

Convergence – Making Sense Of The New Landscape

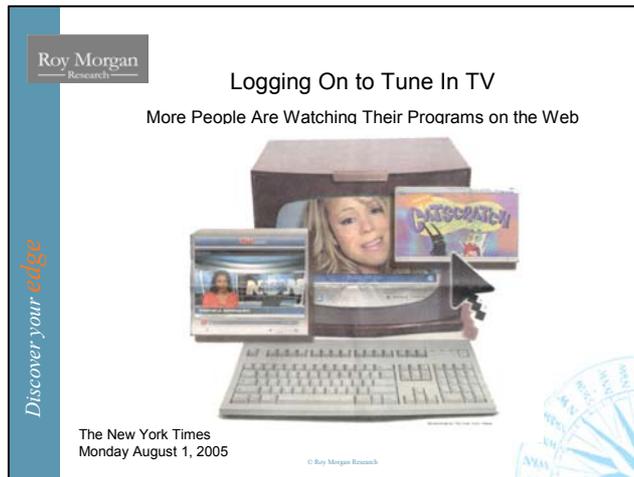
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By Michele Levine, Chief Executive
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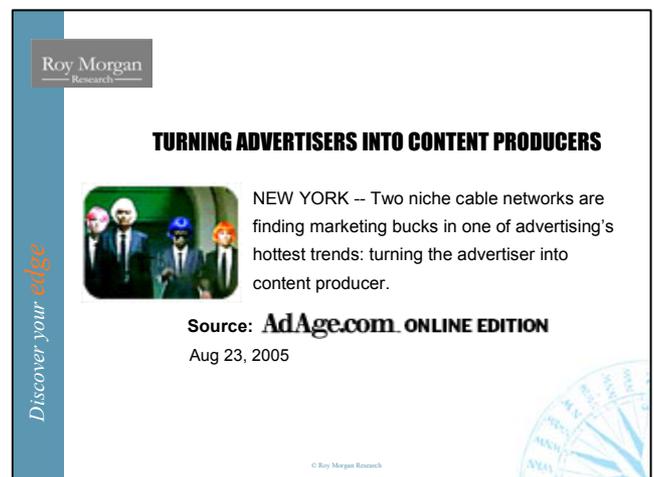
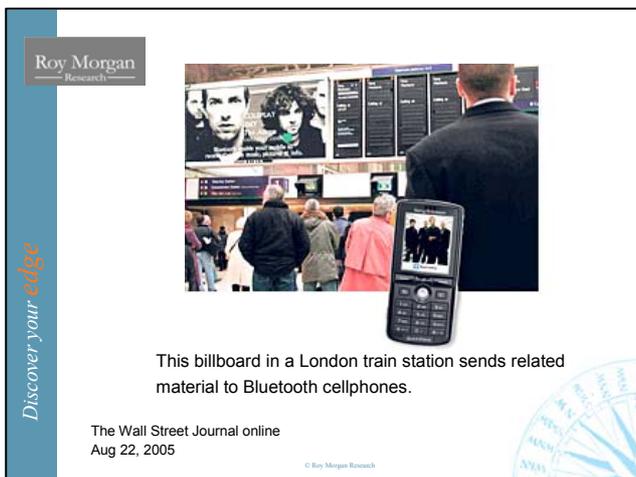
Dr Claude Robinson (Co-Founder Gallup & Robinson) said of advertising...

"In no other area of corporate expenditure is so much spent with so little idea of what is being purchased"

Against this background we see television coming to us through computer screens (New York Times August 1, 2005).



We see advertising through mobile phones (Wall Street Journal on-line, August 22, 2005) and Advertisers being turned into content producers (AdAge.com online August 23, 2005).



So many communication channels. So many experts;
So many breakthrough ideas in marketing, brand building;
So many innovative creative approaches;
So much business fragmentation;
So many new metrics – to measure ROI; and
So little time...

Today, I want to try to make sense of it all. To make sense of the business of advertising, communication and brand (or relationship) building in the changing environment in which it, and we all, have to operate.

The first known advertising we can find reference to was some 3,000 years ago.

An ancient written advertisement, perhaps 3,000 years old, was discovered by an archeologist delving in the ruins of Thebes. It offered a “whole gold coin” as reward for the return of a runaway man-slave named Shem.

Either the man got his slave back and paid the gold coin (presumably he was happy with the value equation) or he didn't. Either way it was pretty simple.

The point is not the medium, the message, the slave or the gold coin. The point is that the person putting up the money – the owner – was directly involved. Every ounce of intellect, experience, and judgement he had was able to be brought to bear on the decision.

Owners made their own decisions – they dealt with the media.

The first advertising is generally thought of as public criers in ancient times who circulated through the streets calling attention to the sale of such items as slaves, cattle and imports. Posters were also an early advertising medium.

The invention of movable type (c. 1450) by Johann Gutenberg made it possible to produce many copies of books and periodicals cheaply and quickly and ushered in the modern era of advertising. By the 18th Century, advertising, essentially newspaper advertising, was so prolific that in 1758 Samuel Johnson wrote in *the Idler*:

“Advertisements are now so numerous that they are very negligently perused, and it is therefore become necessary to gain attention by magnificence of promise and by eloquence sometimes sublime and sometimes pathetick.”

