Marketing Accountability Standards

Measuring and Improving the Return from TV Advertising (An Example)

Draft VII:
Approved by MASB Board for Posting & Industry Feedback

April 2008

MASB
Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Preface: MASB Mission

The mission of the Marketing Accountability Standards Board (MASB) is to "establish (issue, improve and promote) marketing measurement and accountability standards across industry and domain for continuous improvement in financial performance and for the guidance and education of business decision makers and users of performance and financial information".

Measurement standards are essential for the efficient and effective functioning of a marketing driven business, because decisions about the allocation of resources and assessment of results rely heavily on credible, valid, transparent and understandable information.

The role of MASB is in setting the standards and processes necessary for evaluating marketing measures in a manner that insures credibility, validity, transparency and understanding.

Preface: Purpose of TV Project

The purpose of this TV Project is to serve as an example of how to evaluate marketing metrics according to the Marketing Metrics Audit Protocol (MMAP), the learning that can come from using an "ideal" metric over time and conditions, and how to improve return from the activity by applying the metric and learning to better marketing practice (process management).

The TV Project was selected, conducted and reviewed by members of The Boardroom Project (10/06-7/07), and reviewed by the MASB Board (8/07 – 3/08).

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

Contents

- Background (the issue)
- The TV Project
  - Metrics commonly used by Practitioners
  - Body of Knowledge (metrics used)
  - Marketing Metric Audit Protocol (MMAP)
  - Measuring the Impact of TV Ads (exemplar)
  - The Learning (how ads work)
  - Application (process management)
  - Disclosure
- Appendix A: Background Information
- Appendix B: Basis for Conclusions
- Appendix C: The Drivers & Implications

Background

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

Background cont

- Standard 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 “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 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

The TV Project

Among the various pre-market methods and metrics commonly used by practitioners to assess TV Messages (ads):

- Which ones meet the Marketing Metric Audit Protocol (MMAP)?
- 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; in the report, none were tied to financial performance.

Source: ANA (2005)

While marketing does not lack measures, it lacks standard metrics explicitly linked to financial performance in predictable ways.

The following section reviews the body of knowledge about the measures commonly used by ANA practitioners and their links 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 (to sales) 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 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)

Persuasion Measurement Tool

The body of knowledge regarding "persuasion" is based on a specific *behavioral* measure of *consumer brand preference* where:

persuasion = Change In Consumer Brand Preference (Choice) → Market Results

The behavioral nature of the measure relieves it of the effects from cognitive bias (Vakratsas & Ambler, 1999)

The work that follows will refer to measuring consumer "brand preference (choice)" rather than the broad concept of "persuasion".

Contents

MMAP

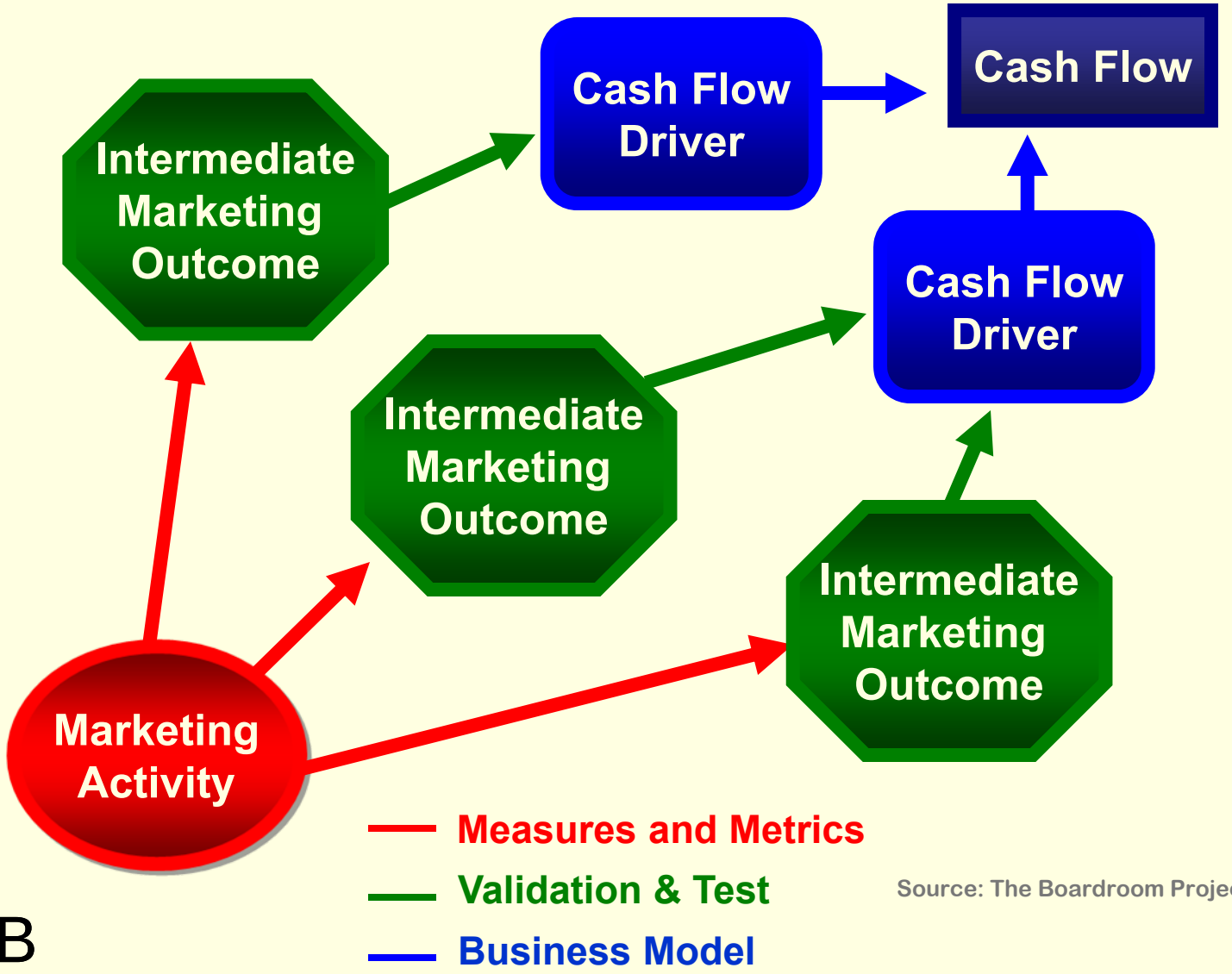
The Marketing Metric Audit Protocol (MMAP) is a formal process for connecting marketing activities to the financial performance of the firm.

The process includes the conceptual linking of marketing activities to intermediate marketing outcome metrics to cash flow drivers of the business, as well as the validation and causality characteristics of an ideal metric.

Cash flow both short-term and over time is the ultimate metric to which all activities of a business enterprise, including marketing, should be causally linked through the validation of intermediate marketing metrics.

The process of validating the intermediate outcome metrics against short-term and/or long-term cash flow drivers is necessary to facilitate forecasting and improvement in return.

MMAP: Marketing Metric Audit Protocol



Source: The Boardroom Project 2006

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**

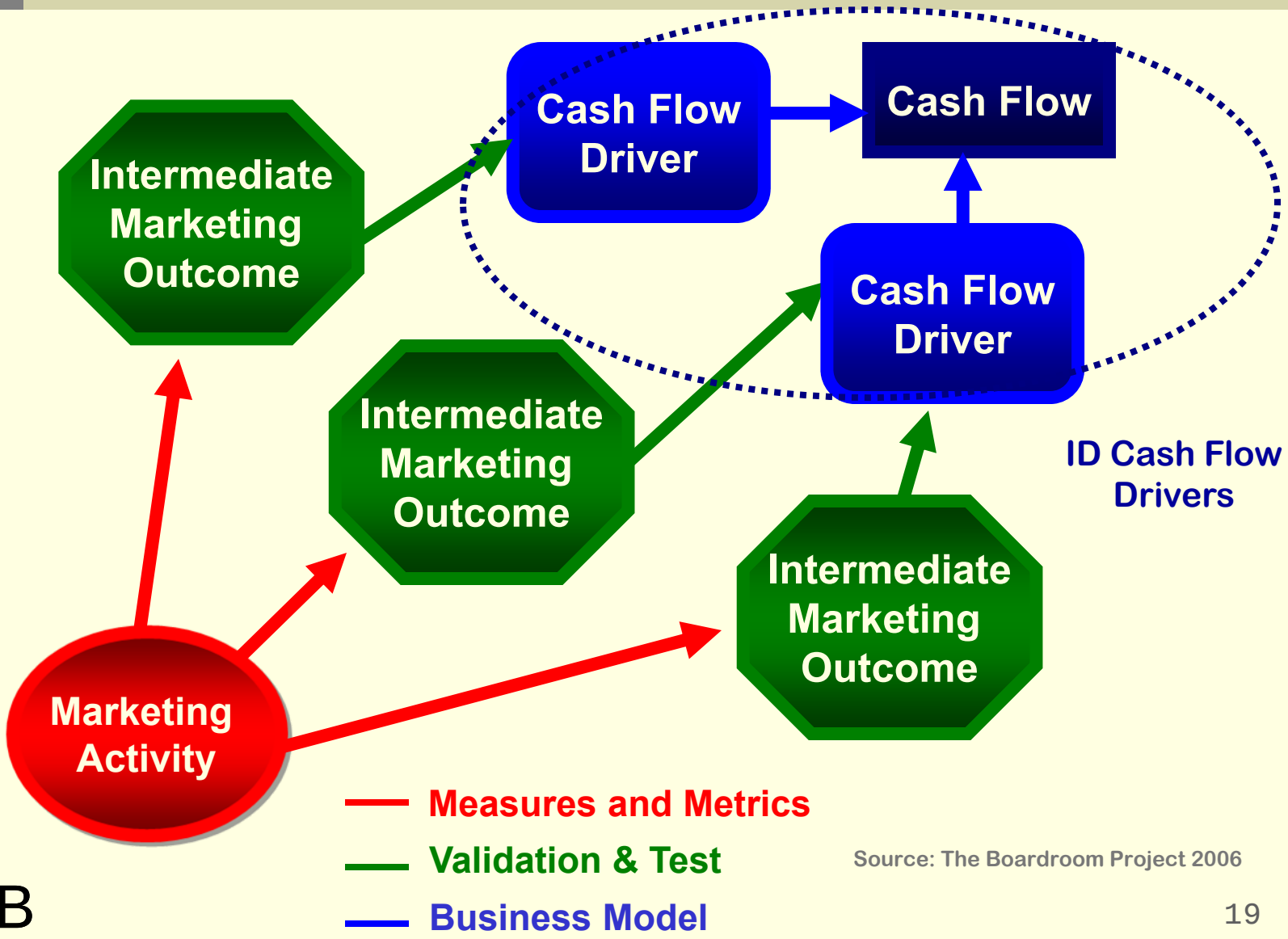
Every marketing action should have an identified outcome metric.
If there is no logical link between a marketing outcome and a cash flow driver, you might question the need for the associated marketing activity.

***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).

Source: The Boardroom Project 2006

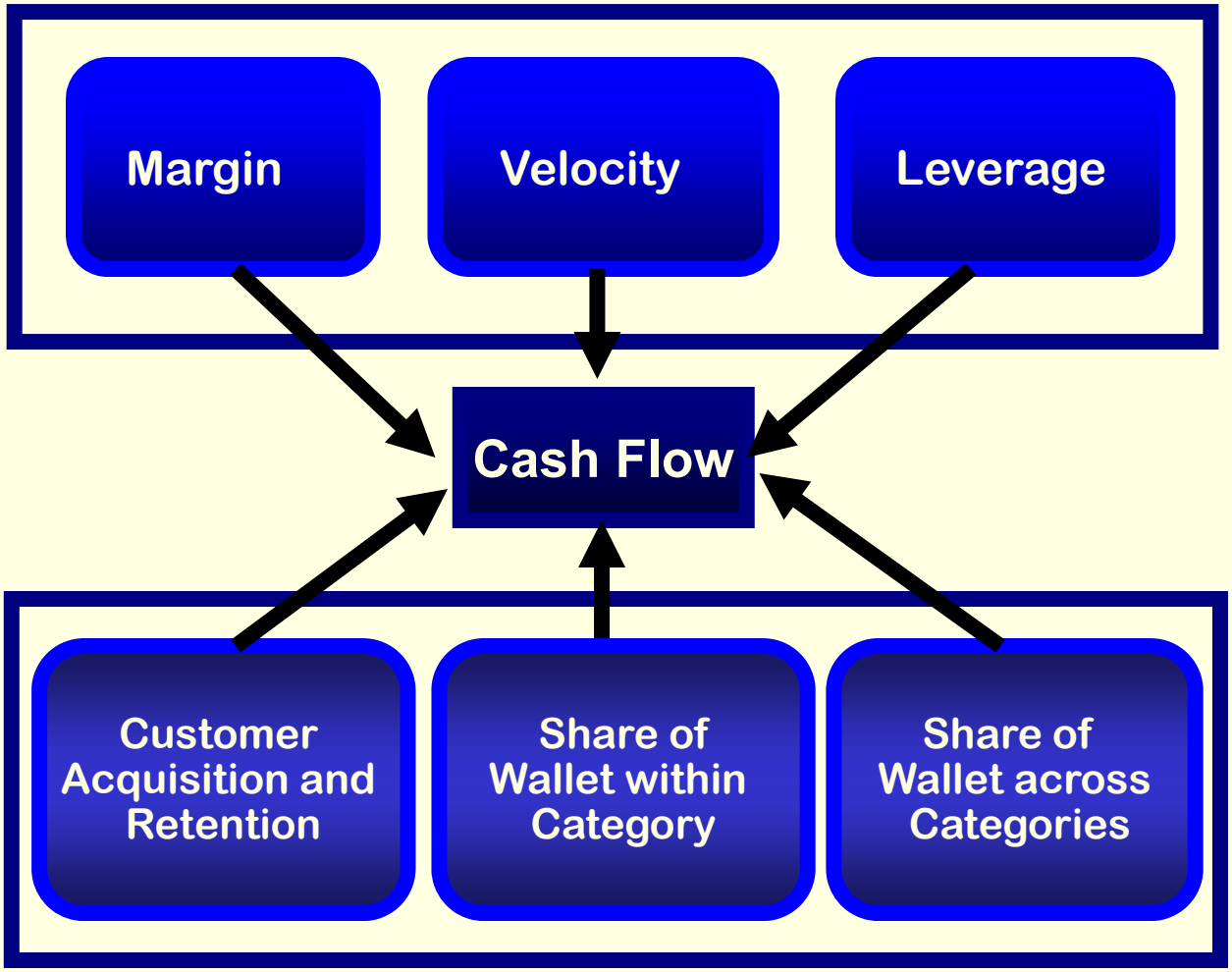
MMAP: Step 1



Source: The Boardroom Project 2006

Cash Flow Drivers

Business Model
(How the firm generates Cash)

