FOLLOW THE MONEY

Convincing the C-Suite that Advertising Research is a Worthy Business Investment

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Introduction:

When I was growing up, I questioned the way the world worked. I would ask my dad things like "Why is this country at war with the other country?" or "Why did that restaurant move across town?" or "Why can't I buy my favorite granola bar anymore?" (Anyone else miss Kudos?!?). My dad's reply would be to "Follow the money!" Meaning – follow the trail of money and it would eventually lead you back to why the decision was made. Then I "grew up" and got into the advertising industry. When I reflect on why certain advertising decisions are made, the answer is rarely to "follow the money." More like follow the ego, follow someone's gut feeling, follow the passion, or follow the click data.

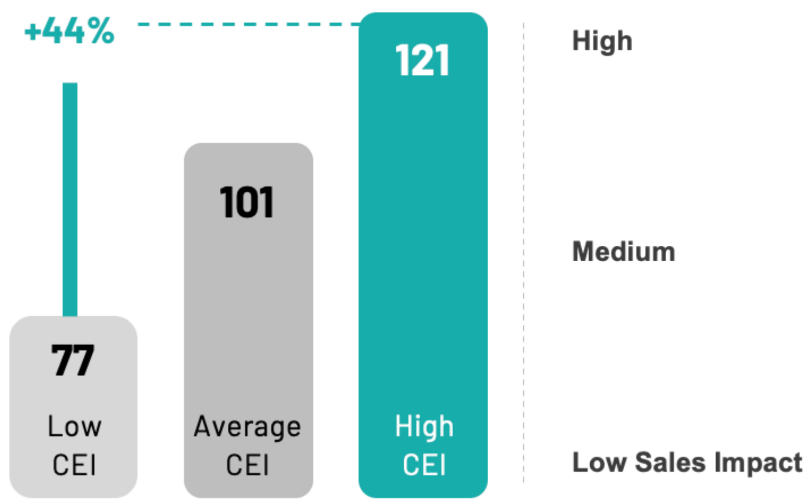
But why? Advertising is a business expense – and a large one at that, but we rarely treat it as such when making decisions. I had a client recently follow their gut to decide what ad to spend $7 million behind for 30 seconds in the Super Bowl. You would never treat any other type of business investment this way. When you invest in employee talent, you try and train and upskill them where possible to bring more productivity and dollars back to the business. Why don't we think about advertising this way? Oftentimes, very little budget is allocated to the research that can help brands ensure they are investing behind a strong ad and the insights that can help them get to higher quality advertising. With the right research partner, even devoting as little as 1% of the overall media budget to research can yield significant improvements in creative quality.

In an environment where every dollar is highly scrutinized and research is often one of the first line items on the chopping block, it would behoove insights professionals to learn how to make a financial business case for creative effectiveness and the consumer insights that help get to more effective advertising. So let's break down the dollars and cents of it and build the case.

The Importance of Great Creative

Creative quality is the single most important factor in the grand scheme of ad effectiveness – accounting for nearly 50% of the equation[i]. The other half can be explained by media and brand intrinsics. When it comes to media, you can follow best practices for media buying and try to optimize your buy to reach your target most efficiently, but the costs of media are completely out of your control – not a lever where you have a lot of influence. Brand intrinsics are things like "is my brand desirable?" "Do I have distinctive assets to draw from?" "Is my category responsive to advertising?" These aspects are pretty much out of a brand marketer's control – especially if they rotate brand assignments every couple of years – you can't make a dent in this short term. So that leaves creative quality. It's the only effectiveness driver that can be influenced in the near term. Getting to great creative before launch saves time and money in market.