But it was after World War I that we must acknowledge as the era of salesmanship. Advertising was accepted as an essential tool in selling the booming output of the nation's factories. “*It pays to advertise*” became a standard slogan.

A major new advertising medium, radio, was added during the 1920s.

The depression of the 1930s brought on a searching re-examination of the entire economic system, including advertising. Total expenditures for advertising dropped to \$1,300,000,000 in 1933, less than half the 1929 total. The sales resistance of consumers forced businessmen to turn to advertising research. Researchers like A C Nielsen, George Gallup and Daniel Starch were among the pioneers in trying to determine what kind of advertising was most effective.

Thus, until relatively recently – it was the owners and businessmen who were driving the decisions about advertising and marketing, and making their own evaluations – some kind of ‘gestalt’, as to the value of such advertising and marketing.

Immediately after the war, a new medium, television, was added to the US advertising scene. With the advent of radio, television and the increasing complexity advertising agencies took on a larger and larger part.

There are records of advertising agencies as early as 1812 in London. In the later 1800s in the US, more agencies, essentially agents for the publishers emerged. However, it was really the 20th Century that saw the evolution of the advertising industry, as we know it today. And with that a middleman industry was born, creating of a chasm between the owner/businessman and the stuff of advertising and marketing.

And it has just kept on fragmenting – there are parallels in the research industry – Roy Morgan (the man not the company he founded) worked closely with Sir Keith Murdoch (father of Rupert Murdoch) in the 1940s developing an understanding of what readers wanted, how they read newspapers, what interested them, etc. Sir Keith changed his newspapers to make use of the information.

There was no middleman – no research manager, no procurement manager, no competitive quotes, no outsourcing – just business people working together to understand their market and build a business.

Despite spending the last 20 years in the business of market research, advertising, brand health, etc, I admit to having had extreme difficulty seeing the big picture – having a fundamental framework to organise all the elements, experts, metrics and “magic”, let alone being able to weigh, sort and prioritise them. We admit to having fallen foul of each of the interesting and unique ways of viewing the world of brands, and advertising, etc.

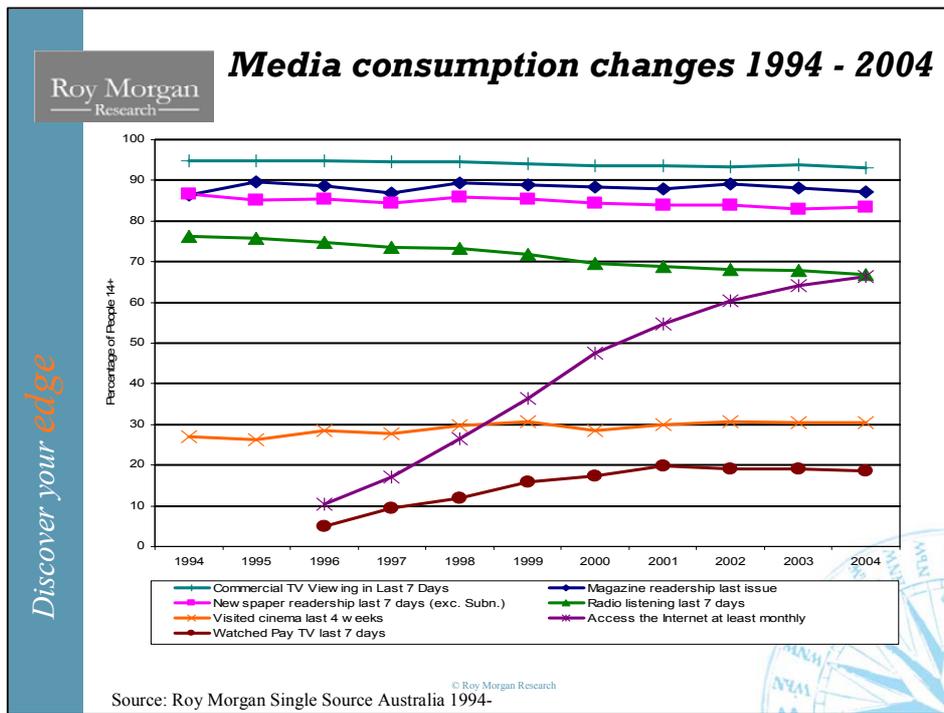
Today I want to clear away the clutter, and to focus and segment. I want to focus on the two important pieces:

- the media or communication channel; and
- the creative or the way the communication works.