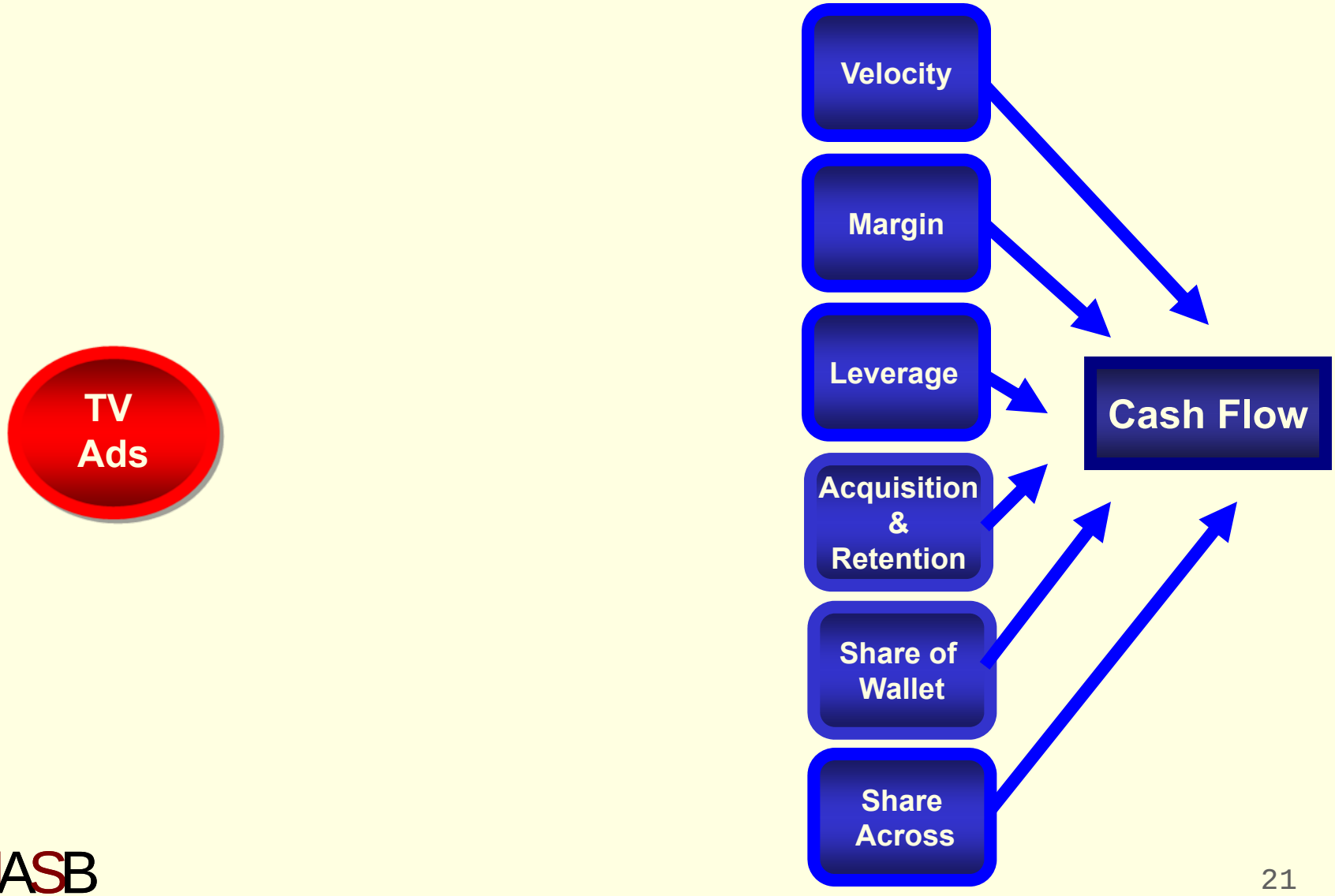


Source Of Cash
(Customers)

MASB

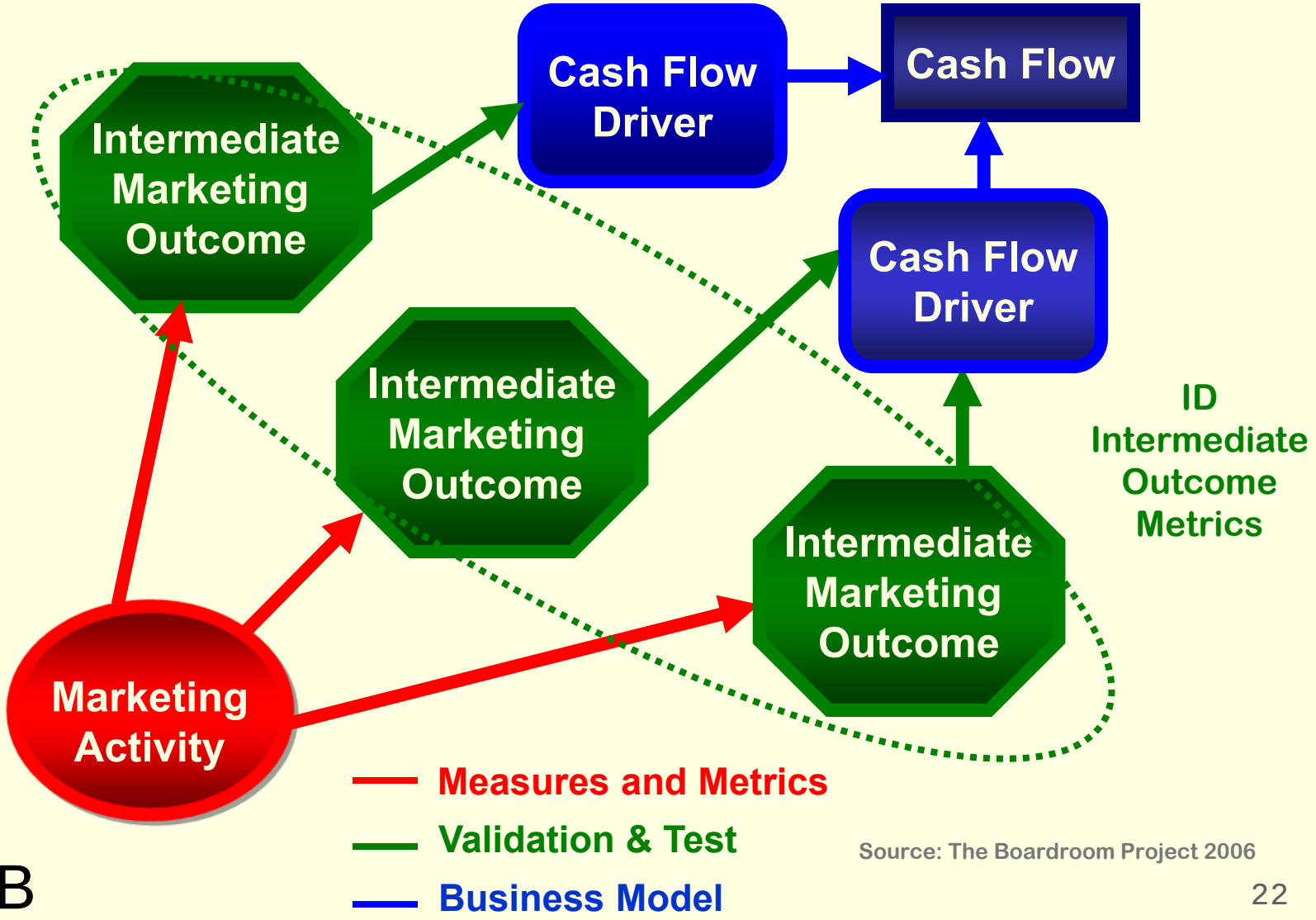
Source: The Boardroom Project 2006

TV Example: All Drivers Might be Relevant



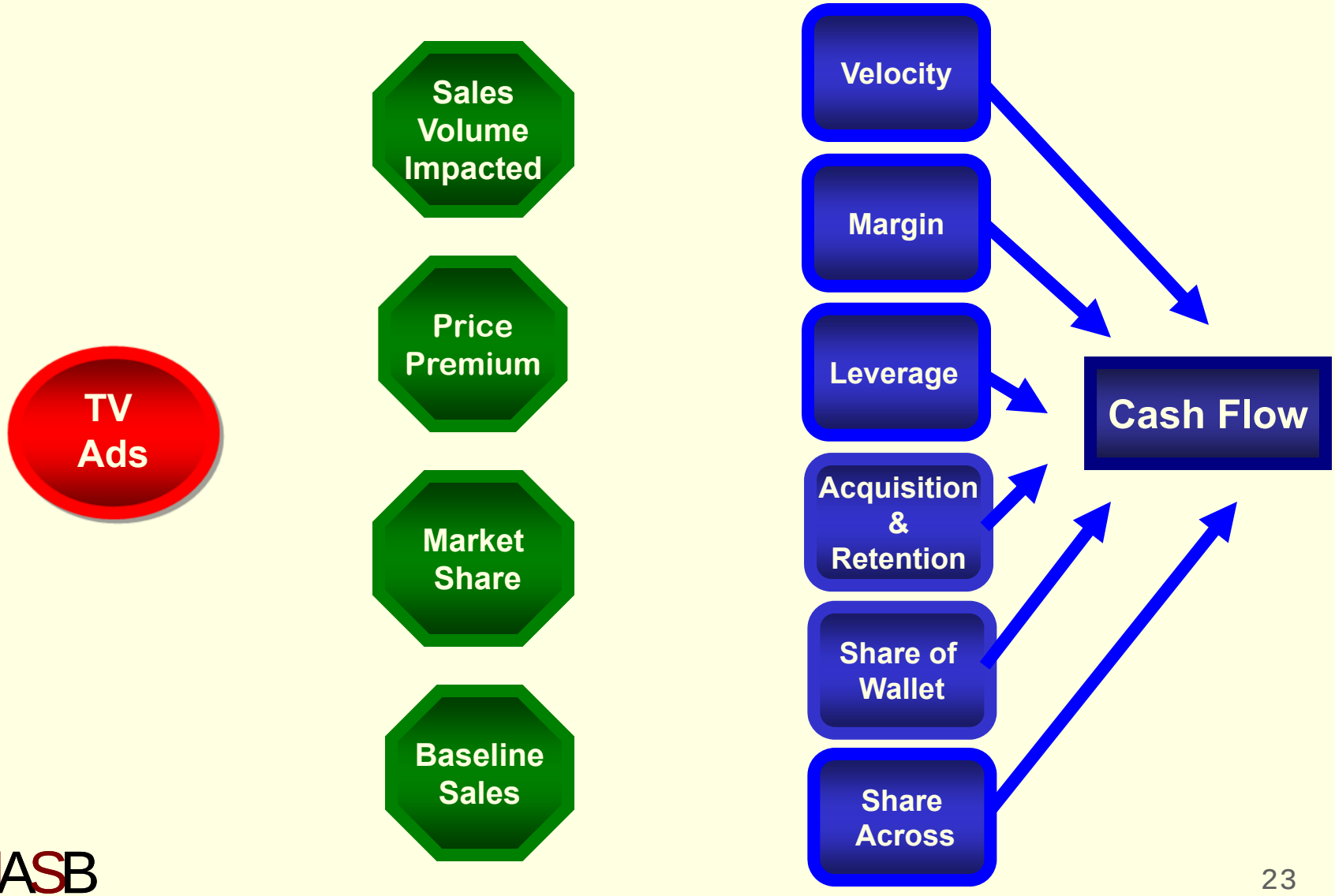
MASB

MMAP: Step 2



Source: The Boardroom Project 2006

For TV Example: Widely Used Post-Market Intermediate Outcome Metrics (Effectiveness)



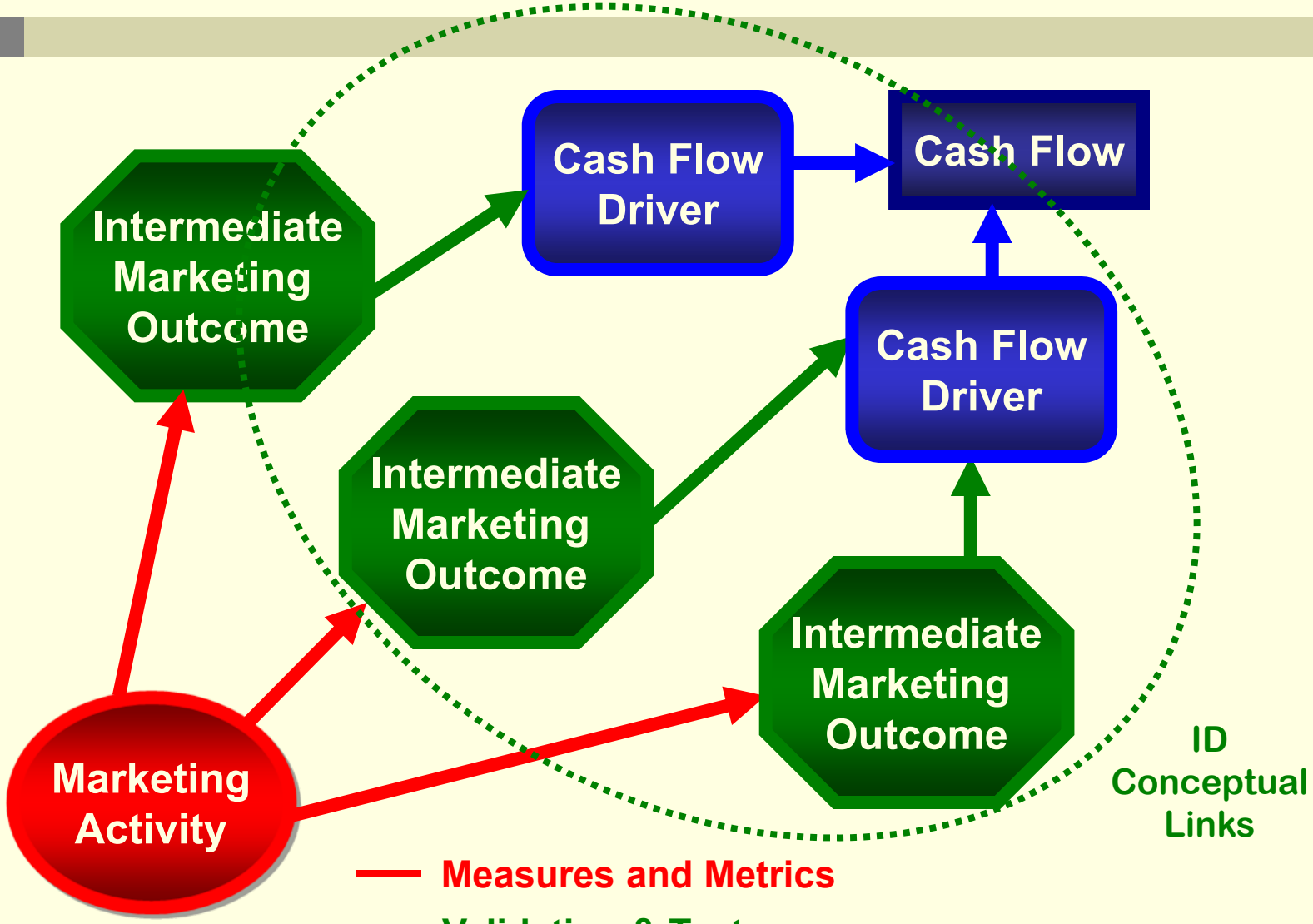
MASB

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…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, objectivity, costs) to the world of effectiveness and improvement in financial performance (relevancy, prediction, calibration, causality).

