (—)
  - Brandsize(—)
  - Profit margins (+)

Some of these factors are in conflict. For instance, small brands tend to be more responsive to advertising (because they have low penetration), but also tend to have lower profit margins (because they lack economies of scale). When allocating budgets, a proper trade-off analysis is recommended.

POTENTIAL "BOUNDARY CONDITIONS" OF THE STUDY

The 880 effectiveness case studies span an extremely diverse range of categories, campaigns, and brand circumstances. However, it is important that we speculate on potential limits to the generalizability or "boundary conditions":

- We are unable to *examine failure* as the case studies report only successful campaigns — we therefore compare the conditions associated with strong success versus lesser success and by *induction* draw conclusions about success factors.
- The case studies are largely (but not exclusively) U.K. based. There is insufficient data on other geographies to draw conclusions about regional differences.
- All the case study campaigns include a "conventional" advertising element, so the growing presence of new media

channels in the campaigns cannot be examined in isolation. Since the campaign metrics apply to the whole campaign, we cannot necessarily assume that the same success factors apply to all channels as apply to advertising.

- The metrics used to measure success have primarily been designed with commercial brands in mind: they underserve the needs of not-for-profit campaigns, and consequently the sensitivity of the definition of "strong success" (which is strongly financial) will be considerably reduced for these campaigns.
- The data typically report effects over a period of one to two years following the start of campaigns (but include some extremely short-term direct response evaluations as well as some very long-term evaluations covering up to 30 years). It is not generally possible with the data, however, to distinguish between shorter-term success and longer-term success.
- The data nevertheless do reveal that the extremely short-term effects often used to judge the success of direct response and online campaigns (e.g., click-throughs, tele-sales, etc.) are *not* governed by the same success factors as the longer-term (multiple-purchase cycle) effects with which most of the case studies are concerned. We hypothesize the reasons for this, but the volume of data does not permit the development of an equivalent model for successful "direct response" campaigns.

IMPLICATIONS

The analysis suggests that there are important areas where common practice is suboptimal:

- Too many campaign strategies are based on "soft" objectives. Strategic thinking needs to be more business-oriented.

NOTE FROM THE EDITORS

Binet and Field's landmark analysis suggests that the most effective campaigns have certain features that distinguish them from their comparatively less effective counterparts. These findings provide potential "recipes for success," although we advocate exercising prudent care in ascribing causality. Some factors may not directly cause better performance, but simply be associated with the other true causal factors. For example, more capable marketers may tend to set less "soft" objectives because setting hard objectives may not in itself be a dominant cause of success.

Like much good science several of the findings are controversial in that they challenge conventional "wisdom"— we hope they will stimulate further research, particularly examining the conditions under which these generalizations hold.

When hard objectives are set, they usually focus on sales volume, whereas the most effective campaigns aim to support firmer pricing.

Loyalty campaigns are twice as common as penetration campaigns, even though they are much less effective.

The primary focus tends to be on rational messaging, with emotions as support, whereas the evidence suggests that the balance should be the other way round.

The shift away from TV advertising appears to be misguided. TV is actually becoming more effective, not less.

The vogue for "surround sound" advertising is inefficient. It is more efficient to focus spend on a small number of channels working in synergy.

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