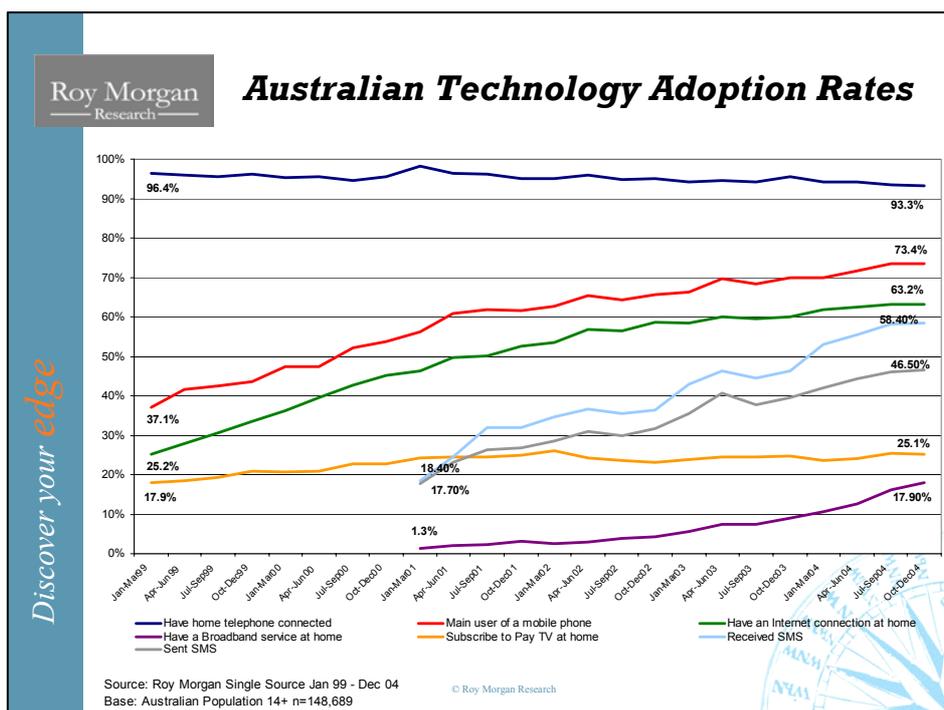
Looking first at the media, or the communication channel.

Not so long ago, if you wanted to introduce a new product or brand into the marketplace, you could almost guarantee to reach 90% of Australia's population by doing a Sunday Night "Road block" – that is, advertise at the same time on Channel 7, 9 and 10 during the Sunday night movie.

Then came the Internet, Pay-TV, DVDs, PlayStations, Palm Pilots, I-pods, etc. The last 10 years have seen dramatic change in media – predominantly focused on Internet take-up.



In technology broadly we see the impact of mobile phones, Internet and broadband, and an indication of fall-off of fixed line telephony.

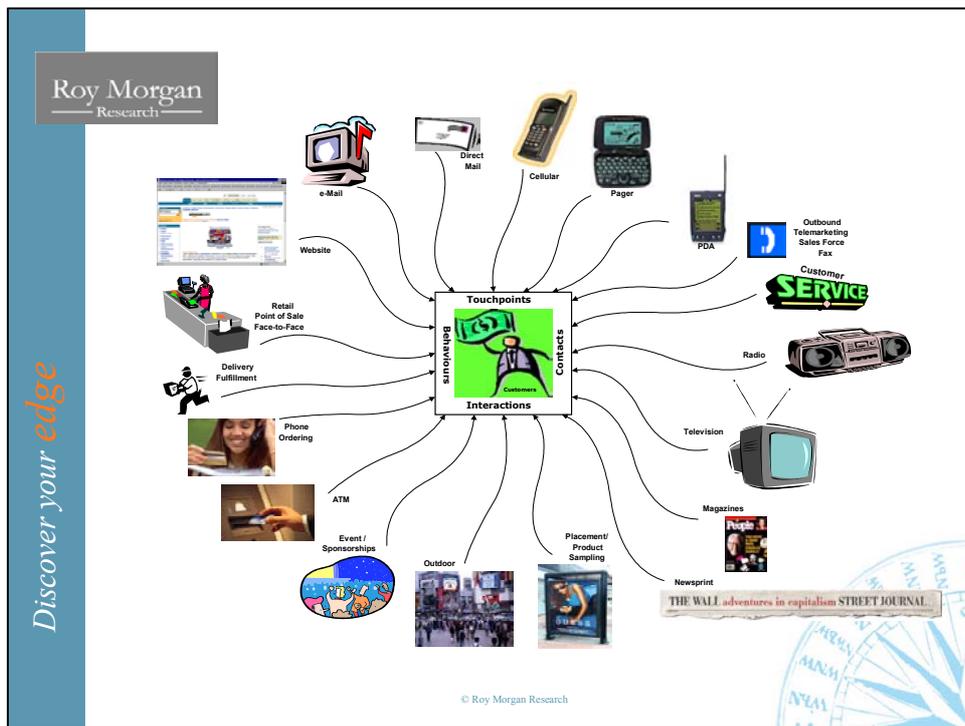


Increased comfort with the technology is obvious – with substantially more Australians now agreeing:

“Computers and technology give me more control over my life.”

“I feel comfortable giving my credit card details over the Internet.”

The channels to the consumer are now greater than ever before and increasing faster than ever.



These are all channels to the consumer's mind. Interestingly, when it comes to the concept of 'Channel to Consumer' there are, today, different measures for the different media:

- TV
- Radio
- Magazines
- Newspapers
- Cinema
- Catalogues
- Direct Mail
- Internet

Broadly speaking, radio and print are measured in terms of OTS (Opportunities-To-See) Internet by measures of hits or visits, or some combination, and until recently direct mail - or addressed mail was measured either in '000s of letters or in '000s of responses.