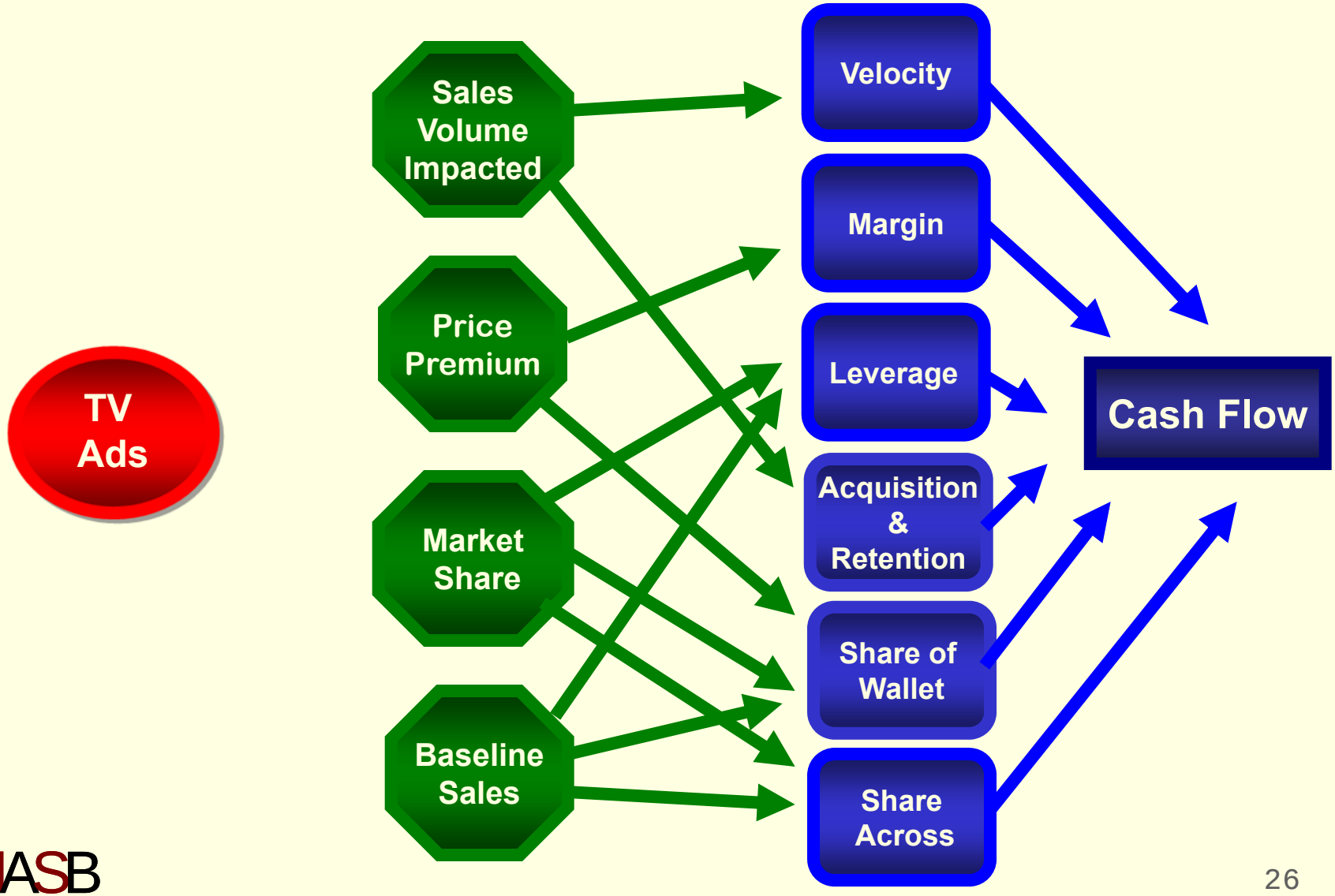
MMAP: Step 3



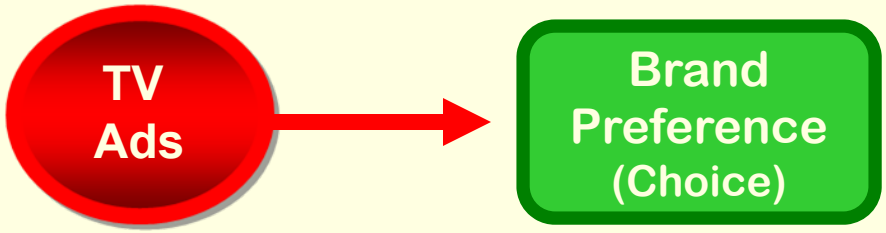
Source: The Boardroom Project 2006

MASB

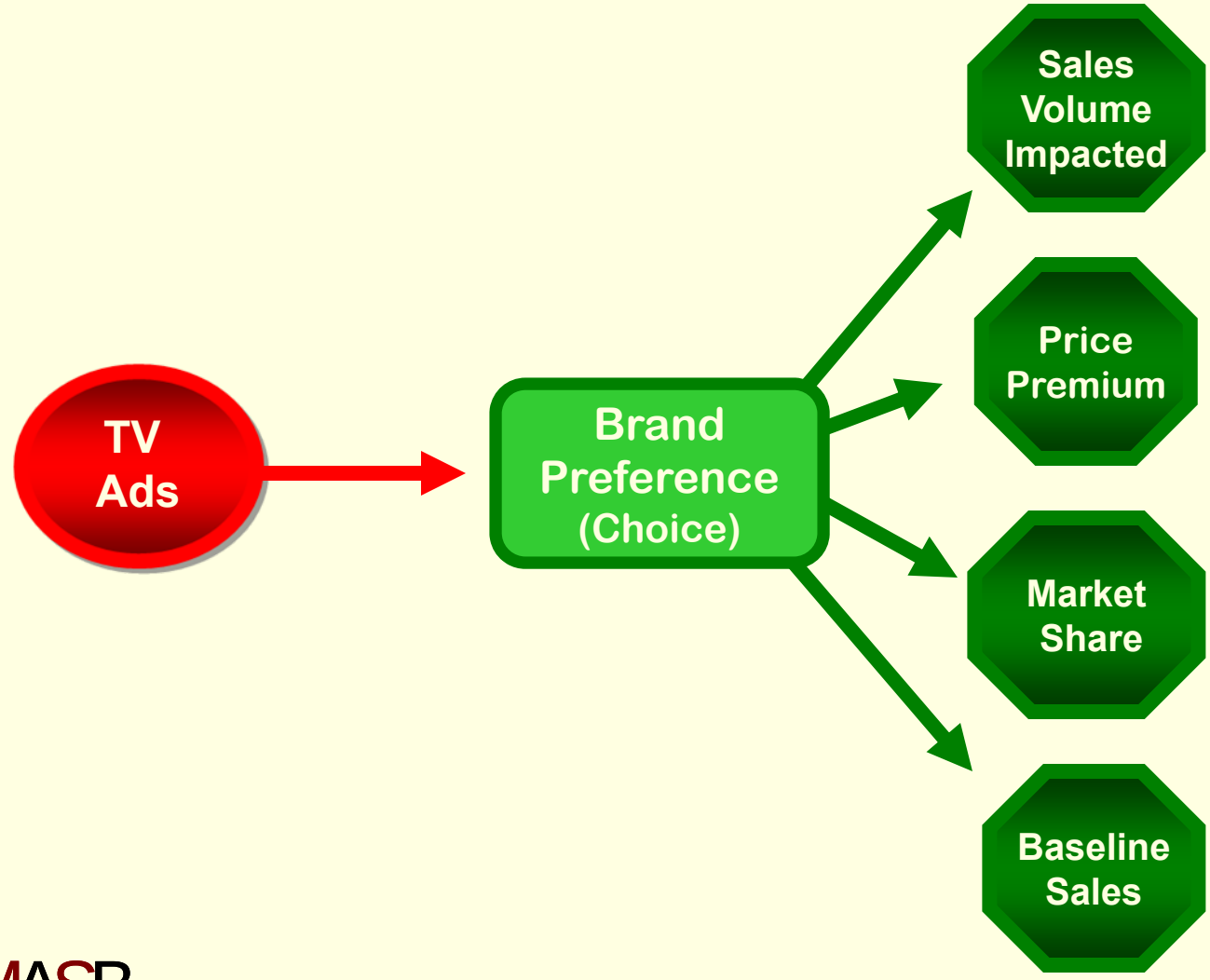
TV Example: Post-Market Metrics and Links



TV Example: Pre-Market Metric of Intermediate Outcomes



TV Example: Pre & Post Market Metrics & Conceptual Links



MASB

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).

Source: The Boardroom Project 2006

MMAP: 10 Characteristics of an Ideal Metric

1. Relevant…addresses specific pending action
2. Predictive…accurately predicts outcome of pending action
3. Objective…not subject to personal interpretation
4. Calibrated…means the same across conditions & cultures
5. Reliable…dependable & stable over time
6. Sensitive…identifies meaningful differences in outcomes
7. Simple…uncomplicated meaning & implications clear
8. Causal…course of action leads to improvement
9. Transparent…subject to independent audit
10. Quality Assured…formal/on-going process to assure 1-9

Source: The Boardroom Project, 2006

MMAP: Exemplar Brand Preference Metric

1) 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?

2) Predictive…accurately predicts outcome of pending action

   Predicts ad impact on quarterly sales volume impacted and market share

3) 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 in derivation

4) Reliable…dependable & stable over time

   Test-retest reliability @ >.90 over 3 decades

5) 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 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

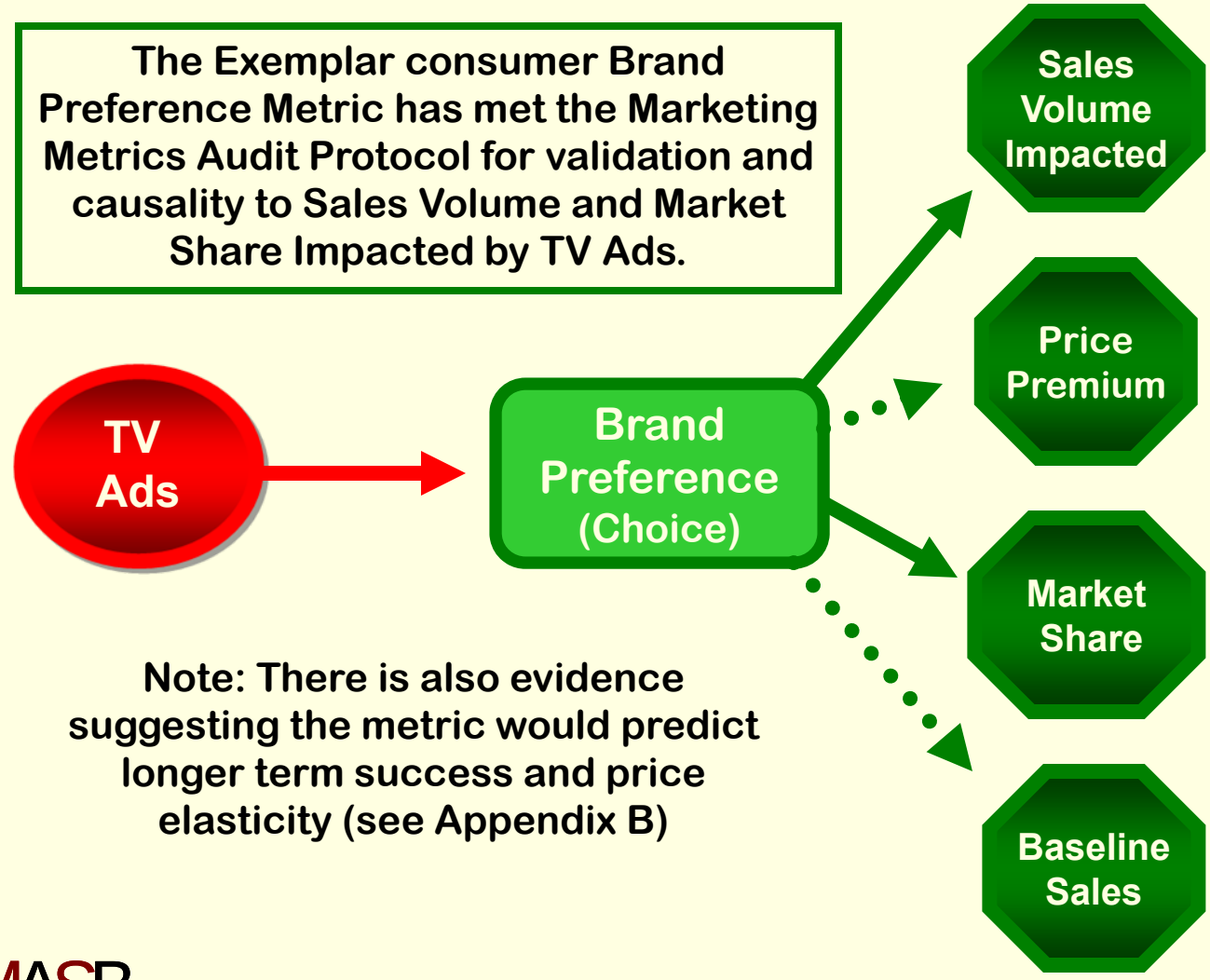
Exemplar Brand Preference Metric cont

6) Objective…not subject to personal interpretation
   What consumers choose post-ad exposure minus pre-exposure
7) Simple…uncomplicated meaning & implications clear
   Level of impact on consumer brand choice
8) Causal…course of action leads to improvement
   Improvement in return +83% to +130% on average
9) Transparent…subject to independent audit
   Furse, Stewart, Jones
10) Quality Assured…formal/on-going process to assure above
   Systematic reliability and validity processes & management

Sources: Blair et al 2004; 2006

TV Example: Pre & Post Market Metrics & Validated Links

The Exemplar consumer Brand Preference Metric has met the Marketing Metrics Audit Protocol for validation and causality to Sales Volume and Market Share Impacted by TV Ads.



