How much advertising actually works?

If a surgeon gave you only a 41% chance of survival as you were wheeled into the operating theatre, would you go ahead with your operation? Well, apparently only 41% of advertising actually works, according to Professor John Philip Jones of Syracuse University, New York, however, continuity is a key to long term advertising effectiveness.

By Louise Marsland 15 Mar 2006

Speaking at the annual Southern African Marketing Research Council (SAMRA) conference in the North West province yesterday, 15 March, Prof Jones themed h presentation around the question: "Are you in business for sales or profit? How promotions produce sales but only advertising produces profit..."

It is Jones' contention that advertising in its short term role can nudge brand buyin and, at the same time, if ads are properly conceived, it can add to Accumulated Added Value (AAV).

However, producing financial data and economic calculations to illustrate how much advertising works, Jones' research showed that of the global expenditure on advertising in the United States, Europe and Japan - measured at $500 billion dollars annually - only 41% actually works.

Jones explains that of that $500 billion dollars expenditure on advertising, 41% produces sales; 28% pays its way; and 14% produces sales - but does not pay its way.

"This is disgraceful. It is difficult to think of an enterprise with such a low record of sales. That's all we can do? All these highly paid, creative people?" exclaimed Jones. "Think of if this happened in medicine... if th patient was told by their doctor that they only had a 41% chance of survival when wheeled into the operatin theatre...

"Can we do better? I think we can!"

In addressing if advertising works and explaining how it can work after stats like that, Jones addressed the question of Direct.

A Direct question

Direct advertising is exceedingly important... about two thirds produces an effect, so it pays for itself, Jone explained. Compare this to general advertising where about a third produced a short term effect; less than that produces a medium effect; and even less than that produced a long term effect.

"David Ogilvy used to say, and he was correct, that we have a lot to learn from direct people," Jones elaborated. "Of course, creatives will say, oooh no, they're tacky...But they make money!"

And... Jones concludes that promotions can be "the death of your brands".

"Confidence has been lost in advertising, as advertising is proved to be 60% ineffective... so marketers tu to promotions."

This is not the right decision, Jones declares, as immediate large costs shrink profit, fuel the competition, and debases the image of the brand, reducing brand loyalty.

So why do marketers keep at it? Because there is an initial increase in sales, but long term - in every case says Jones - profit goes down.

"Wise advertisers use promotions as support advertising and advertising as support to promotions."

Impact of research

Technology has improved data gathering dramatically in recent times and Jones' research among brands includes that gathered by household handheld scanners in households impacted by advertising and those not exposed to brand advertising.

Jones said complex data collection was essential as getting weekly sales figures made it possible to track sales and advertising effectiveness properly. "Weekly sales for most brands will reveal that brand sales ar up and down."

Jones said the ups are due to:

- Sales promotion, ie, immediate adrenalin effect on sales.
- Advertising.
- Normal seasonal uptakes.

The downs were driven by:

- Competitor brand advertising.
- Normal seasonal uptakes.

One of the key findings was that when you are advertising, if your competitor has a stronger campaign, you sales will go down in the short term. This same pattern and distribution of effects was measured in severa countries.

"When looking at sales figures [in this context] over the medium to long term, it doesn't look so bad, but wh can afford to advertise 52 weeks of the year?"

Jones said media planning contained deficiencies in this regard and marketers and researchers needed to look at how do to turn short term effects into year-end effects; and how to tease out a short term effect and make it a medium effect.

"It's a media strategy conundrum... we went back to the research and looked at patterns and advertising response."

The answer, says Jones, is to spread spend out. "Get it right in the week and then spread the money out a budget allows." That will give maximum reach every year; maximum continuity every year; and weekly med exposure every week.

Continuity

Jones emphasizes that scientific research has proved that higher continuity has far greater reach for brand "rather add weeks to the media schedule than throw more money at campaigns. This is standard practice at many big brand companies now".

He shared the following recipe: 'Good Cooks Make Briyani'(substitute Boerewors in SA!)
G = Gatekeeper: short term effect
C = Continuity
M = Medium-term effect
B = Brand-building

And his final word on advertising effectiveness: "Make sure you are using advertising properly in terms of creative, media and advertising. You need to apply skill and resources. You have to observe - know what is going on. Strong brands are only possible with strong market research."

ABOUT LOUISE MARSLAND

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