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IPSOS-ASI THE ADVERTISING RESEARCH COMPANY

RESEARCH ARTICLE THREE

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Are We Looking in the right places: Pre-Testing and Sales Validation?

With the possible exception of media ratings, advertising pre-testing is probably the most controversial and hotly debated area of market research. A quick search of the archives on the WARC site shows literally pages and pages of articles on the topic. Debates range on recall v. persuasion, predictive v. diagnostic and US v. UK approaches. Discussions of how advertising works, how a commercial works and if it works only add to the noise level.

It seems worthwhile then to step back from the noise and ask the most basic of all questions. Why pre-test at all? From the standpoint of the users of the data, the reason seems quite clear. Marketers, almost without exception, have one leading question: is my advertising working?

But as with many of the great questions, this central question begets yet another question. What *can* advertising do? Before we know *if* advertising is working, we need to know what it should be accomplishing. Only then can we tell if it is working.

We feel a particular obligation to address these questions since Ipsos-ASI is the largest provider of advertising pre-testing in the world. In fact, we do spend a lot of our time, resources and corporate focus on this issue. Fortunately, a recent spate of learning has allowed us to better understand the role of advertising for brands. Analysis of single source databases and results from marketing mix analysis has shown that:

- *The key function of advertising* is to build and sustain brand equity.
- *These will occur only with advertising* that is also successful in driving short-term effects, although not all successful short-term copy contributes to brand equity!
- *The key short-term impact* for CPG products is to drive sales. This would not be true for many categories outside of CPG. But nonetheless, the advertising in some ways needs to increase the likelihood that the consumer will eventually purchase the advertised product or service.

The discussion of brand equity and its link to advertising and short term effects could take up this entire article. A more thorough examination of this can be found in work done in 1994 for the Coalition for Brand Equity in the U.S. and described at an ARF conference by Gerald Lukeman[1]. In brief, this work demonstrated the link between short and long term effects. Brands with a strong short-term impact on sales, as defined by their Short Term Advertising Response had, over a ***three-year*** time span:

- Greater loyalty
- Greater repeat rates
- Higher shares
- Higher BEI®, a measure of behavioral brand equity,

than brands with lesser short-term impact. More importantly, there was little evidence of advertising that failed to show short-term effects [on sales] magically contributing to brand equity over time.

Short-term success, specifically the ability to drive sales, is crucial to advertising success.

Our work and the work of others, concludes that the quality of the copy is a much larger contributor to short term success than is media weight.

So we end up with a fascinating series of events: successful copy can contribute to short term volume growth, which in turn builds long term value and equity. But it all comes down to the quality of the commercial. Without that basic starting point, there is nothing. No wonder marketing people are seeking a reassurance of quality through pre-testing.

Two difficult issues remain:

1. How do we most accurately isolate and quantify the impact of advertising on sales?
2. Which measures, if any, from a pre-testing system are predictive of this impact?

This last question has too often been debated by asking which ***measure*** is the best indicator of sales effectiveness. Our experience has shown that this is not the right question. Rather the question should be, which ***measures*** are the best indicators?

Finding Advertising Effects

The idea of truly validating *and* calibrating pre-test scores to sales has been an elusive goal for years. The admitted difficulty in identifying and isolating sales effects has led many to simply ignore this link. But, how important is it if the ad communicates, is well liked or generates awareness if it doesn't move the consumer to experience the product? Feeling good about a brand doesn't pay the bills! Understanding the link between test results and sales is crucial.

Fortunately, advances in databases and market science have changed things. We can now measure the direct contribution to sales of advertising *even down to the level of an individual execution.* And when we do that, we can tie pre-testing measures directly to these results. This is made possible through the integration of two disciplines; market mix modeling and pre-testing.

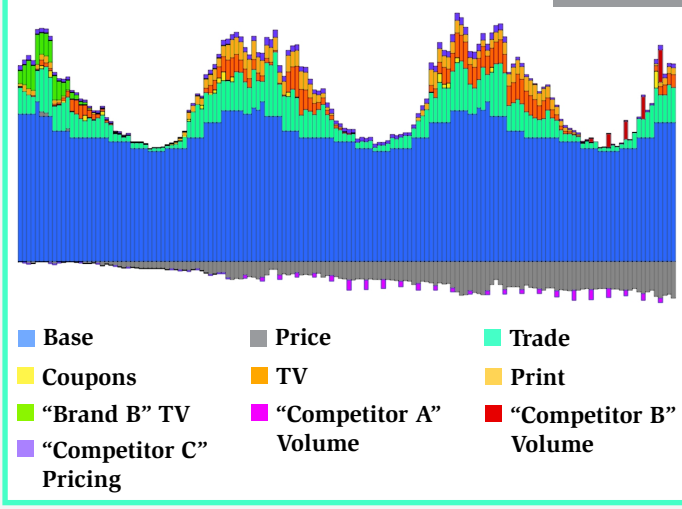
Not all market mix models will allow you to do this. However, there are two technical advancements used by our market mix modeling group that allow for this precision:

1. The use of additive rather than the more common log-linear models. This means we can look at the contribution of individual variables on an additive basis rather than the multiplicative terms generated by the log-linear model.
2. The use of a pooled regression approach in the modeling. By modeling at this level, we have many more observations and degrees of freedom that allow us to drill down to the level of the copy.

An example may help. The complicated graph shown in Figure 1 shows the full results of a model for a U.S. food brand over a three-year period. There is too much detail to see clearly, so let's just look at what some of the drivers are for this brand. Trade activity, pricing fluctuations for the advertiser and their competitor, coupons, press advertising and TV all contributed. No wonder it has been so hard to find advertising effects!

If we zoom in on one 18-week period, we can turn up the magnification to see the detail we're talking about. [Figure 2] Not only does this separate the sales

Figure 1



contributions of advertising from other factors; it also lets us see the contributions of individual commercials. Note that we can even differentiate between executions when they overlap, as long as there is some variation and separation during the airing schedules for the two ads.

You can see how some ads, particularly Commercial D, are clearly contributing more sales than others. But this *does not mean that they are more effective.* It may in fact mean that some ads received more media weight than did others. A simple, but effective means of eliminating the weight effect is to look at sales per 100 GRP's. This is done in Figure 3 [on a normalized basis] for four of the ads for this brand [Ads A and B ran simultaneously so effects cannot be separately identified].

The power of what has been identified here is obvious.

- We can quantify advertising's *short-term* contribution to sales, to revenue, to profitability, to that for other brands in the advertiser's portfolio and so on. We can also [and do] calculate a dollar return on investment, which can be compared to that from other elements of the mix if so desired.
- It demonstrates the wide magnitude of quality in commercials. The weakest set of commercials is less than half as effective as the average ad [the results are indexed so that 100 represents the average ad for the brand]. These ads also generate less than 1/4 the sales per 100 GRP's as the most effective ad. The marketer's concern over assuring quality is well founded.
- It sets up a scenario for a unique and thorough validation exercise for copy test measures.

Figure 2

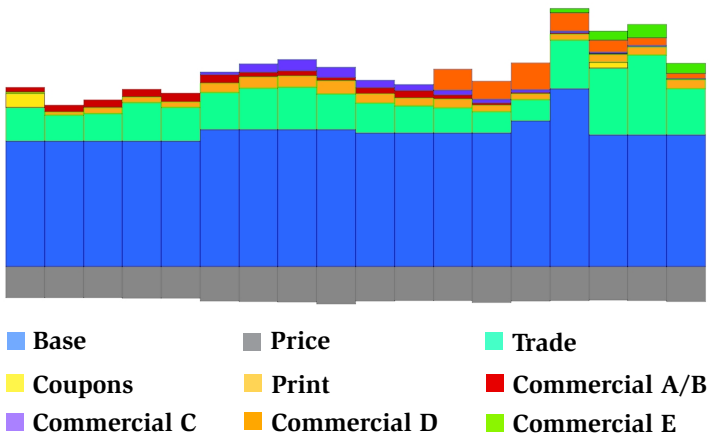
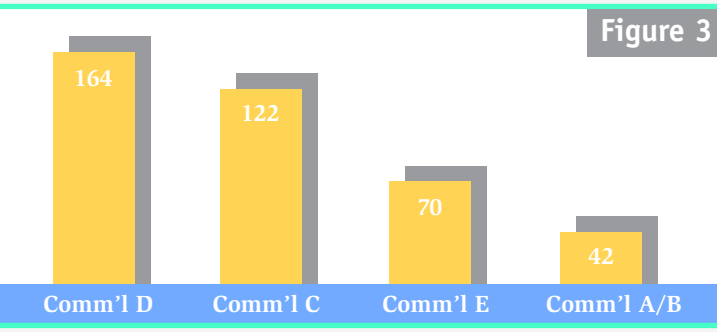


Figure 3



Linking Sales and Pre-Testing Data

In the past, copytesting validation efforts have included measuring whether share changes when the advertising is run or by split-cable copy tests. But both methods have limitations. Market mix modeling data provides the promise of more calibrated and comprehensive validation.