Note: There is also evidence suggesting the metric would predict longer term success and price elasticity (see Appendix B)

Measuring and Improving the Return from TV Ads

The Exemplar consumer Brand Preference Metric has met the MASB Marketing Metric Audit Protocol (MMAP).

Its characteristics would deem it "ideal" for serving as a standard for measuring and forecasting the impact of TV advertising and for managing and improving the return.

Contents

- Background (the issue)
- The TV Project
  - Metrics commonly used by Practitioners
  - Body of Knowledge (metrics used)
  - Marketing Metric Audit Protocol (MMAP)
  - Measuring the Impact of TV Ads (exemplar)
  - **The Learning (how ads work)**
  - **Application (process management)**
  - Disclosure
- Appendix A: Background Information
- Appendix B: Basis for Conclusions
- Appendix C: The Drivers & Implications

The Learning: Note 1

"The body of relevant knowledge about (how advertising works, what differentiates ads with more or less impact, how advertising can be improved, etc)…would be limited if we depended solely on the collective learning from the multitude of one-off studies conducted in the academic or business environments (with varying metrics and dependent variables).

On the other hand, with sound measurement (reliably predictive of sales volume/market share) housed in holistically integrated databases, along with continually funded basic-research activity, the body of knowledge grows geometrically…

The following learning comes from such an integrated database and is based on more than three decades of basic-research activity…"

Source: Blair et al, 2004

The Learning: Note 2

Much of the basic research activities have focused on identifying the "drivers" of stronger versus weaker ads, exploring market structure, strategic approach, content and timing elements of the execution, and consumer feedback measures of recall, liking, emotion, etc."

"The several hundred conditions and elements explored…explain 85% of the total variation in…outcomes." (See Appendix C)

The following learning relates to "specific knowledge about the television medium which provides insights into better advertising practices that when adopted, leads to more consistent and desirable contribution to the business enterprise "

Sources: Blair et al 2004; 2005

The Learning w/Practice Implications

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

(Greater than 80 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 for the ads, and/or knowledge about how ads "wear-in and wear-out", researchers have reached misleading conclusions about the impact of TV…and missed opportunities for improvement (see Disclosures 1 & 2).**

Source: Blair et al, 2004

The Learning w/Practice Implications cont

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

Sources: Shirley 1999; Blair et al 2004

Current Pre-Market "Copy-Testing" Practices cont.

- Furthermore, 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 (and subsequent learning) 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)

Sources: Shirley 1999; Blair et al 2004

Strength of Value Proposition Determines Overall Level of Subsequent Ads

(Exemplar Results)

Bare Bones	Resulting Ad Executions		
Value Proposition	**Below**	**At**	**Above***
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)…

* Also referred to as *best-in-class.*

Source: Blair et al 2004

Process Application for Improved Return I

Knowledge:

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

Process Improvement I:

Measure upstream to find a value proposition strong enough to meet subsequent advertising return objectives… spend a little more early on and less later…in classic Deming fashion

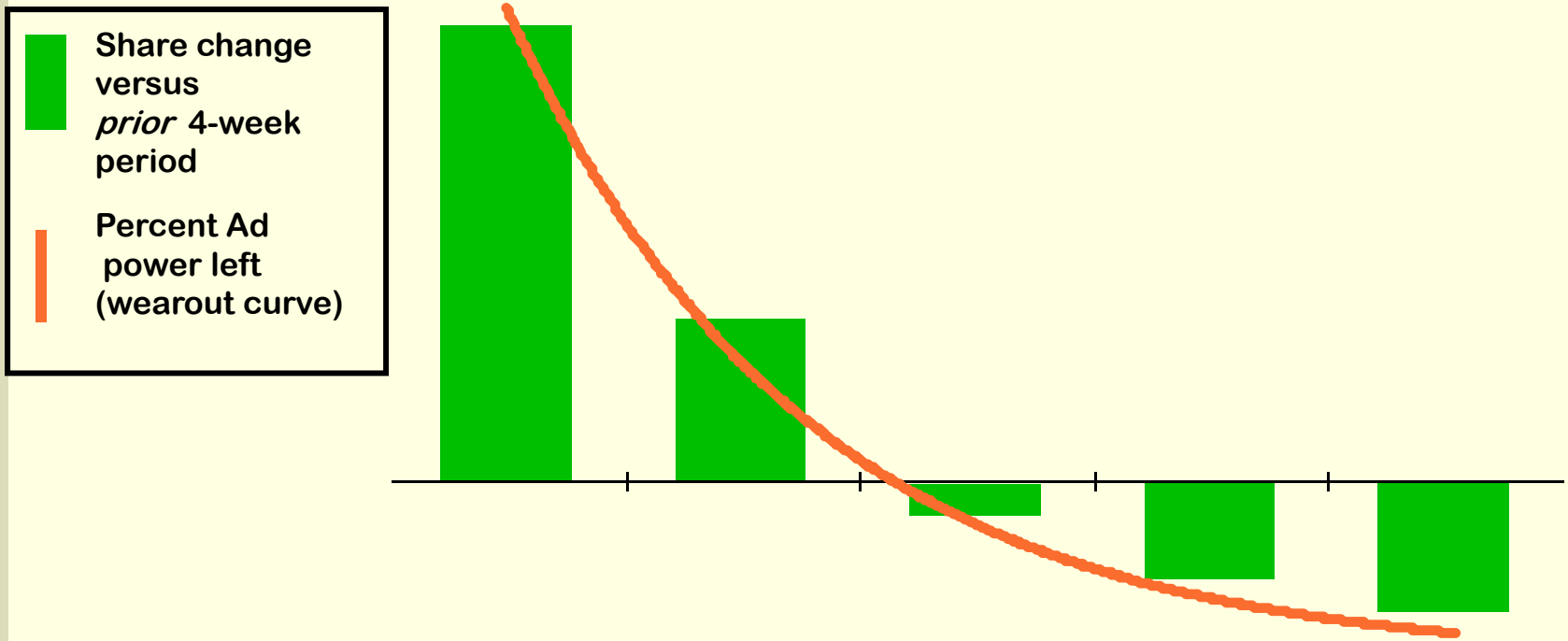
Improvement in (quarterly) Return:

+83% increase in average "payback" CPG, +52% non-CPG*

* Average "payback" is the modeled contribution of advertising to total brand sales, minus the cost of goods, divided by the cost of the advertising….averaged across brands in the study. It is the equivalent of advertising-delivered "profit before taxes." (Ephron et al 2003)

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 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 will no longer be working at desirable levels

Improvement in (quarterly) Return:

+93% increase in average "payback" CPG, +57% non-CPG

Source: Blair et al 2004

Brand A: Media Allocation Plan for Available Ads

Category	Commercial	Planned GRPs[1]
A	Tom Petty :30	0
A	Journey Music Slalom:60	116
A	Journey Push Mercedes :60	162
A	Journey Hot :30	58
A	Journey PC :15	0
A	Journey Music :60	34
A	Journey Final :60	0
A	Journey Run :30	42
A	Journey Push :30	35
A	Journey Slalom :30	36
B	Venice:30	981
B	Flat :30	0
B	Peace Rev. :30	812
B	Peace :30	54
B	Peace :60	128
B	Peace Rev :60	66

MASB

[1] Nielsen AD*VIEWS among ads in analysis

Source: Blair et al, 2006

Brand A: Knowledge of Ad Effectiveness

Category	Commercial	Planned GRPs[1]	Exemplar
A	Tom Petty :30	0	3.3
A	Journey Music Slalom:60	116	5.5
A	Journey Push Mercedes :60	162	2.6
A	Journey Hot :30	58	2.9
A	Journey PC :15	0	**3.1**
A	Journey Music :60	34	5.9
A	Journey Final :60	0	1.5
A	Journey Run :30	42	**4.3**
A	Journey Push :30	35	2.3
A	Journey Slalom :30	36	3.0
B	Venice:30	981	**0.2**
B	Flat :30	0	0.4
B	Peace Rev. :30	812	**0.2**
B	Peace :30	54	2.8
B	Peace :60	128	0.7
B	Peace Rev :60	66	2.5

MASB

[1] Nielsen AD*VIEWS among ads in analysis

Source: Blair et al, 2006

Process Application for Improved Return III

Knowledge:

Each discrete execution has its own unique Brand Preference building power

Process Improvement III:

Measure 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 at desired levels

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

Improvement in (quarterly) Return:

Projected +115% improvement in live example

Source: Blair et al 2006

Brand A Example cont

	Plan	Optimized
Total *PPD*	3.3	7.0
Total Volume Impacted	$67.2 Mil.	$144.6 Mil.
Increase in Volume Impacted	$77.4 Mil.	
% Increase in Volume Impacted	115%	

This Preference Points Delivered increase would yield a $77.4 Million (or +115%) improvement in sales volume impacted.

Far more than enough to offset the price of the measurement results (<$300K) as well as the price increases in the TV Medium.

MASB

Source: Blair et al, 2006

III Managing Media & Message Together

All ads going to TV stations also sent to metric provider

Metric obtained for the advertised product, line, and halos

Incorporate into forecasting models

Traffic GRPs by putting more 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

MASB

Source: Blair et al, 2006

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 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:

Measure all executions as they go to air and apply more weight behind these 15' executions

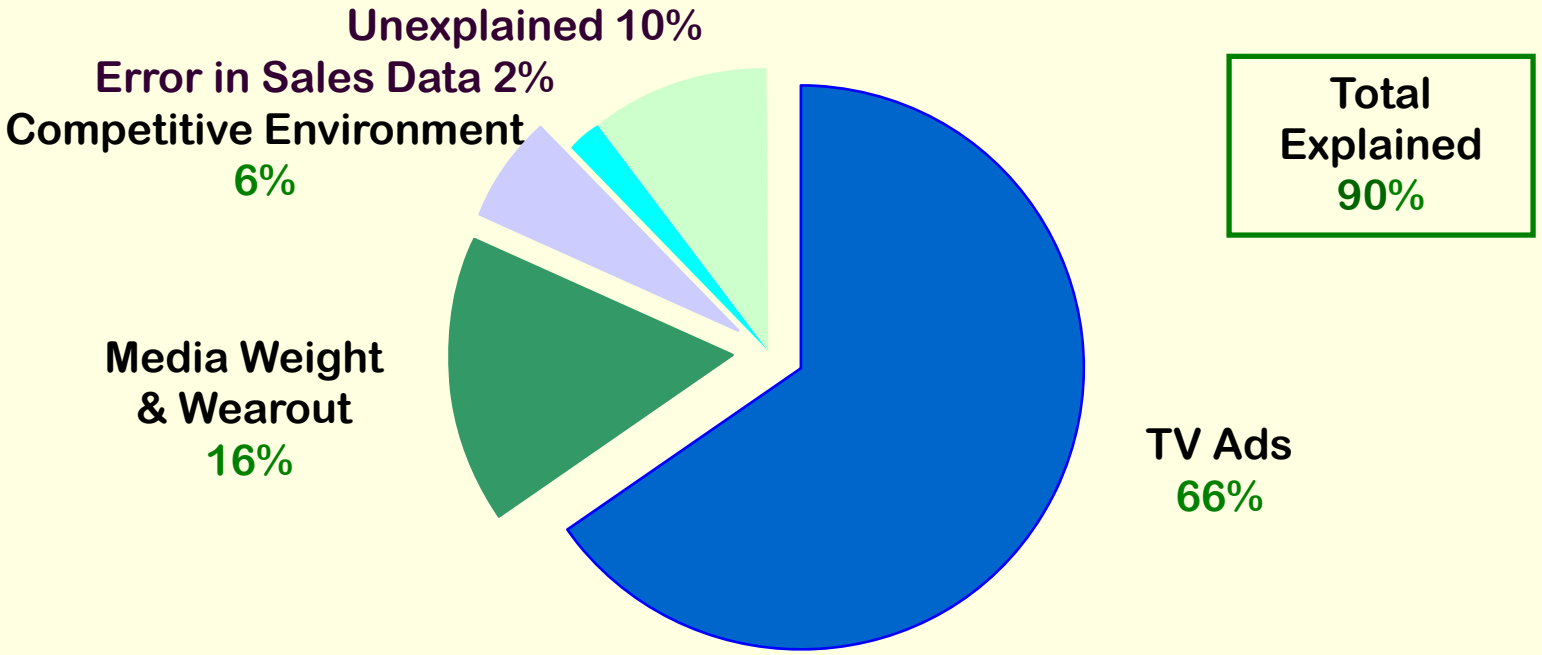
Improvement in (quarterly) Return:

+130% increase in average "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) for the TV messages, the wearout function and normal competitive environment function explain ~ 90% of all differences.

* Marketing Mix Modeling Output: Sales Volume Impacted from TV.

MASB

Source: Blair et al 2006.

Summary & Conclusions

The Exemplar consumer Brand Preference Metric has met the MASB Marketing Metric Audit Protocol (MMAP).

Its characteristics would deem it "ideal" for serving as a standard for measuring and forecasting the impact of TV advertising and for managing and improving the return.