A learning ecosystem that can identify strong creative and also help to optimize it can provide immense value back to the business.The bar chart below is from the validation of Ipsos' pre-test solution, Creative Spark. This summarizes the results from thousands of ad pre-tests and examines how they fared in our testing vs. the sales lift achieved in market (as measured by Marketing Mix Models which quantify incremental sales volume for each individual ad). The short bar on the left shows the average sales lift of ads that performed in the bottom third of our pre-testing database. You can still get a sales lift out of a poor-performing ad, but high performers per our pre-test (the bar on the right) deliver 44% more sales lift on average than low performers. That represents a huge business impact you can make just by screening ads through our system and moving forward with the strongest option.

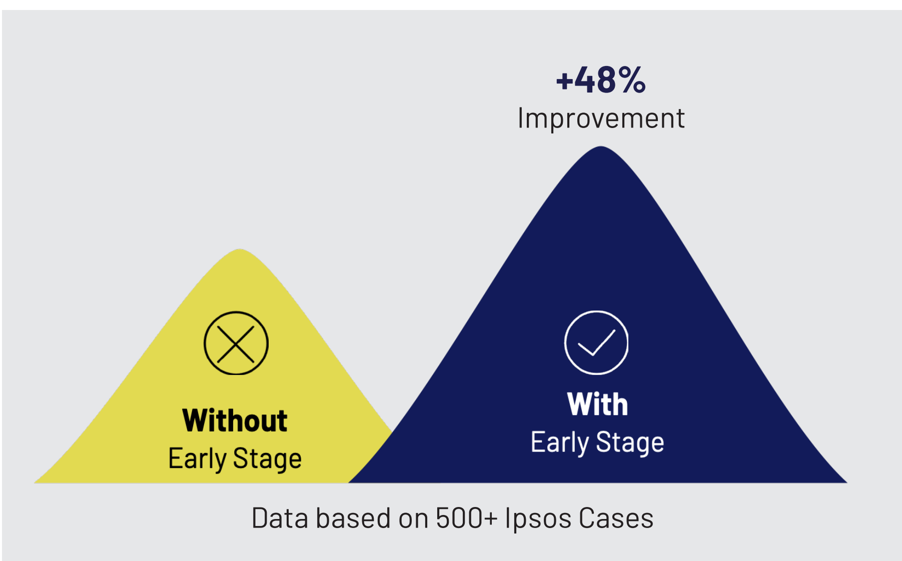


1,000+ Ipsos validations to MMM data

So what does this 44% look like in dollars and cents? It's the difference between spending $6 million behind a low performing ad to get the same impact as spending $3.8 million behind a high performer. That difference of $2.2 million can be allocated to other initiatives or spent to achieve outsized gains. The pre-test research to ensure you lead with the strong performer costs less than 1% of that delta.

Advertising research in early stages of development leads to an even greater ROI.

At Ipsos we have a long history of working with brands and agencies more upstream in the creative development process leveraging our Creative Labs method. It's a quant/qual live research event where we can explore early stage campaign ideas, storyboards, etc. with consumers all in one day. The quantitative identifies the strongest path forward, while the qualitative illuminates potential areas for optimization. Ipsos has observed that campaigns that start off with this research intervention show 48% improvement in creative quality over ads that skip this step. Through the investment of one research day, you're significantly increasing your odds of being in that top performance tier for creative effectiveness and also saving significant time and money by not pursuing a direction that doesn't work.