The real problem, everywhere in the world, is that the 'metrics' do not migrate easily across the different views - UNTIL NOW.

The obvious questions are:

- Why do we need measures?
- Why are the methodologies different?
- Why are the measures different?

These are the questions we articulated and answered in the mid '90s and they have shaped the direction of Roy Morgan Research's media measurement ever since.

Why do we need measures? The need for measures is all about currency:

- currency for buying 'space';
- currency for planning;
- currency for evaluating performance; and
- currency for advertisers to know that the \$'s spent in advertising have some financial logic.

Why are the methodologies and measures different? The reason for the different methodologies has to do with:

- technology;
- the way the media is distributed;
- costs;
- end-user needs and willingness to pay, and
- history!

The real question was and still is "*How do we move forward?*"

At Roy Morgan Research, in order to move forward, we listen to our clients and look at what's changed and what's still the same.

What's changed? So much has changed:

- Technology changed what we measure and how we can measure it; we have new media; the new and the old media are converging; and media is converging with communications.
- Users/clients have become more demanding, more sophisticated and increasingly more practical.
- Social changes have also come into play.
- The economics of information are changing (collecting, analysing and reporting and data integration).

The market itself has changed with moves to larger media buying houses, and globalisation of markets and marketing.

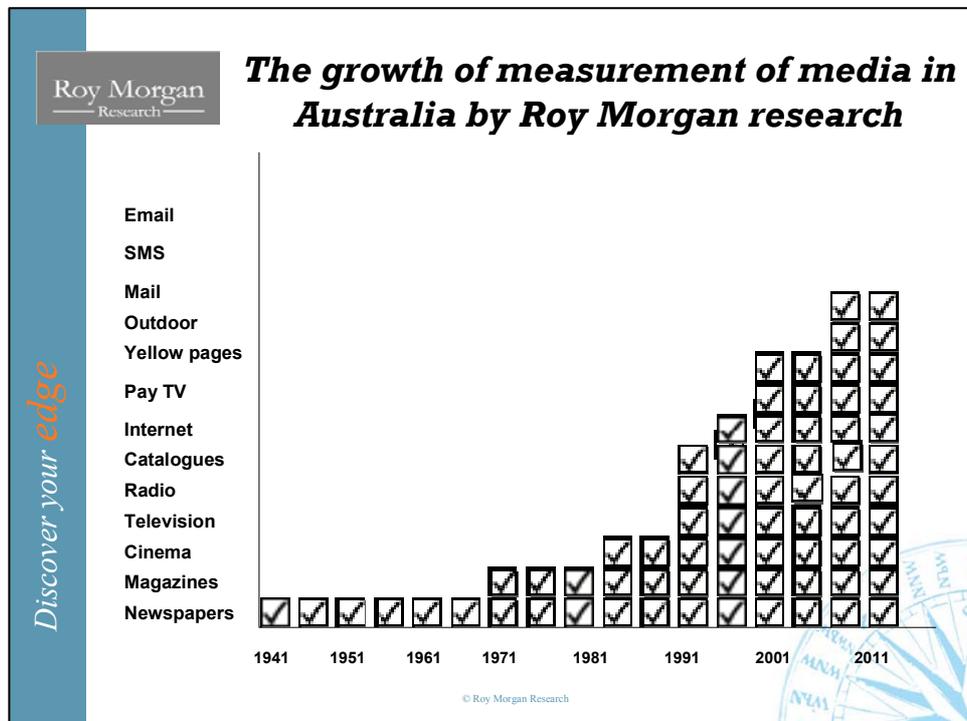
And what is the same? At Roy Morgan Research we have come to the conclusion three things are still the same:

- First, the end consumer - is still a person - watching, reading, listening and making choices.
- Second, there is still a need for some kind of currency between key negotiators - although the arena for these negotiations is changing.
- Third, the overall aim of the advertiser is still the same: **to achieve increased advertising productivity by enabling more powerful impact at lower cost.**