Application of the metric during the advertising development and management processes has enabled improvement in return greater than that 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 often yield very different levels of reliability and validity (see Appendix B)

Contents

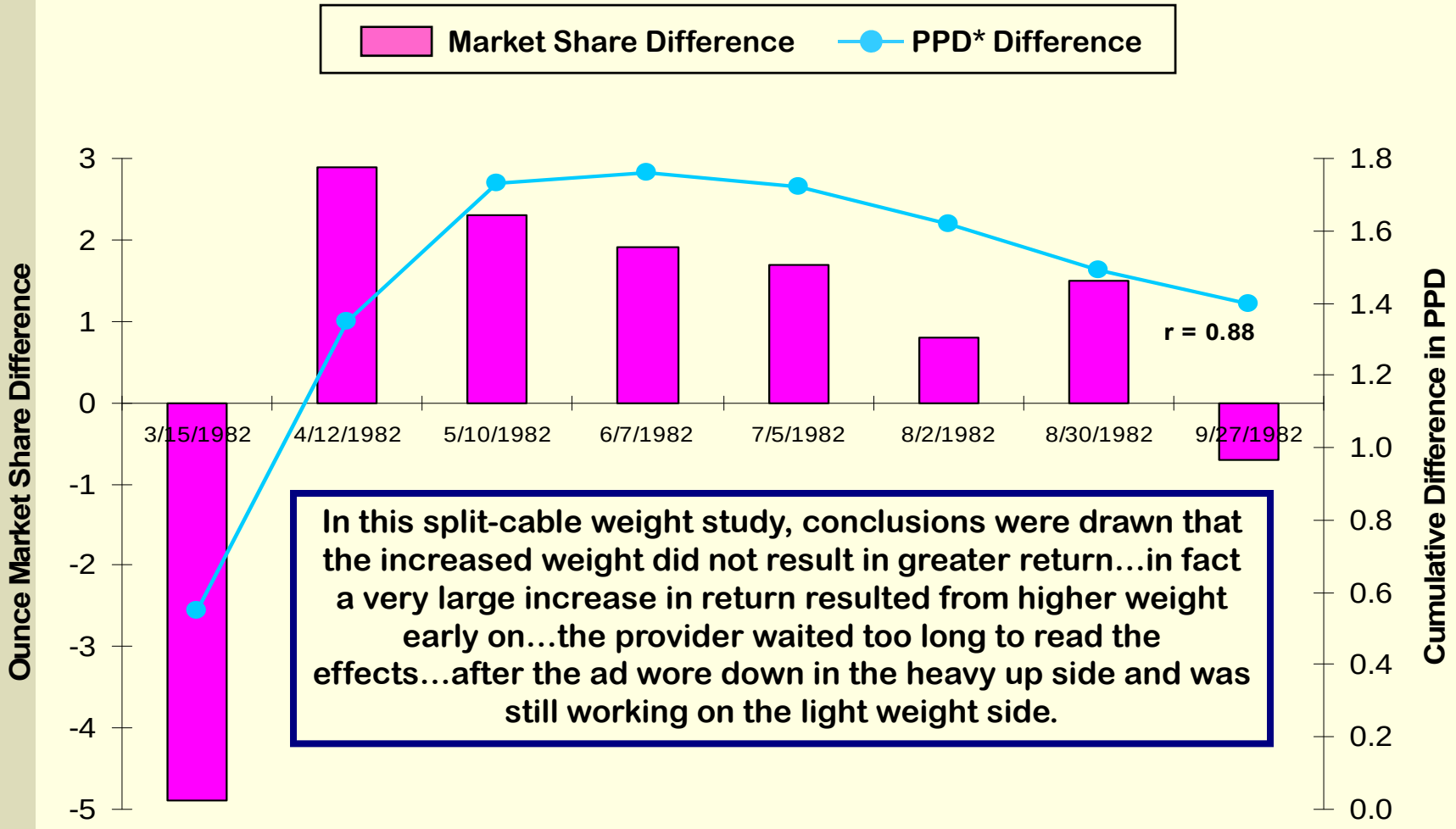
Disclosure (1): One study could not replicate

- An 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 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 had no advertising. This measurable impact finding (or lack of finding) is much lower than that reported by Blair using 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 generally 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 (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



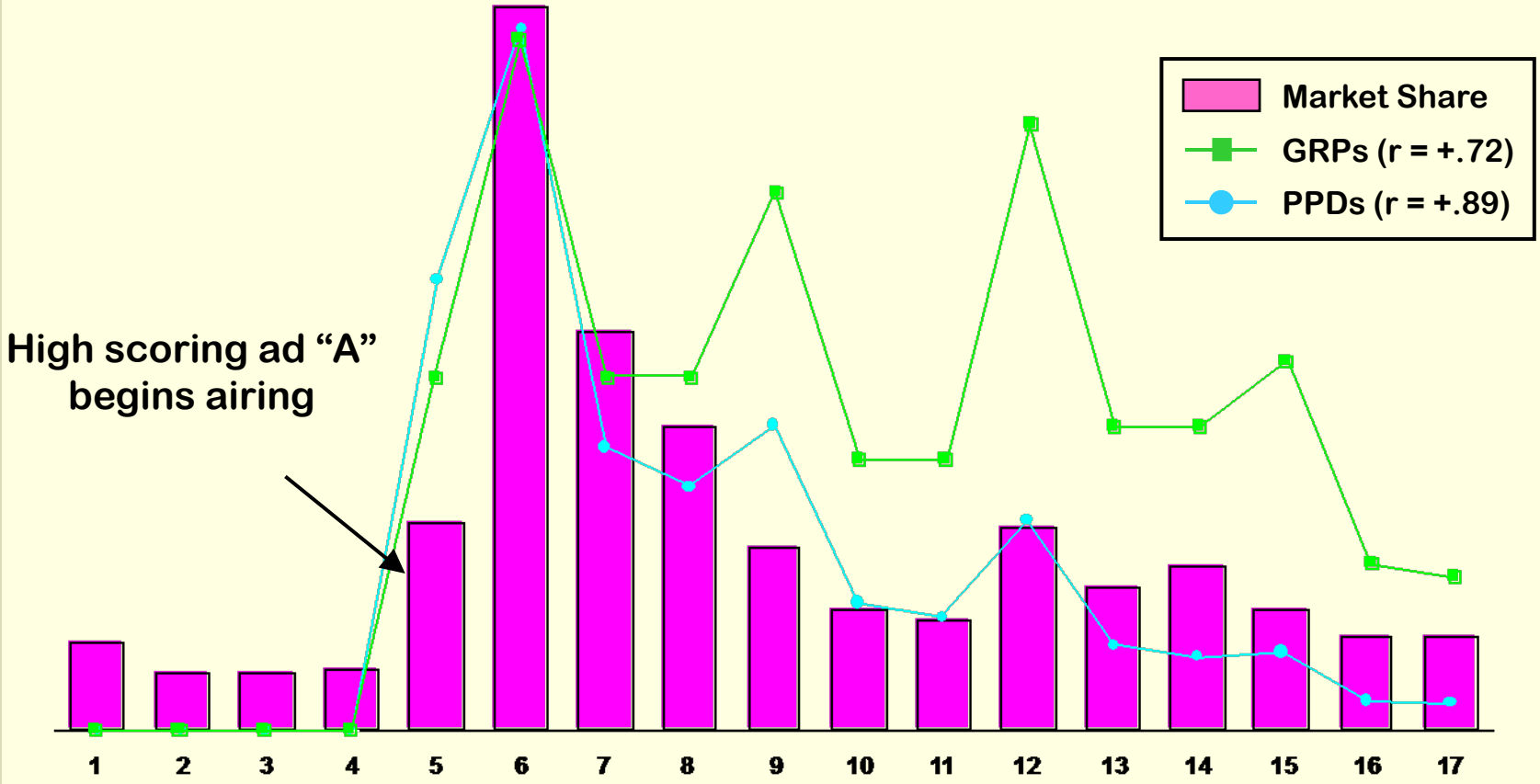
In this split-cable weight study, conclusions were drawn that the increased weight did not result in greater return…in fact a very large increase in return resulted from higher weight early on…the provider waited too long to read the effects…after the ad wore down in the heavy up side and was still working on the light weight side.

* The PPD metric (Preference Points Delivered) combines GRPs, Exemplar Brand Preference Metric, and wearout as they work together.

MASB

Source: Blair, 2006B.

Example: Ad Wear-out and (Added) Weight



Note the diminishing returns as the single ad delivers its power and wears out. Managing ad refreshment with a second, third & fourth high scoring execution would have resulted in more Preference Points Delivered and higher return.

MASB

Source: Blair,1993.

Disclosures 1 & 2: Comment

"Modeling the results of advertising by focusing on spending or GRPs without consideration of the message is rather like doing dosage research when you have not identified the drug.

No matter how rigorous the methodology or review process such research is fundamentally flawed. The academic literature in particular reports a lot of this type of "dosage" research because academics can get access to the data on spending.

But, this is really misleading research and does an injustice to marketing activities.

Because such research does not recognize qualitative differences in marketing activities (qualitative differences that influence effectiveness), it underestimates the power of "effective" marketing and also underestimates the return on investment in creating more effective marketing activities.

It also fails to recognize the value of the 'creative' product."

Stewart 3/8/08
During MASB Review VI

Disclosure (3): GAPS

- Verticals sparse or missing from provider's data base
  - B2B
  - Other Services
  - Technology Ads
- MASB would encourage provider and advertisers to conduct validation research for these verticals

Disclosure (4): Extension Opportunities

- MASB would also encourage
  - Calibration to Baseline Sales for predicting longer term effects and balance sheet implications
  - Calibration to Price elasticity for pricing/margin implications
  - Application for other advertising channels (where costs warrant)
  - Application for other touch points (product, shelf, etc)
  - Application as dependent variable/top-line Intermediate Outcome in Brand Tracking

Disclosure (5): Management Changes

- This Statement is based on validation and causality audit results regarding the Exemplar Brand Preference Metric as of February 2006, with updates provided to MASB in February 2008.
- Significant changes in the company's management team occurred shortly thereafter.
- According to MMAP, the Ideal Measures are transparent, subject to Independent Audit (#9),
- And managed with formal on-going processes to assure the reliability, validity and causality features over time (#10).
- In light of the management changes, MASB recommends an "intermittent audit" in order to ensure transparency and continuity in provider's quality assurance programs.
- This statement can be considered an historical example of how to evaluate a marketing metric according to MMAP, the learning that can come from using an Ideal Metric over time and conditions, and how to improve return from the activity by applying the metric and learning to better marketing practice (process management).

Disclosure (6): MASB Project Process

I. Frame-Up (Emerging Issue Abstract)
II. Research
    A. What is Known/not Known/need to Know
    B. New Learning
    C. Preliminary Summary & Conclusions
III. Review
    A. Open Debate by MASB (revisions/approval)
    B. Open Debate by MASAC (revisions/approval)
    C. Posting for Industry Challenge (revisions)
IV. Adoption by MASB
V. Publication
VI. Education
VII. Systematic review over time (revisions)

Disclosure (7): TV Project Review Status

- This Statement has been reviewed and approved for posting by the MASB Board of Directors:*
  - Dr David Stewart, Chair (UCR)
  - Kate Sirkin (SMV)
  - Dr Dominique Hanssens (UCLA)
  - Dr Joseph Plummer (Columbia)
  - Maryjo Tisor (MSP)
  - Mike Duffy (Nielsen)
  - Dipita Chakraborty (Nielsen TMG)
  - Dr Russ Winer (Stern/MSI)
  - Dr Peter Johnson (DMA)
- Approval occurs with peer review when the logical flow of the argument is tight, the empirical support material is convincing, conclusions are managerially meaningful, and scientific evidence pro and con is acknowledged.
- This Statement has been through VII revisions given the MASB review process and feedback. It will fall under further scrutiny when posted for Industry Challenge.

MASB

* With one dissent.

References (1)

Adams, A.J. and M.H. Blair (April 1992). "Persuasive Advertising and Sales Accountability: Past Experience and Forward Validation." *Journal of Advertising Research 32 (2)*

ANA (October 2005). *Marketing Accountability Task Force Findings*

Blair M.H. (December 1987/January 1988). "An Empirical Investigation of Advertising Wearin and Wearout." *Journal of Advertising Research*, 27 (6)

_____ (November 1989). "Getting Your Money's Worth: Measuring and Managing the Impact and Effectiveness of Your Advertising Campaign." Speech presented at the Cost-Effective Advertising Techniques Conference, Toronto

_____ (December 1993). "Moving Beyond GRPs to PRPs: Another Major Challenge for the 21st Century." Presented at the ARF Twelfth Annual Electronic Media Workshop, New York

_____ and K.E. Rosenberg (June 1994). "Convergent Findings Increase our Understanding of How Advertising Works." *Journal of Advertising Research, 34*

_____ and M.J. Rabuck (October 1998). "Advertising Wearin and Wearout: Ten Years Later; More Empirical Evidence and Successful Practice." Journal *of Advertising Research, 38 (5)*

_____ (December 2000). "An Empirical Investigation of Advertising Wearin and Wearout." *Journal of Advertising Research, Special Classics Issue, 40 (6)*

_____ and A.R. Kuse (March 2004). "Better Practices in Advertising Can Change a *Cost of Doing Business* to *Wise Investments in the Business*". *Journal of Advertising Research, 44 (1)*

_____ (November 2004B). "ROMI Changes Everything." Presented at ARF's Week of Workshops, New York, NY

References (2)

Blair, M.H. (May 2005). "W. Edwards Deming Went to Japan, We Stayed Here, Now ROMI Changes Everything for All of Us." Presented at Academy of Marketing Sciences Annual Convention upon acceptance of Marketing Practitioner of the Year Award, Tampa, FL

_____ and F.L. Findley (February 2006). "ROMI Branding Future: Integrated Measurement Systems for Market Mix Forecasting, Portfolio Management, and Improving Return from Marketing Communications Activities." Presented at the 9th Annual ROMI Conference, Institute for International Research, Ft Meyers, FL

_____ (February 2006B)."When in ROMI, Use PPD." *Media Post's Media Proof* 48-49.

_____ (February 2006C). "Improving the Top and Bottom Lines Through ROI Measurement Systems and Process Management." *Corporate Finance Review*, January/February 2006).

Gibson, L.D. (1983). "Not Recall." *Journal of Advertising Research, 23 (1)*

Jones, J.P. (1986). *What's in a Name? Advertising and the Concept of Brands.* New York, NY: Lexington Books.

_____ (1998). "Point of view: STAS and BehaviorScan - Yet Another View". *Journal of Advertising Research*, 38 (2).

_____ and M.H. Blair (December 1996). "Examining 'Conventional Wisdom' About Advertising Effects with Evidence from Independent Sources." *Journal of Advertising Research*, 36 (6)

Ephron, Erwin and Gerry Pollak (June 2003). "Finding the Other Half." Presented at the ARF/ESOMAR Conference, Los Angeles, CA.

References (3)

(Exemplar, 2005). "Summary of (Exemplar) Global Validation & Business Implications", 11/05.

(Exemplar, 2005 & 2007). "Summary of Factors Affecting (Exemplar) Scores", 3/05 & 7/07.

Kuse, A.R. (1991). "Measurement TOOLS FOR Ads that Sell." In *Transcript Proceedings of the ARF Eighth Annual Copy Research Workshop,* Advertising Research Foundation, New York, NY.

