

Advertising worth

New insight reveals how advertising on television, in print and online media can stimulate the spread of the message through word-of-mouth

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Developed markets have been using mass advertising for more than a century, so one might reasonably assume we know everything important there is to know about how it works, incorporating it in how we design and execute campaigns. But, alas, we don't.

The inter-relationship between advertising and consumer word-of-mouth is an important case in point. Research from the Keller Fay Group finds that 22% of all word-of-mouth in the US is stimulated or supported by paid advertising, including print, online, TV and outdoors (*Admap*, April 2009).

This summer, Keller Fay released its first results outside the US, finding that advertising helps to stimulate and support 18% of WOM in the UK and 22% in Australia, suggesting some universality to this finding.

By comparison, between 1% and 2% of word-of-mouth is driven by online social media in these three markets. Yet so much of the excitement about word-of-mouth today is about Twitter, Facebook and similar online tools. It has become easy to look past the fact that about 90% of word-of-mouth conversations about brands still happen face-to-face or over the phone, rather than online, in every market studied by Keller Fay. We believe advertisers are missing a very big opportunity.

Academic research dating back more than five decades has concluded that word-of-mouth is not just helpful to advertising, but a critical factor in how it works in the first place. At Columbia University, professors Elihu Katz and Paul Lazarsfeld concluded that mass advertising "has limited effects in the process of mass persuasion" because prospective customers tend to protect their pre-existing beliefs. As if writing today, they concluded messages tended to be "filtered through social networks and vetted in the light of group norms". They advised advertisers to target consumer influencers who could more effectively disseminate persuasive messages on their behalf.

Based on the Keller Fay research, some three quarters of a billion word-of-mouth brand impressions every day are advertising-influenced, in the US alone. A new analysis of this word-of-mouth behaviour reveals unique strengths for television, print media and the internet that should be considered by media planners and advertisers. We find that print media are particularly suited to targeting the most prolific 'consumer influencers', that television generates the greatest volume of ad-stimulated WOM, and that the internet is rising fast in volume, while also generating the most 'viral' messages.

Before we discuss these findings in more detail, it is important to demonstrate the statistical relevance of our word-of-mouth data to actual brand advertising. TalkTrack

FIGURE 1 Source of Brand B WOM

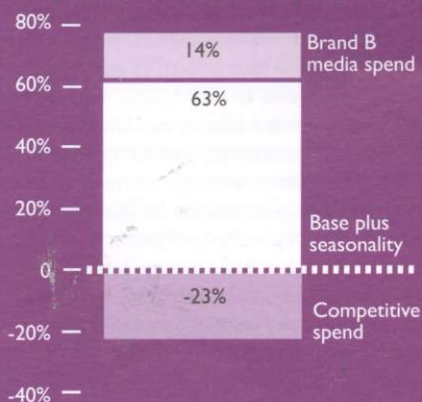
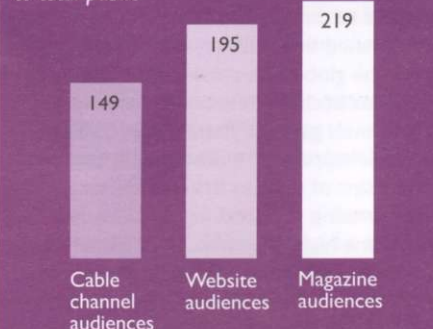


FIGURE 2 Average % of Conversation Catalysts™ among media audiences – indexed to total public



talking about

findings are based on daily conversation diaries conducted throughout the year through an online survey. Every day, a fresh sample of 100 consumers report on their prior day's conversations, for a total of 700 nationally representative interviews every week, and 36,000 annually. Consumers are asked about a dozen questions about each brand they talked about, including whether anybody referred in the conversation to specific information sources, such as paid advertising.

Universal McCann has developed models for over a dozen of its clients, linking the Keller Fay USTalkTrack data to actual advertising expenditures. In every case, we have found a very strong relationship between advertising levels across time with word-of-mouth trends, confirming the self-reports of survey respondents that they are relying heavily on advertising in their conversations about brands. What follows are the detailed findings for one of these client brands.

MODELLING ANALYSIS

The aim was to assess our ability to predict word-of-mouth brand mentions from three separate perspectives:

- To test the degree to which advertising expenditures can predict WOM
- To measure the impact of advertising expenditures by competitive brands
- To compare the return on investment for media types, ie TV, online, print.