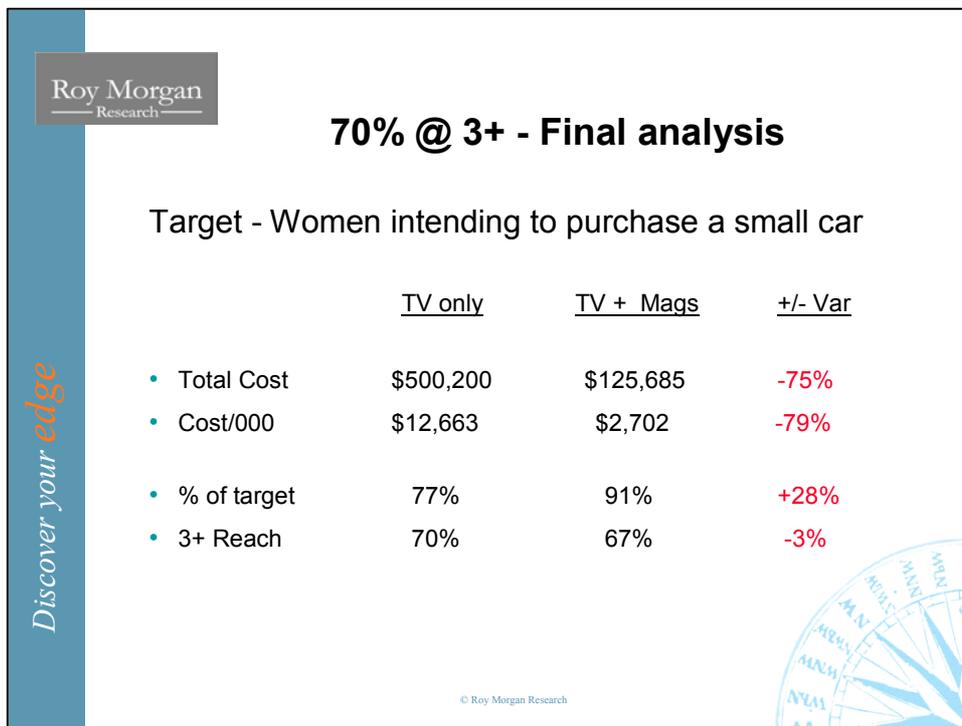
We believe the means to achieve this for the advertiser, to recognise the consumer in the equation and the changing shape of media buying is **a single focus from strategic planning through marketing, media planning into media buying.**

A single source of **authoritative information** for all media, agencies, and advertisers in all categories.

The following chart illustrates how we have taken up the various new media to build a fully integrated media neutral consumer focussed media planning tool.



Today, with the fully integrated Media Neutral single source data base, we have the measures for all these. So for instance we can show that a combination of television and print often outperforms a straight television schedule - higher reach and lower cost.



Take the medium of mail as an example. Until mail was included in the Roy Morgan Single Source system, it could not demonstrate or be judged in the complete media context

Over the last two years, working with Australia Post, we at Roy Morgan Research have been exposed to a wonderful array of creativity, innovation and technology relating to mail. This kind of innovative technological change, continuous improvement, has itself become almost a constant. Australia Post is a leader in many of these areas. Today it is just brilliant what can be delivered right into an individual's hands.

Yet the value has not been fully realised.

When we talked to some of the most influential marketers in the country about mail one message came back loud and clear –

"There is simply not enough reliable metrics to get Direct Mail 'on the radar'."

Today, based on nearly two years of work, we can now claim to have a significant understanding of consumers' consumption and interaction with direct mail, and for the first time the metrics are truly integrated – included in Roy Morgan Single Source.

In developing the methodology it was critical to ensure that the metrics for direct mail were consistent with metrics for other media.

The Complete Media Landscape

- A consideration in our survey process was to ensure a methodology consistent with the collection of TV, radio, newspaper, catalogue and internet data sources.
- We could have adopted a faster cheaper data collection process – but instead chose the gold standard – that is a diary method that a respondent fills out during the course of a week.
- This is consistent with the other forms of media and allows integration easily.

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Discover your edge

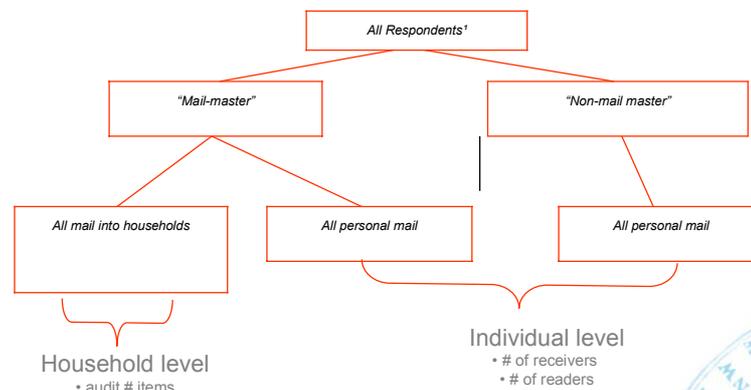
The solution was a diary in the Morgan Media Poll that Single Source respondents fill out each week. Over the period of 7 days respondents record in a diary, details of all the items of mail that come into their household and what they read. And respond to.

The concept of a "Mail Master" was also developed, tested and implemented to overcome the issue that mail is essentially an individual channel but is delivered to the household.

Every household has a "Mail Master", who collects the mail, or the task is shared. Either way, the "Mail Master" records everything that is received by the household and what happens to it (a household metric). In addition every respondent, regardless of whether they are a Mail Master or not, records what they personally received and read.