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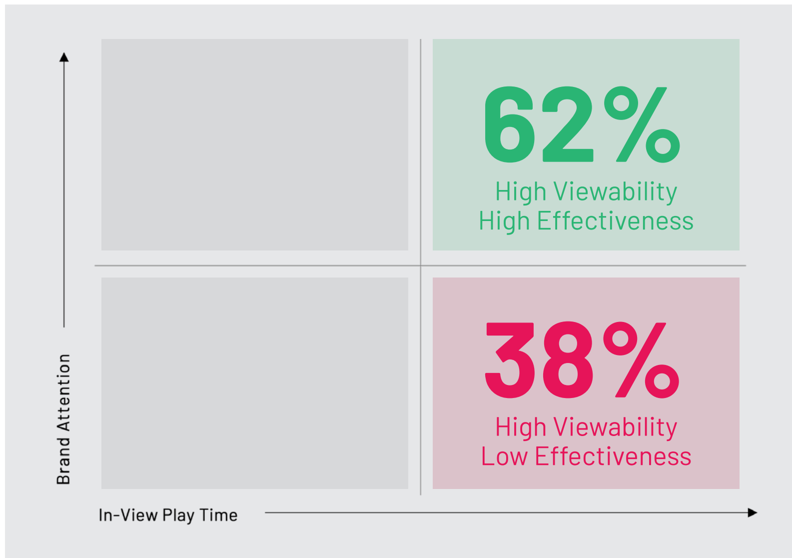
Does the Return on Research Investment Still Hold for Digital Assets?

Time for some real talk about digital advertising. We know that creative quality also has great importance in the digital landscape. So how long are we as an industry going to accept poor creative performance in digital? The average branded recall for a digital ad is 4% vs. about 20% for a TV ad[ii] . And that recall metric has not improved over the past decade, meaning marketers are not getting better at reaching viewers in digital environments despite significantly increasing spend. With consumers shifting more and more towards digital channels and media budgets following them, we have got to figure this out. What's holding us back from improvement?

Among the digital video ads we analyzed, 38% of those with a high percentage of the ad watched had low effectiveness, demonstrating the risk of relying on viewing data as a proxy.



1. Lack of primary research

The majority of advertisers still only conduct primary research on TV assets. The claim is that there's just too many digital assets to test and the media budget behind them is so low that it doesn't pay out to do research. The problem is that these little bits of "funny money" behind each asset add up when you look at the overall spend. Going back to our financial equation from before – even if you are only spending $500,000 on a digital campaign, you're still looking at a return difference of $220,000 between a high vs. a low performing ad with the cost of the test being less than 5% of that delta. In addition to identifying stronger performers prior to media investment, you are also instilling a culture of learning and improvement in digital advertising. If we never get audience feedback on the creative, how can we expect to improve quality over time? Brands that have a learning plan in this space will achieve outsized gains versus competition.

2. Over-reliance on platform metrics

Many brands feel like measurement in the digital space is covered by metrics from platforms like click throughs or in-view time which is easy to get our hands on. They check the box by following best practices published by platforms on how to optimize the creative to do better on these behavioral metrics and get people to view longer. But does viewing something longer actually correlate with the ad leaving a branded impression on the viewer? We decided to find out by cross-referencing in-view time with our survey-based Brand Attention measure (do people remember the ad and what brand it was for). We found some correlation between the two, but it was weak. 38% of the time an ad with high in-view time had low brand attention. If you're only optimizing to in-view metrics you are running the risk of putting your money behind a lower performing creative nearly 40% of the time.

Closing Thoughts:

For many brands, advertising is a large line item on the budget sheet which has the potential to deliver big returns to the business, but it needs to be justified. Marketers, creatives, and consumer insights functions will be better insulated when budget cuts come around if we can demonstrate not only the positive ROI on the final creative, but also showcase the money saved by 1. Not airing a poor piece of creative, 2. Getting to great creative more efficiently, and 3. Fostering an environment of continuous learning and improvement. Instead of continuing to propagate this belief that creative and finance are at odds, let's act and start advocating for larger budgets and influence by following the money.

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[i]NCS Five keys of advertising effectiveness - Nielsen Catalina Solutions © 2017; Period 2016-Q1 2017

[ii]Ipsos in-market ad tracking database

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About Ipsos

At Ipsos we are passionately curious about people, markets, brands, and society. We deliver information and analysis that makes our complex world easier and faster to navigate and inspires our clients to make smarter decisions. With a strong presence in 90 countries, Ipsos employs more than 18,000 people and conducts research programs in more than 100 countries. Founded in France in 1975, Ipsos is controlled and managed by research professionals.