Lodish, L.M., M. Abraham, S. Kalmensos, J. Livelsberger, B. Lubetkin, B. Richardson, and M. Stevens (1995). "How T.V. Advertising Works: A Meta-Analysis of 389 Real World Split Cable T.V. Advertising Experiments", *Journal of Marketing Research, 135*

Masterson, P. (1999). "The Wearout Phenomenon". *Marketing Research 11 (3)*

Plummer, J. (February 2007). "Why So Many Metrics", The Boardroom Project Winter Meeting

Ross, H.L., Jr (1982). " Recall versus Persuasion: An Answer." *Journal of Advertising* , 22 (1)

Shirley, D. (April/May1999). "Measuring the Effectiveness of Advertising". ANA *The Advertiser.*

Stewart, D. W.; D.H. Furse; and R. Kozak. (1983) "A Guide to Commercial Copy-testing Services." *Current Issues and Research in Advertising* 6, 1:1-44.

_____ and David H. Furse. (1986). *Effective Television Advertising.* D.C. Heath and Company/Lexington, MA/Toronto: Lexington Books.

_____ and Scott Koslow (1989). "Executional Factors and Advertising Effectiveness: A Replication." *Journal of Advertising* 8 (3)

_____ (2008). "How Marketing Contributes to the Bottom Line". *Journal of Advertising Research* 48, 1: 94-105.

MASB

References (4)

The Boardroom Project (2006). *The Boardroom Project Overview*

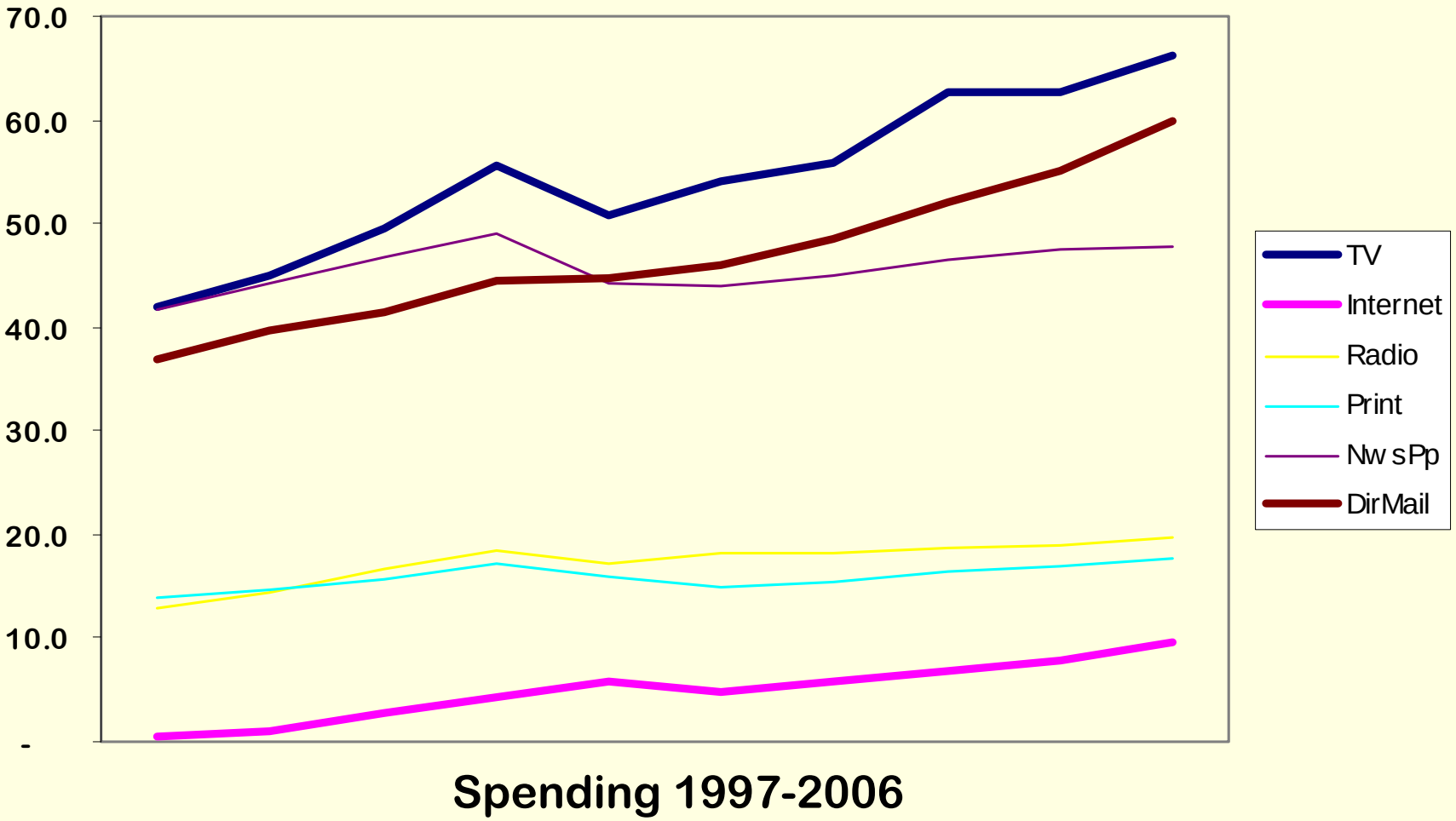
Wells, W.D. (1997). *Measuring Advertising Effectiveness.* Lawrence Erlbaum Associates, Publishers Mahwah, New Jersey. London

Vakratsas, Demetrios, and Tim Ambler (1999). "How Advertising Works: What Do We Really Know?" *Journal of Marketing*, 63 (26-43).

Young, R.A, A.M. Weiss, D.W. Stewart (2006). *Marketing Champions, Practical Strategies for Improving Marketing's Power, Influence, and Business Impact.* Hoboken, NJ: Wiley & Sons.

Contents

Background: TV Spending Largest & Growing

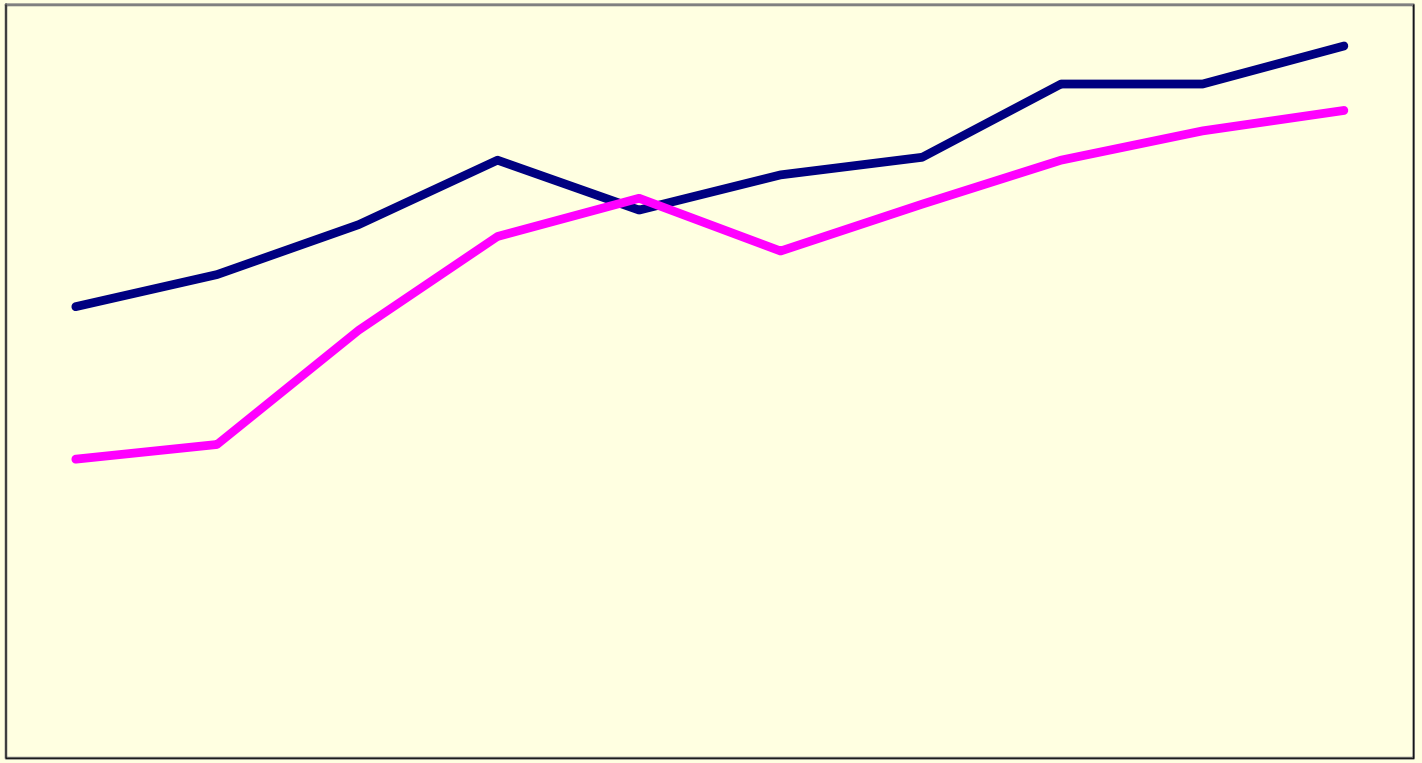


Spending 1997-2006

MASB

Source: Coen in *Ad Age*

TV Prices Rising Rapidly (Super Bowl 30’ Spot)

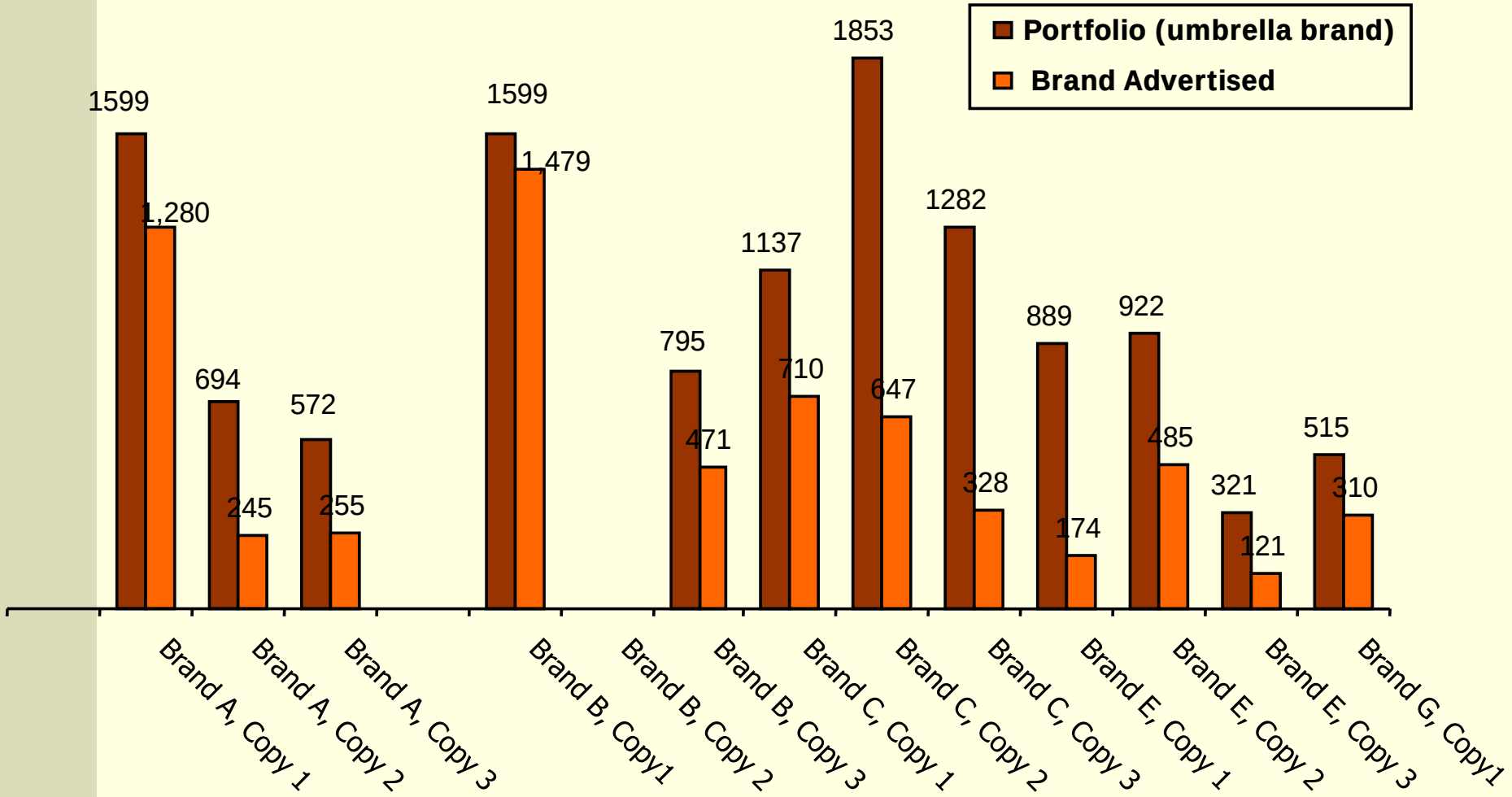


1997-2006

MASB

Source: Coen Ad Age; Ad Age

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



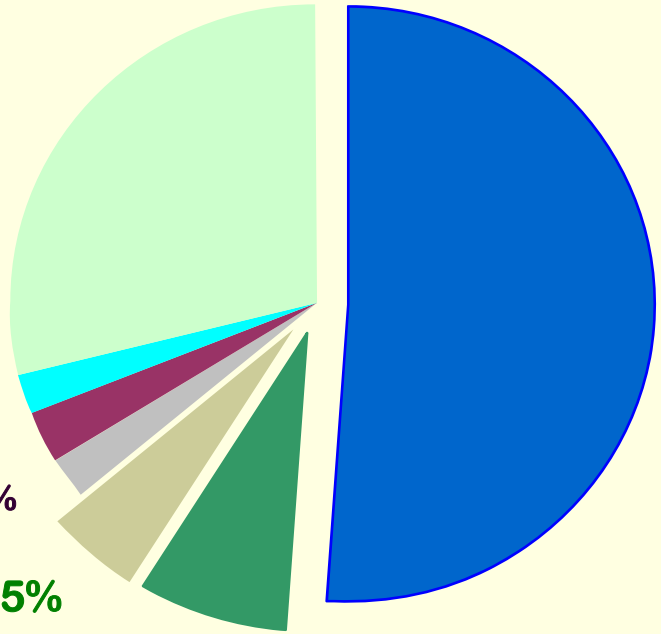
MASB

*The PM Group example

Source: Blair et al 2006

TV The Most Leverage/Improvement Opportunity

Explaining Differences/Variation in Quarterly Market Share Changes



Unexplained 28%

Total Explained 72%

TV Ads 52%

TV in Total 65%

Error in Sales Data 2%

Product Price & Distribution[2] 3%

Normal Competitive Environment 2%

Continuity of Airing 5%

TV Media Weight & Wearout 8%

Across ~179 brands, TV activity explains 65% 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 <28% in today's environment)

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

MASB

Source: Blair et al, 2006; Summary of…Global Validation…2008 Update.