Methodology

Data capture

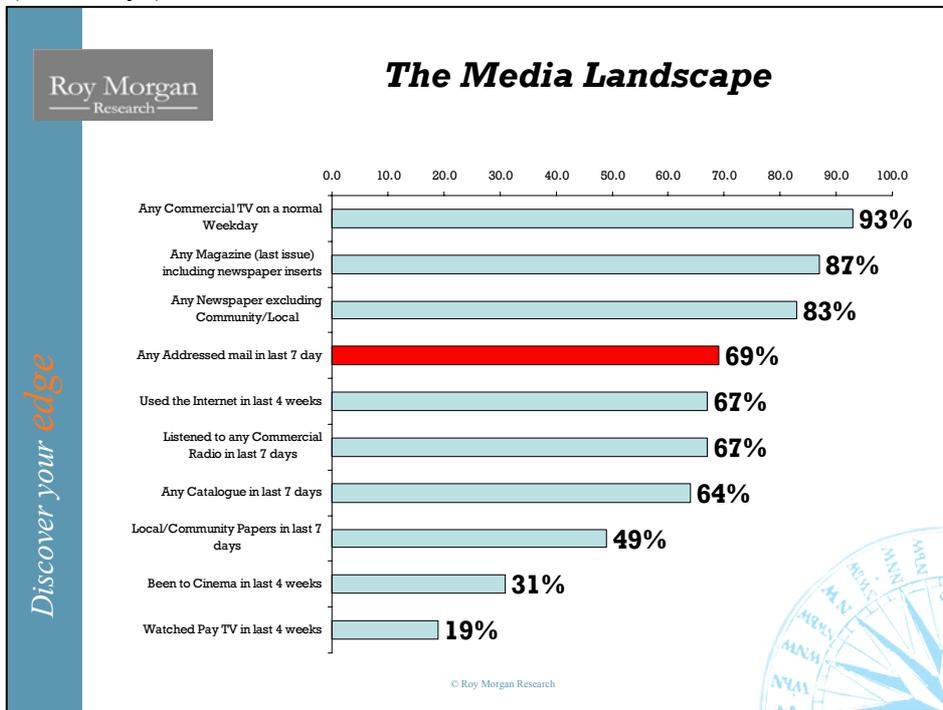


¹ Respondents to Roy Morgan Single Source Survey

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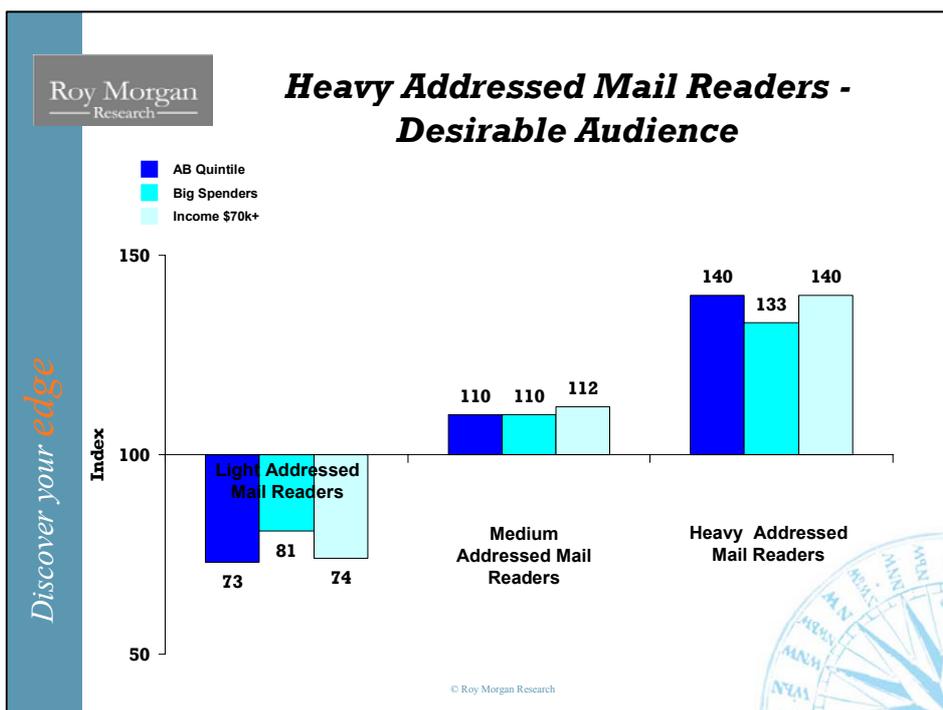
Discover your edge

At the simplest level it is now possible to see where addressed mail fits in the media equation. Almost 70% of Australians aged 14-plus read an addressed letter during the week. How does this compare to other print media? 87% read a magazine (last issue); 83% read a newspaper; 63% read a catalogue (last 7 days).



Also, we can answer not only how many, but who. **So who does read mail?** One perception was that mail is really best for time rich – income poor people who sit around all day with nothing better than to read the fine print. The evidence suggests otherwise.

Heavy mail readers (29% of population) are distinctly skewed to: Big Spenders; Wealthy; and ABs. They are 40% more likely to be "Wealthy", 33% more likely to be "Big Spenders" and 40% more likely to be in the top (AB) socio-economic quintile – in general income rich – time poor .



So now mail can take its rightful place in the media landscape. Mail can be recognised for its true value:

- to the advertiser / corporation as a means of reaching and building a relationship solus and in combination with the vast array of touch points available today;
- to the agency as a reliable uncluttered channel to the consumer which can be integrated with the other forms of communication to enable provision of an integrated media neutral solution, and a reliable currency with which to negotiate.