Besides Keller Fay weekly data, the only other trend data in the model was Kantar's reported expenditure by media channel.

In this review, we have focused on one representative example model, which, for reasons of confidentiality, we have badged Brand B. Brand B is an upscale premium consumer product; 74% of its word-of-mouth is positive, compared to a TalkTrack norm of 65%. Its word-of-mouth has a high proportion of media references, 57%, where the TalkTrack norm is 49%.

Brand B's total media budget over the two years, 2008 to 2009, was US\$ 150+ million. This split across five media as follows: magazines 43%; TV 39%; digital 10%; radio 5%; outdoor 3%. The weekly WOM

projections from Brand B's model had a very encouraging match to the actual data with an overall r-squared fit of 82% and an adjusted r-squared at 80%. In decomposing the model to determine the prime drivers of Brand B's word-of-mouth, we found that, when there was an extended hiatus in advertising of over two months, the total projected WOM levels edged down to the estimated non-advertising base level, which was typically, on average, -18% below the total projected WOM levels.

However, some real insights started to occur when we rolled up all the data to examine the overall contribution of media advertising WOM (Figure 1).

The vertical bar shown in Figure 1 represents 100% of all the summary activities identified by the model across the two-and-a-half-year period of the study. We can see the relative contributions of each element:

- 14% of all Brand B's WOM was attributable to its own advertising.
- 63% of all WOM is the brand's base activity

- that is, all consumer activities not linked in any way to advertising - plus any seasonality bias.

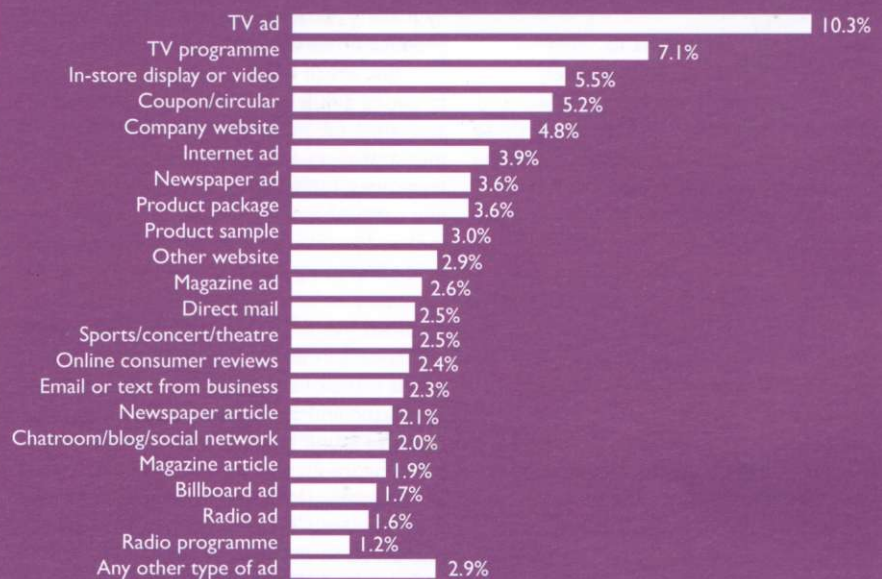
- 23% of Brand B's potential WOM is eroded by the impact of competitors' advertising activity.

The negative effect of competitive activity is a major feature we see in many of our WOM models and it is an important finding. Prior to our developing models such as these, we had hypothesised that advertising-generated WOM would be similar to ad awareness. It is generally accepted in the industry that a brand's own media advertising is the prime driver of its ad awareness and the effect of competitive activity is comparatively small. But these types of model imply that competitive activity has a significant effect on WOM. This implies that ad-generated WOM models behave quite differently to ad awareness models. If anything, arguably, word-of-mouth models are closer to sales models.

We also wanted to interrogate the model

FIGURE 3 Power of TV

TV ads are referenced in 10% of all brand conversations, and content from TV programmes in 7%



“Advertisers should think about targeting current customers, rather than prospects only, since customers are very effective evangelists for brands”

to identify the relative contribution of each media channel in helping to build Brand B's word-of-mouth.

Brand B's high spend media - TV, magazines and digital - all had relatively similar ROI levels, ie the ability to drive brand mentions per dollar spent. Out of these three media, magazines had the highest ROI. But the other media, digital and TV, were fairly similar to magazines; digital was only -3% lower in its ROI efficiency and TV -8%.