Contents

Appendix B: Basis for Conclusions

- More about Exemplar consumer Brand Preference Metric
  - Longer term effects
  - Price premium
  - Summary of Validity
- Measurement development and management

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

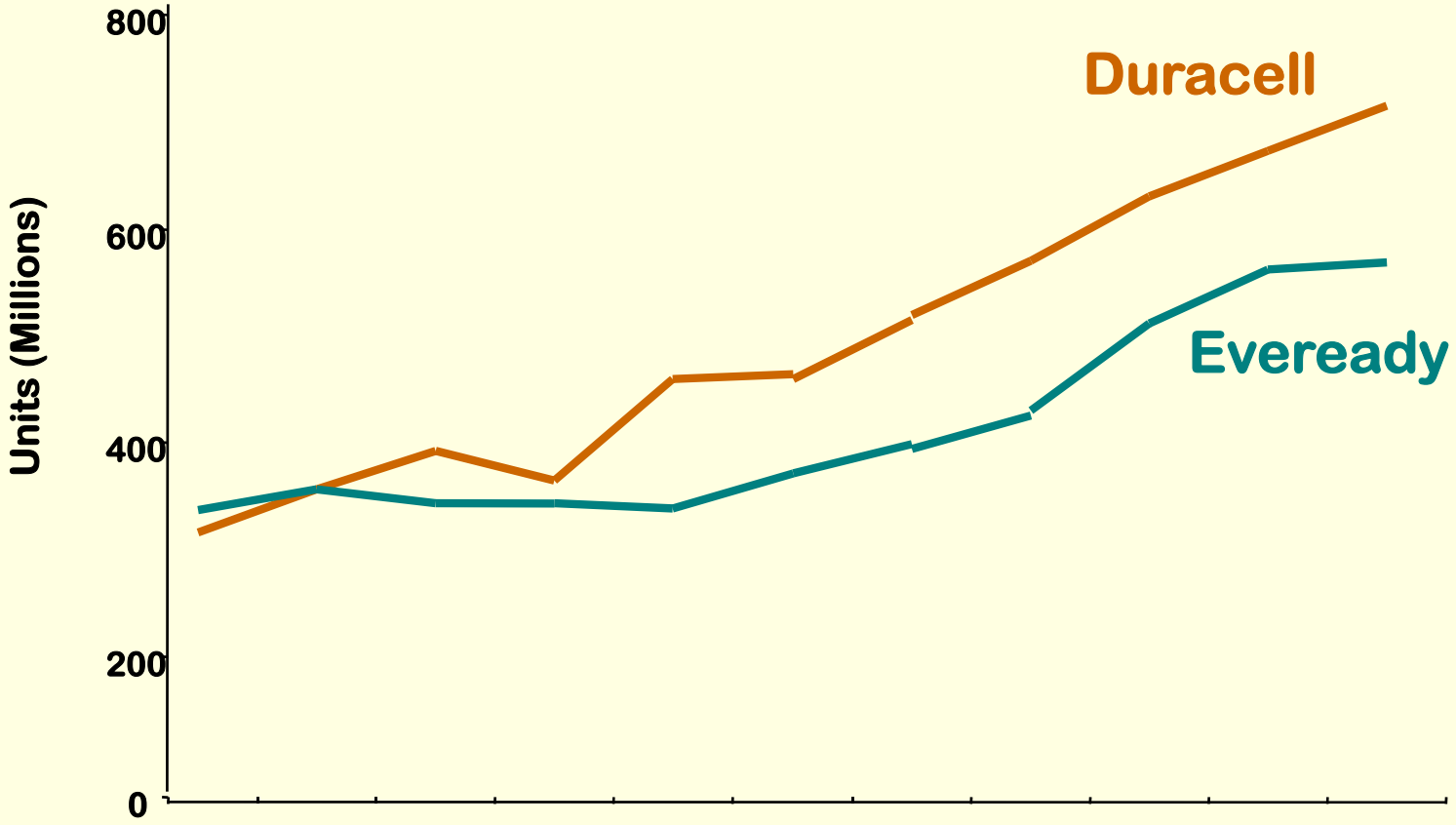
	Prego		Ragu
Total GRPs	15,034	←	20,400
Average Displays	22	←	43
Average Retailer Ads	29	←	37
Average Selling Price	$1.80	→	$1.64
Average (Exemplar)	+7	→	+2
Total TV Power (*PPD*)	679	→	448
Δ *Brand Preference* over time	+11 pts		-21 pts
Δ Market Share (units)	+6 pts		-16 pts
Δ Sales (units)	+22%		-19%

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 & price discounting.

MASB

Source: Blair et al, *2004*

Evidence to suggest Exemplar 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?

MASB

Source: Blair et al, 2004

10yr Case Study II cont

	Duracell		Eveready
10 Yr Average (Exemplar)	5.1	→	3.9
Study End (10th year):			
Share of Brand Preference	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 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.

MASB

Source: Blair et al, 2004

Summary of Exemplar Validity

	Correlation with Trial/Volume/Share
1970s New Product *Reported* 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) predicts 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).

Source: (Exemplar) 2005; Blair et al 2006

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 validated for B2B, other Services, Technology ads.

Source: (Exemplar) 2005”

Measurement Development & Management Determines Precision

The precision of Exemplar detects about 2 points as significant at the 90% level of confidence…and a 2 point difference (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 less valuable in the ROI future of measuring, *forecasting*, and improving financial performance.

The Validation & Causality Audits (MMAP) will surface these issues and should foster investment in measurement development and management.

Metric Precision: Examples

Relationship of Pre-Market TV Metrics to Sales Volume Impacted by TV[1]

	Provider D	Exemplar
Media	.37	.40
Media & Message	.54	.91

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

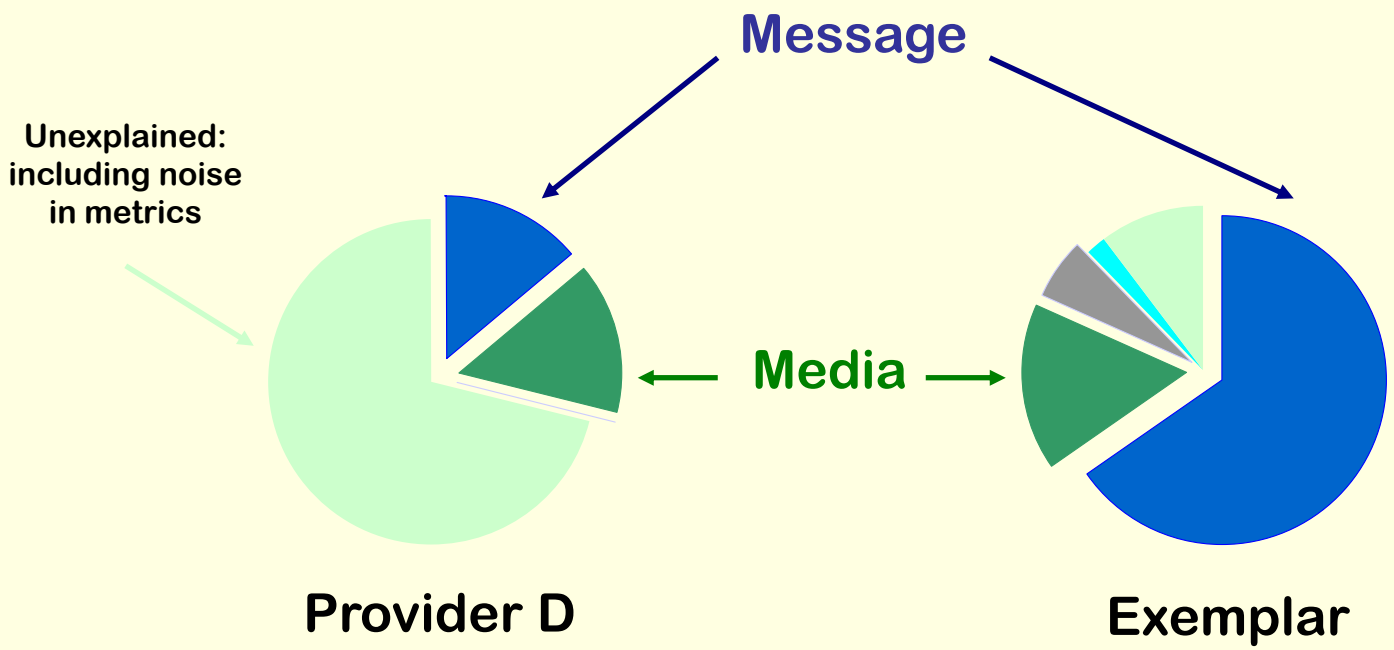
However, Provider D's metric for the message has little precision with respect to explaining differences in actual Sales Volume Impacted from TV ads…

[1] *Determined independently by Market Mix Modeling*

MASB

Metric Precision: Example cont

Explaining/Predicting Variation in Sales Volume Impacted by TV[1]



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.

MASB

[1] *Determined independently by Market Mix Modeling*

Metric Precision: Examples cont

Relationship of Pre-Market TV Metrics to Sales Volume Impacted by TV[1]

	Provider D	Exemplar	Hypothetical
Media	.37	.40	.40
Media & Message	.54	.91	.70

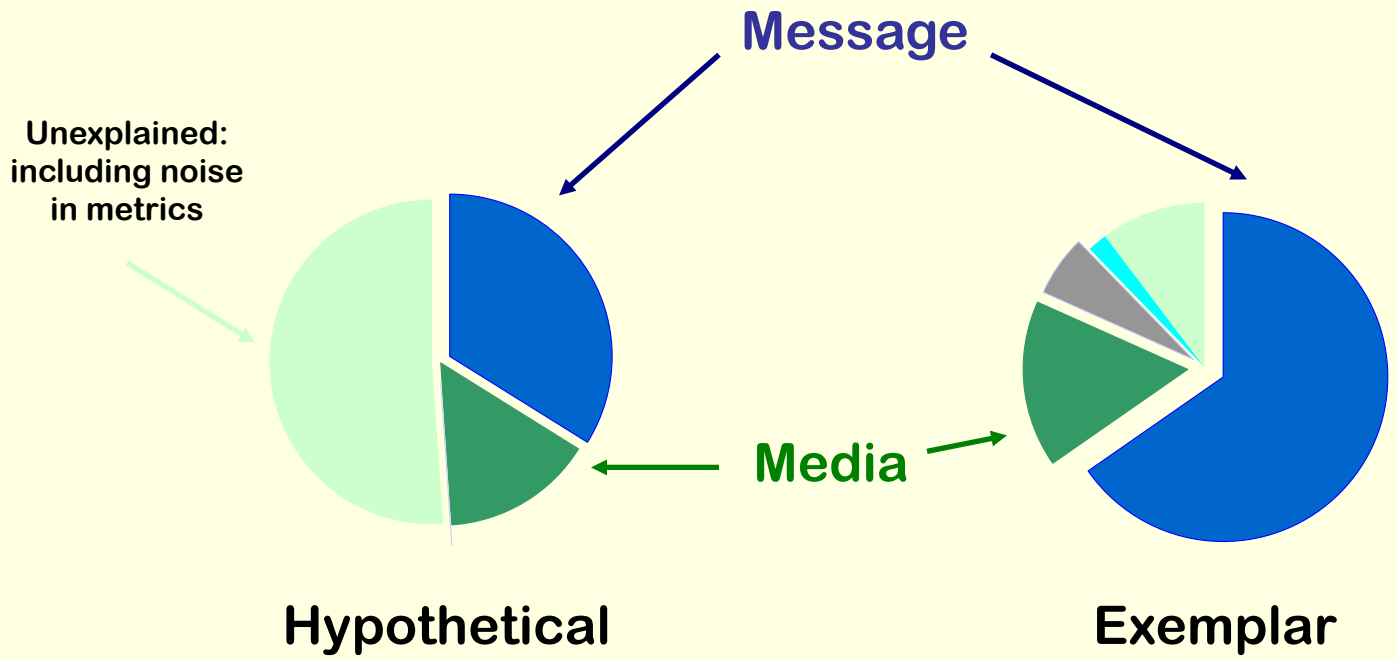
Even if a provider offered a measure or combination of measures for the Message that when combined with Media Metrics, predicted the post-market TV outcome at say the .70 level, the precision would still be of less value in the forecasting & improvement future…

[1] *Determined independently by Market Mix Modeling*

MASB

Metric Precision: Example cont

Explaining/Predicting Variation in Sales Volume Impacted by TV[1]



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.

MASB

[1] Determined independently by Market Mix Modeling

Measurement Rigor Goes Beyond The Face of It

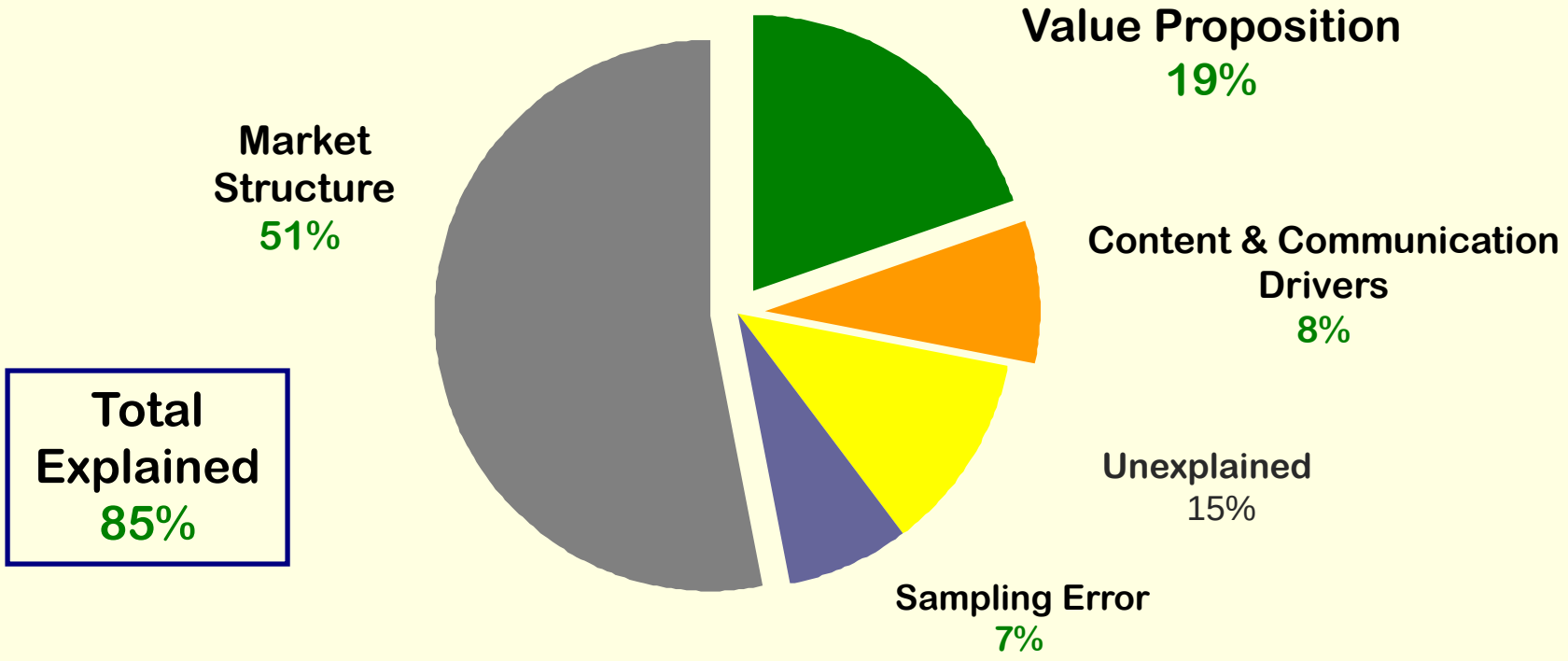
Test-Retest Reliability of (Exemplar)	r ~ .94
Relationship to Volume Impacted (Exemplar)	r ~ .90
Correspondence between (D & Exemplar)	r ~ .65
Same Call between Ads within Brand	29%

"While some metrics are called the same and look alike in many ways, they can produce very different results."