I use mail as an example of a medium that couldn't be mainstream until it joined the Roy Morgan Single Source system. Until Internet had measures of people it could not be mainstream. **Clicks don't translate to consumers.**

Only when we can measure and integrate a medium into the media landscape can it become truly mainstream, and truly measurable.

"But what about the unique benefits of mail?" I hear all the mail marketers muttering. What about the value to the person - individually designed to reach, attract, inform, involve and move them with the sensuality of its unique ability to deliver on all senses?

This is very much like the cry from proponents of television when we first introduced Media Neutral Audience Measures and Multi Media Schedules. *"But TV has more impact!!!"* they cried.

How do we know? That of course leads up to the next, and vitally important consideration – the "creative" – the way the communication works to move the consumer.

There is no dearth of ideas about this – good and bad, old and new.

*"Tell me and I'll forget,
Show me and I might remember,
Involve me and I'll understand."*

Benjamin Franklin

Franklin didn't mention coupons, pinboards or fridge magnets. If he had been making such profound comments in 2005 he may have added something along the lines, *"If it is delivered into my hands and magnetised and I stick it to my fridge I will likely act on it."*

Philip Kotler, in the foreword to Martin Lindstrom's latest book BRANDsense, says:

"Marketing isn't working today. New products are failing at a disastrous rate. Most advertising campaigns do not register anything distinctive in the customer's mind. Direct mail barely achieves a one percent response rate."

The recent “*Eye on Australia*” report released by Grey Advertising highlights the gulf between consumers and marketers.

- 23% of marketers thought advertising was out of touch with consumers BUT
- 60% of consumers believed advertising was irrelevant to them.

Kotler went on to say...

"Most products come across as interchangeable commodities rather than powerful brands...Distinctive Brands ... must be powered up to deliver a full sensory and emotional experience".

Kevin Roberts – CEO of Saatchi & Saatchi talks about the transformation of brands into “lovemarks” that capture “*the thrill of mystery, the immediacy of sensuality and the trust of intimacy*”.

It's a compelling idea – isn't it? Consider the Ipod – what differentiates it? – you can almost feel the tactile difference.

Harley Davidson – most bikes will out corner, out run and stop quicker – but a Harley's essence is the sound and feel.

Is the iMac faster? better? – no, but it does come in hot pink or ‘oh so cool’ white. Apple has managed to change the way we consider a computer purchase – for many it used to be about speed, size, memory – a highly technical set of parameters – in one swoop Apple shifted this paradigm of decision making by using the senses.

Kevin Roberts argues the most powerful brands embrace and reward the senses to make a connection beyond mere advertising.

But sensuality or what Martin Lindstrom, in his book, calls BRANDsense is just the latest in a number of themes in marketing advertising and communications.

It is a compelling idea, but finally, how do we know?

An interesting quote from an agency when they lost a \$70million account:

“...said the agency was seeking to produce highly creative advertising that would enhance the agency's reputation and help it hire top talent, but the (client) management insisted on using more simplistic messages”

We can smile but without the metrics, how do we know?

Today with the acquisition of communications and advertising research firm, Mapes and Ross, Roy Morgan Research is able to bring the same rigour to the measurement of the "creative" communications impact as we have done for the measurement of channels.

Mapes and Ross, operating for over 30 years, has developed a normative database and library of over 33,000 advertisements and their performance in persuading consumers to the brand.

We are calling it Ad ROI. It is about the consumer's change in brand preference. The data also includes the more traditional, but less predictive measure of 'recall'.

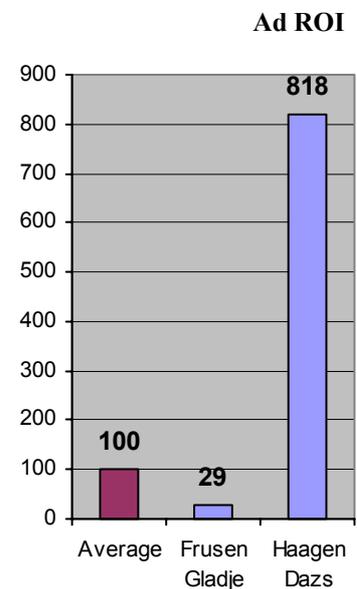
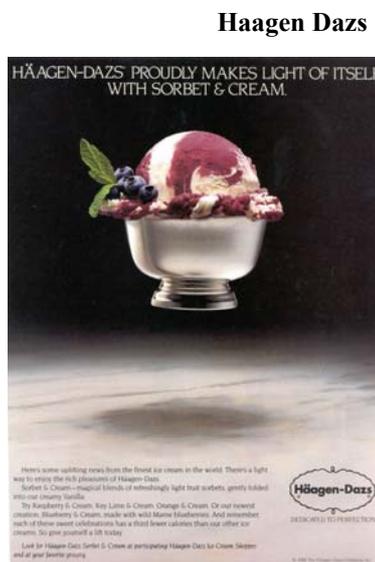
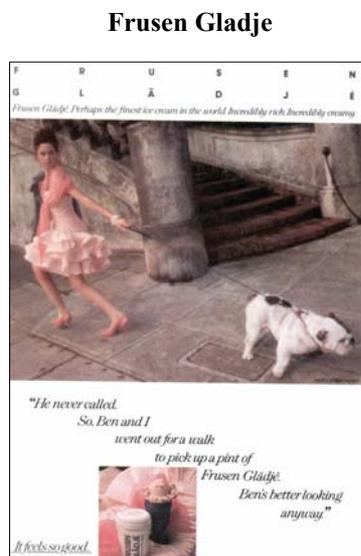
The experience and data demonstrates, not surprisingly, that not all advertisements perform equally.

