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Future of Advertising? Print, TV, Online Ads

ARF, Wharton School Study Finds WOM Largely Driven by Paid Media Ads

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Published: June 01, 2009

BATAVIA, Ohio (AdAge.com) -- A research project commissioned late last year with dire-sounding rhetoric about a crisis in advertising has produced decidedly calming conclusions. Among them: Threats posed by DVRs and clutter to TV ads are overblown; print and online advertising are effective; and word-of-mouth about brands is largely driven by paid media ads.

The Future of Advertising project, undertaken by the Wharton School in cooperation with the Advertising Research Foundation in December, bears its first fruits with 21 papers to be published in the ARF's Journal of Advertising later this month.

The effort aims to stem what ARF Chief Research Officer Joel Rubinson calls "a lot of mythology from an echo chamber I was hearing about how TV isn't working because of DVRs and the Long Tail and declining audiences" when he assumed his post last year. "It just sounded like a lot of assumption without being factually informed," he said.

Mr. Rubinson said, however, he didn't know what he would discover when he launched his own review of TV effectiveness, which covered seven databases and 388 studies and found no erosion of TV-advertising sales impact over the years. So far, having already shared the findings widely, he said he's yet to be presented with evidence to the contrary.

He said the ARF isn't out to carry water for media companies or ad agencies. "The ARF is not a trade association," he said. "It's not like we're a lobbying organization for one stakeholder group. ... We're on the side of truth."

Paid media works for some
The research collection isn't all good news for media. Among "empirical generalizations" to be published are that TV advertising loses money for most marketers -- though the same study found that, for the heaviest spenders, TV overall paid out and still works as well or better than it did in similar tests conducted more than a decade ago.

A study co-authored by one of the biggest proponents of word-of-mouth marketing, Ed Keller of the Keller Fay group and co-author of seminal tome "The Influentials," finds 22% of word-of-mouth conversations were sparked directly by advertising. Moreover, those 22% are much more likely to include brand recommendations than the remaining 78% of brand-related conversations that weren't spurred directly by an ad.

What's more, the study, based on interviews of more than 3,000 consumers to capture content of face-to-face conversations, finds an even higher proportion of online buzz -- 30% -- generated by ads. Those numbers probably understate advertising's impact, according to the study, because they don't account for indirect influence from ads.

Many of the papers are analyses of prior studies, some dating to the 1990s, though most also incorporate newer or original research. Regardless, some of the research, including the sanguine outlook on DVRs and clutter, will be hard for many to swallow.

The DVR study of 1,000 households in South Africa by WPP's Millward Brown South Africa found essentially no difference in average ad recall or likeability scores among households with and without DVRs. It dovetails with equally puzzling, if unreleased, findings more than seven years ago by Procter & Gamble Co.

Other findings
Among theories offered by the author and JAR editors are that that DVR households watch more TV than others, still watch many programs and ads live, and that fast-forwarding reminds them of those past exposures and focuses more attention on ads than less active viewing.

Even the particularly beleaguered magazine industry will find cause for hope in the journal collection. Mr. Rubinson's study on TV effectiveness also cites data from Marketing Evolution that shows print is more effective than TV or online at creating purchase intent. A separate study suggests that print advertising produces a higher sales lift per dollar spent than TV.

Online ads work, too, according to a report authored by, ComScore Chairman Gian Fulgoni, an avowed advocate of getting more marketers, particularly package-goods marketers, to spend online. ComScore's research, based on collaboration with loyalty-card marketing firm Dunnhumby, finds search generates a higher lift in offline sales per consumer exposure than display, but that display, with its larger reach, likely produces a higher overall lift. The research also finds display and search used together produce a higher lift than the combined effects of using either separately.

Mr. Fulgoni is working on a separate study whose preliminary results suggest average sales lift from online advertising at least matches and probably exceeds that from TV for package-goods brands.

Much of what the initial round of studies finds is a need for more research, particularly on how best to allocate funds among media and the full implications of growing consumer use of search and social networks, said Yoram "Jerry" Wind, Lauder Professor of Marketing at Wharton, which collaborated with ARF on the study. "The major concern about the decreased impact of TV advertising is not founded," he said. "TV is still very effective. At the same time, there are a lot of things we don't know."

What makes ad campaigns work

The Journal of Advertising Research is publishing an analysis of 880 entries to the U.K.'s Institute of Practitioners in Advertising Effectiveness Awards, which are based on detailed information on business results for campaigns. It found the following strategies are most likely to increase sales or profit:

- Focus on hard objectives, such as specific market-share gains, rather than soft ones, such as brand awareness
- Focus on price, not volume
- Focus on penetration (winning new consumers) rather than loyalty
- Influence consumers emotionally rather than rationally

- Create ads with "talk value"
- Have a high share of voice relative to brand market share
- Include TV in the mix
- Include a small number of media channels with a concerted message

Source: Les Binet & Peter Field, June issue, Journal of Advertising Research.

Some marketing myth-busting found in ARF's batch of studies:

Each 1% increase in advertising produces a roughly 0.1 point change in sales or market share. As a result, an optimal ad budget is about 10% of gross profits. That rule doesn't necessarily hold for all marketers (it would, if followed strictly, have Procter & Gamble cut its global ad spending by half or more). More effective advertising, or ads for new products, produce as much as 250% greater lift than average and justify correspondingly larger outlays.

Store redesigns and other factors that make it easier and faster to shop actually increase purchases, contrary to the old strategy that making things hard to find boosts sales by making people spend more time in the store.

Though most campaigns cluster ads in a short period of time, consumers retain information better if it's spaced out over longer intervals.

Obvious branding works in ads. The more often a brand appears in a TV ad, the more likely consumers are to remember what brand it was for.

But obvious brand placements in TV shows are more likely to backfire. They're better remembered, but more likely to be remembered negatively. Even brand placements consumers don't consciously remember, however, can have a favorable impact on brand awareness and attitude.

Source: Journal of Advertising Research, June issue