(Plummer, 2007)

Contents

What Has Been Learned About TV Ads
(Factors Explaining Effectiveness of TV Ads)



The several hundred *conditions and elements* explored over 3 decades explain 85 percent of the total variation in (Exemplar) outcomes. . .

MASB

Source: Blair 2005

Market Structure

"…a brand's category environment and position in that environment influence the sales effectiveness of its advertising.

…three factors capture these influences:

Brand Loyalty (extent to which consumers switch between brands from one choice occasion to the next)

Number of brands competing in the category

Franchise strength (brand's share of market)…"

"…Fair Share is designed to correct for these effects….(and) to provide, for each brand, an equitable basis for comparison".

Sources: Stewart 1986; (Exemplar) 2005 & 2007

Value Proposition

Starting with a (strong) Value Proposition results in (strong advertising) nearly 70% of the time.

Conversely, starting with a (weak) Value Proposition results in (weak advertising) about two thirds of the time.

(Agency creatives cannot make a silk purse out of a sow's ear)

Source: Blair 2004; (Exemplar) 2005 & 2007

Content (Strategic)

“ The single most important…factor identified…was the presence of a brand-differentiating message in the commercial.”

Brand Differentiating Key Message
New Product/New Feature
Product Convenience
Product Double Branded
Brand Name Reinforces Benefit
Competitive Comparison
Superiority Claim

Source: Stewart et al 1989; (Exemplar) 2007

Content (Executional)

"It is…clear from these studies that there is no magic formula for the creation of effective advertising. While some general guidelines for creating effective advertising appear to receive support from the findings, it is also true that no one executional factor accounts for much of the total variance…"

Time Actual Product on Screen
Demonstration of Product in Use
Setting Directly Related to Use
Information on Results of Use
Demonstration of Results of Use
Number of Brand Name Mentions
Time Brand Name/Logo on Screen
Number of On-Screen Characters -
Male Main Character -
Time Until Category Identified -
Time Until Product Package Shown -

Source: Stewart et al 1989; (Exemplar) 2007

Communication

"Further analysis…showed a complex, non-linear relationship (between) brand differentiation (and communication)…"

"Ads that meet communication hurdles are more likely to achieve higher…results.

(But) achieving communication has little effect…in the absence of a brand-differentiating key message"

Presence of a brand-differentiating key message, alone or in combination with strong communication achieves the highest levels…"

Source: Stewart et al 1989; (Exemplar) 2005 & 2007

What's It Worth in a Business Quarter?

Validated Driver	Exemplar Difference	Market Share Impact[1]
(Calibration of Exemplar)	(2.0 points)	(0.4 points)
New Product/Feature (R&D)	3.3 points[2]	0.7 points
Brand-Differentiating Product Message (R&D)	2.0 points[2]	0.4 points
Strong Value Proposition (Brand)	2.4 points[2]	0.5 points
B-D Message Communicated (Agency)	4.0 points[2]	0.9 points

This learning has major implications for Better Practices on the Advertising Development side of the ROI equation… (for R&D, Brand, and Ad Agency).

[1] Times Quarterly Category Volume Times Incremental Margin = Return
[2] On Average Across All Observations

MASB

Source: Blair 2005

Theoretical Framework

"…we have classified and reviewed prior research of intermediate and behavioral effects of advertising using a taxonomy of models…

Although such models have been actively employed for 100 years, we find them flawed…the concept of hierarchy (temporal sequence) on which they are based cannot be empirically supported…

We also suggest that behavioral (brand choice, market share)…measures be compiled in…databases to enable researchers…to test the interaction of content, intermediate effects, and long-and short-term behavior. In this effort, we also must relieve measures from cognitive bias."

Source: Vakratsas and Ambler 1999.

Theoretical Framework cont

"…research efforts would be more insightful if the focus were on measures of…behavioral change, rather than exclusively on cognitive measures such as recall (awareness) or attitude change.

The present study is among the very few to use (a behavioral brand choice measure) of demonstrated reliability and validity.

The single most important…factor related to the persuasiveness of the commercial is the presence of a brand-differentiating message.

Stewart and Haley (1983) have suggested that the primary function of marketing communication should be to suggest a basis for consumer choice.

Choice rules tell the prospective buyer how to choose a particular brand.

A brand-differentiating claim must introduce meaningful variation among alternatives, but it need not be directly related to product performance.

When products are perceived to be very similar, any basis for differentiation …may represent the basis for choice".

Source: Stewart et al 1986.

Theoretical Framework cont

The learning from over 3 decades of basic research activities employing the Exemplar Brand Preference (choice) metric has not fully supported any single and/or simple theory of hierarchy of effects.

It has, however, provided important insight as to how to improve return by applying reliable and valid measurement in the context of better practices (process management).

For instance, in most advertising processes, decisions about "what to say" are made long before investment in the creative execution of "how to say it".

Process implications of the "brand-differentiating" findings pointed clearly to applying the metric at this early stage of advertising development in order to assess, predict and improve (if necessary), the strength of the underlying proposition (or strategy) before moving to creative execution.

"As Deming pointed out, it's the process that requires change…in order to improve performance and ROI."

Source: Blair 2006C.

The Branding Activities

The Consumer

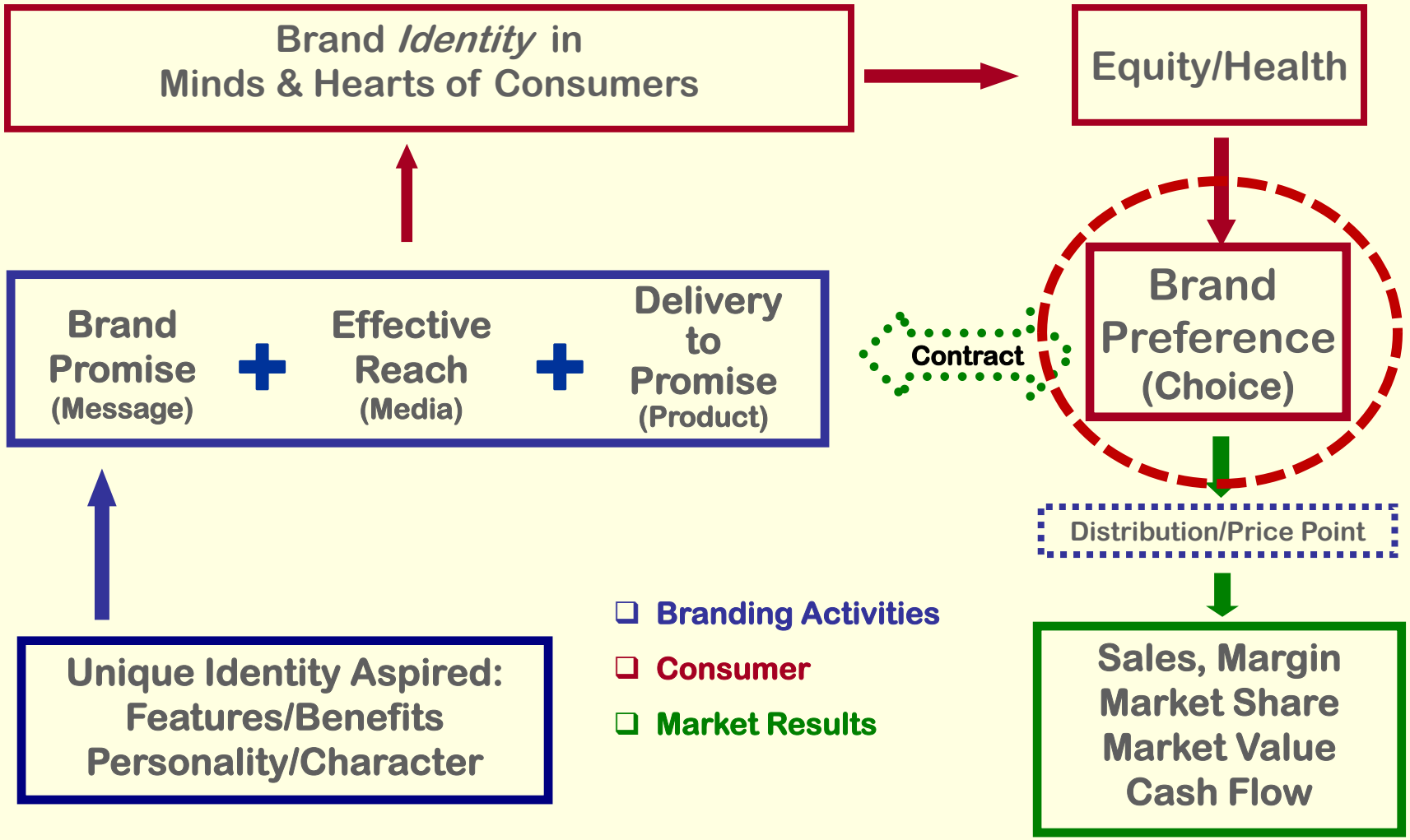
The Market & Financial Results

Key to the ROI Branding Future is having integrated consumer measurement systems with a ROI (valid) framework.

MASB

Source: Blair 2006

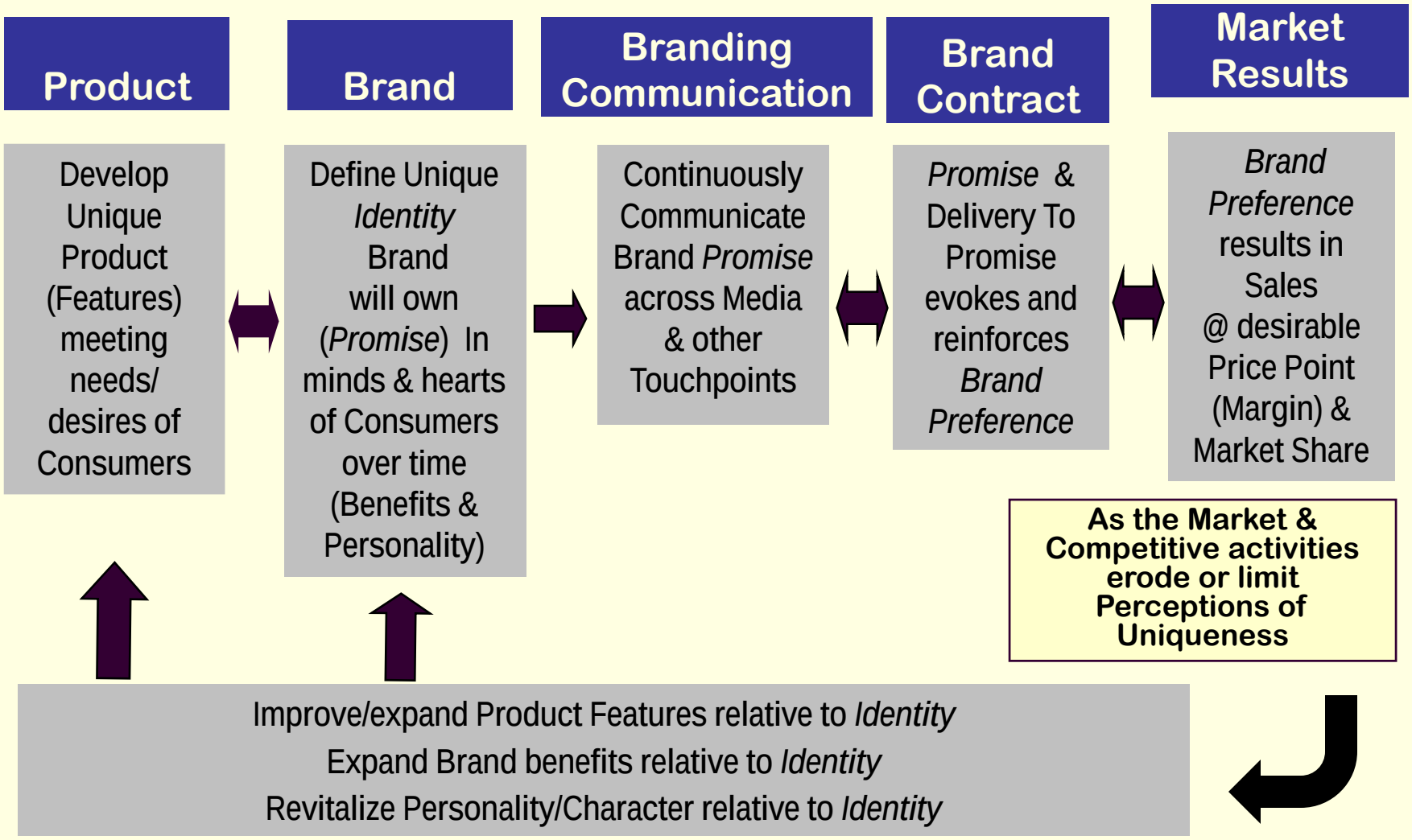
ROI Branding Model



MASB

Source: Blair 2006

ROI Branding Road Map



MASB

Source: Blair 2004B