How do we use modeling data to validate pre-testing? By running a series of analysis to see which measures, if any, could consistently predict the direction and the magnitude of the sales effects. The results of this more thorough analysis provided an interesting answer to the age-old recall v. persuasion debate.

Our first analysis looked at whether the addition of either recall or persuasion increased our predictive power over simply using a media plan. An example from a series of analysis for a different brand is shown in Table 1.

These results were not particularly promising. Recall alone clearly did not work, and in fact made the predictive power of the model worse [a fact that will not surprise a lot of people]. And the addition of a persuasion measure added little. [In other examples, the results were reversed. Persuasion may have added no power, recall would have a very small impact]. However, all was not lost. Further examination showed that if we used a specific combination of recall and persuasion, we could improve our predictive power, as shown in Table 2.

Across the 100 or more commercials where we ran this analysis in the U.S., the combination of recall and persuasion have been consistently better predictors than any other measure or combination of measures.

While this finding is quite logical, it really is rather revolutionary in the way it was developed. And it led to the Copy Effect Index®.

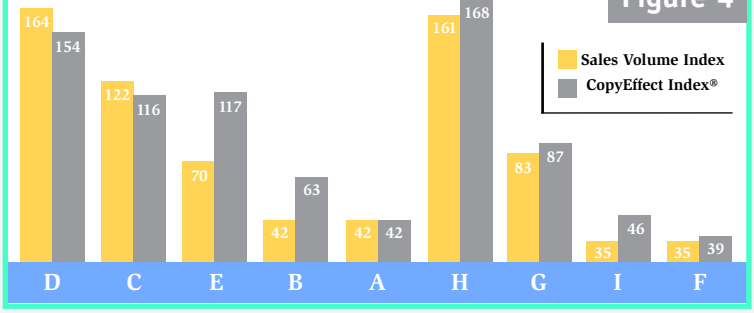
Table 1	Partial R: Relationship to advertising sales effect
Media alone	.37
Media and Related Recall	**.32**
Media and persuasion	.42

Table 2	Partial R: Relationship to advertising sales effect
Media alone	.37
Media and Related Recall	**.32**
Media and persuasion	.42
Media, recall and persuasion	**.54**

Copy Effect is simply a calculator that combines recall and persuasion measures into a single index number in the specific combination indicated by the modeling. And it does predict. Figure 4 lines up the results from the market mix modeling discussed earlier with the Copy Effect scores for these same ads. Remember that these are nine ads for the same brand.

The measure accomplishes what it is designed to do: identify effective and ineffective ads. The fit for this data set is particularly tight due to the nature of this brand's response to advertising [its elasticity curve]. Not all show this nearly 1:1 relationship, but higher scores are always associated with greater response within a brand.

Figure 4



Let's stop for a moment to discuss these measures and why they are working this way, in particular, the concept of persuasion. There are people who advocate the power of persuasion as if it were a magic talisman. They use the word persuasion synonymously with one particular measure [the brand switch measure]. When we talk of persuasion, we are referring to the concept, not a specific measure. The dictionary defines persuasion as:

> **persuade:** *tr.v.* **1.a.** To cause [someone] to do something by means of argument, reasoning or entreaty. **b.** To win over [someone] to a course of action by reasoning or inducement. **2.** To make someone believe something; convince[2].

Nowhere in this definition do we see mention of a specific measure. Rather the important concept is *change*. The Ipsos-ASI Next*TV system allows for the use of different persuasion measures, the better to match the measure to the market. This does include the brand switch measure, but also purchase intent and frequency. In fact, less than half the ads we test use the brand switch as the persuasion measure. Note also that the example shown used intent and frequency as the measure of persuasion, not the brand switch. The objective is simply to use the right measure in the right situation.

And why does the recall measure work [when used in conjunction with a persuasion measure] when other measures of impact or cut-through have not been as successful? The difference appears to be the method. Next*TV has several unique features, including as close of a simulation to a "natural exposure" as possible. The consumer watches the ads imbedded into a television program in their own home [through a special videotape]. The recall measure is also delayed a day to allow "forgetting" to occur. Historians will recognize this as an improved version of the traditional Day-After-Recall measure.