These scores were relatively so close to each other that, for the purposes of this model, there was no substantial difference between the three channels. But the adverse effect of competitive activity also needed to be factored in.

If we indexed Brand B's magazine ROI at 100, competitive TV had a negative effect on Brand B's WOM, with an ROI index of -12, and similarly competitive digital had a negative ROI index of -20. Since these two channels accounted for 82% of Brand B's media expenditure, arguably they represent the true media battlegrounds for WOM. Brand B's share of voice in these channels is critical, and it is where Brand B's WOM can be won or lost.

STRENGTHS OF TELEVISION, PRINT AND ONLINE

While clearly demonstrating the connection between advertising and word-of-mouth, the Brand B modelling analysis did not show a distinct advantage for any of the major media channels in driving word-of-mouth. However, the USTalkTrack data, aggregated across all brands in all categories, does show how each medium has unique advantages for helping to stimulate and support brand WOM.

Print media: connecting with influencers

Targeting influencers has become a favourite strategy of word-of-mouth marketers, and Keller Fay's Conversation Catalysts segmentation system is used to identify consumer influencers in TalkTrack. Representing approximately 8% of the

population, the Conversation Catalyst segment is defined by their large social networks and by making recommendations in many different product or service categories.

But which medium is best for efficiently targeting influencers? TalkTrack identifies audiences for more than 100 specific media properties in the US, including many magazines, cable channels, websites and a few national newspapers. Among those, we ranked by audience size the ones that accept paid advertising and found we had at least 22 examples each for magazines, TV and websites. We then indexed the proportion of influencers in the audience for all 66 of these media platforms versus total public, and then calculated and average index for each medium.

We found that magazines performed best (Figure 2), with an average index of 219, meaning that more than twice as many magazine readers, on average, are influencers, compared to the total public, ahead of websites at 195 and cable TV channels at 149.

It is important to note that all major media indexed above the national average of 100. This is consistent with our observations over many years that, because influencers are heavy media users, nearly all media audiences perform well in reaching them.

TV delivers WOM volume

Insufficient 'scalability' is a frequent lament of advertisers seeking to generate word-of-mouth through online social networking, WOM sampling programmes and influencer-hosted parties. These tools often deliver quality but not quantity when it comes to WOM.

Perhaps it should come as no surprise that TV, the leader in ad expenditure volume, is also the leader in driving word-of-mouth volume (Figure 3). Television commercials account for over 10% of all word-of-mouth conversations, more than any other single touchpoint, and well ahead of the next-highest-paid advertising medium, internet, at about 4%.

The ubiquity of TV advertising is clearly a major reason why, but we are also finding,

in research for NBC Universal, that television stands out in its ability to be the spark for a conversation, often while people are watching together and find themselves talking about the advertising messages. Advertisers wanting to start lots of conversations quickly have to consider television.

Viral internet

TV has a big advantage over the internet in its power to deliver WOM based on paid messages. But the internet provides many other ways to drive word-of-mouth, such as websites for the brands themselves, consumer review sites, social networking, search engines and aggregators for price and availability checking. When one combines all forms of the internet for driving WOM, it drives 15% of all WOM. The internet comes close to TV's 16% when one considers the net impact of both paid advertising and/or other TV programming.

What's more, online is rising fast, from 12% of all WOM to 15% in the past year, driven by teenagers and young adults under 30, who are more and more likely to reference the internet in conversations about brands.

The internet also has the advantage that internet-inspired WOM is more likely than all WOM to lead to more product and brand research (45% to 34%), and to be passed on to other people (53% compared with 49%).

IMPLICATIONS

Word-of-mouth and advertising are tightly connected to each other. Word-of-mouth is a key outcome of advertising, but also a key factor in advertising's success. This insight has several important implications.

For targeting, advertisers should focus on influencers who are more apt to spread messages, and they should think about targeting current customers, rather than prospects only, since customers are very effective evangelists for their brands.

When it comes to messaging, advertisers should think about product benefits and language that will be memorable, easy to transmit, and 'talkworthy'.

And with regard to channels, advertisers should think beyond online social media tools, to all those options that have relevant strengths for word-of-mouth. In other words, all media are social - or should be.

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word-of-mouth
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