The initial work and validation was done in the United States because the scanner-based sales and causal data have been available longer. But a recent application to an existing data set from France shows that Copy Effect also increased the predictiveness of pre-testing data there. The data set was composed of ads that had been classified by clients as having a strong, weak or no effect. While this data set is not as strong as the modeling data set, it still has value on a relative basis.

Figure 5 shows a simple cross-tab of persuasion [brand switch] scores against these results. Figure 6 uses the Copy Effect Index® as the predictor. Again we see that Copy Effect does a better job of predicting the effects, particularly isolating and identifying the strong and weak ads.

The Copy Effect Index has become our primary predictive measure and has held up through subsequent validations. This is not to say though, that this is the ultimate measure, a panacea for marketers. It has some limitations.

Figure 5 Persuasion Only

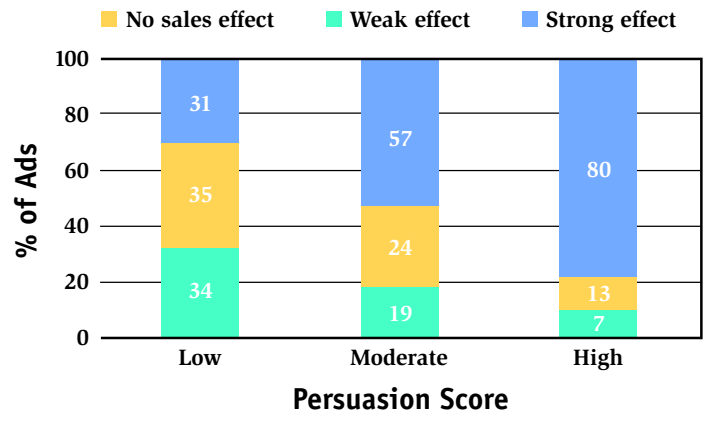
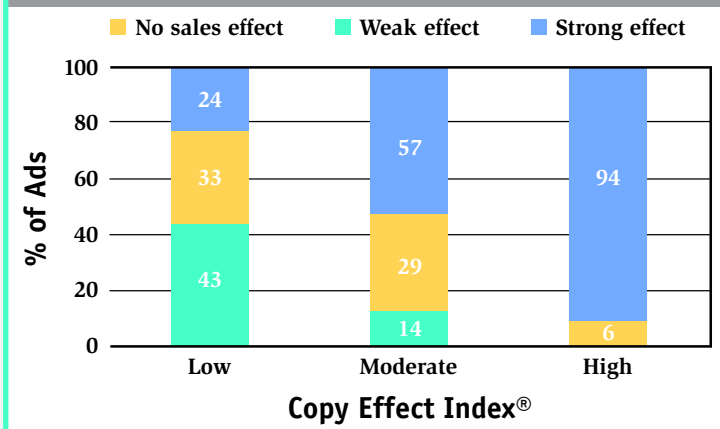


Figure 6 Copy Effect Index®



- First, it was developed and validated on mature brands. Its success with new product launches is yet to be determined.
- More importantly, this measure simply tells you if the advertising is likely to work in the short-term. Other measures, which have recently been added to the Next*TV test, are necessary to understand if the brand can build and sustain Brand Equity.
- The measures simply tell you if the ad works, not how, why or how to make it better. A number of other diagnostic measures are available to do this, but these measures are not useful until you know if the ad is working. So, the predictive and evaluative measures go hand in hand.

This analysis does not mean that other measures are not also predictive. Market mix modeling, will allow us to understand whether other measures are also directly related to sales effects and should be entered into the Copy Effect equation.

Conclusion

This discussion has shown how new generation approaches can be used to answer old debates and help the advertising industry move ahead. Advertising can, and does, drive sales in the short-term, and the relative success of an ad can be identified with a pre-test. But we need to integrate learning from other disciplines into pre-testing if we are to advance the state of the art. By doing so, marketers can have a better tool for answering their most basic of questions: ***is my advertising working?***

[1] Lukeman, Gerald, "Advertising's role in Managing Brand Equity. What We Know From 179 Case Studies." Presented at the *ARF Brand Builder's Workshop*, February 13-14, 1995

[2] *The American Heritage Dictionary of the English Language*, 1971

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