The thirty years of experience and evidence has also demonstrated the enduring importance of some fundamental principles of communications.

Our research shows that the **main ad visual** is the single most important element of a print ad. Visuals which "tell the story" are more effective than ads where the visual is misleading or indirect. Advertisers can often determine if a print ad will be effective if, in the development stage, they look at the main visual, ignoring other ad elements such as the detailed copy and ask two questions:

- What is the advertised category?
- What is the advertiser trying to tell me about it?

For example, below are two magazine ads for brands of ice cream. By looking at the illustration of each ad separately, how well could you answer what product is being advertised in each case, and what the advertiser is trying to tell customers about the product?



In terms of persuasion performance, if an average ad returns \$100,000, the Frusen Gladje ad on the left returns \$29,000 while the Haagen-Dazs ad on the right returns \$818,000.

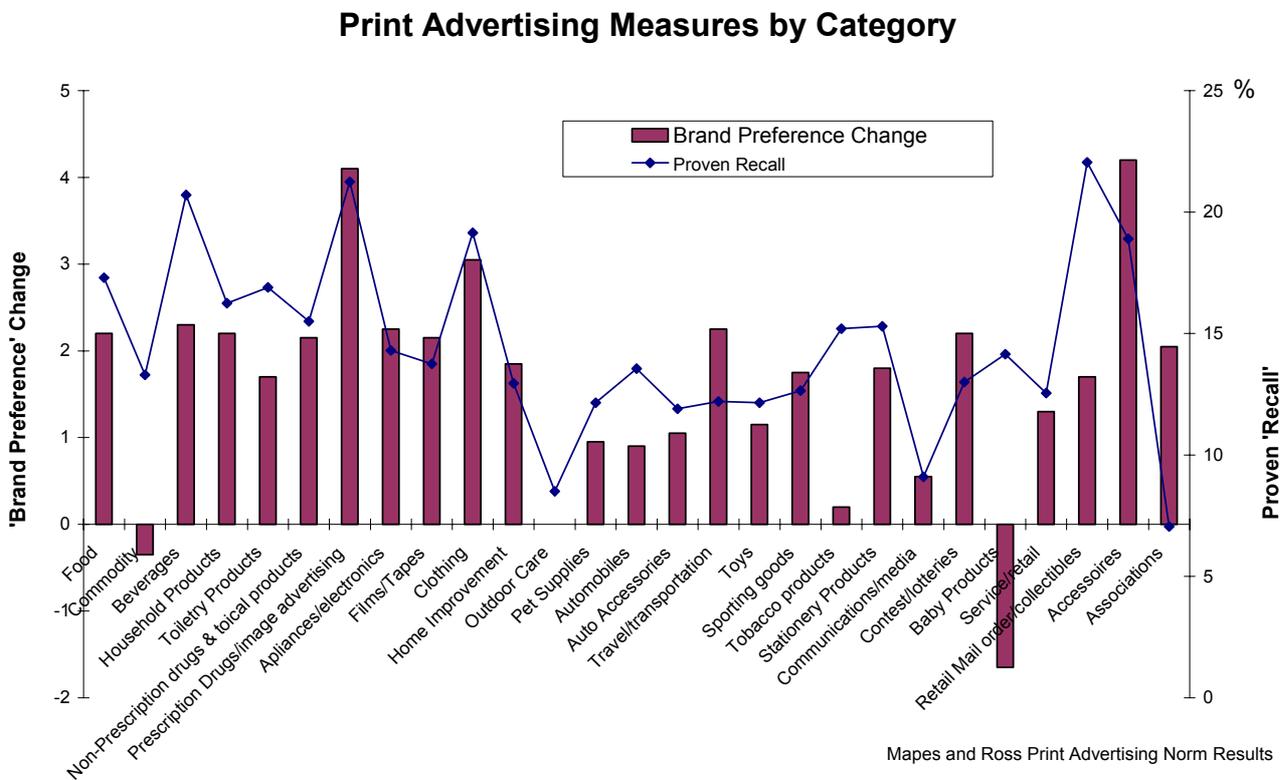
An examination of some trends from the Mapes and Ross normative database is revealing. First, there is little difference in average 'recall' scores between print and television. The proven recall norm for over 8,000 print tests on 1.2 million people is 20.1%, the norm for 25,000 television tests is 22.1%.

On the other hand, there is a large difference in the scores for ‘brand preference’ change or Ad ROI between television and print. The average ‘brand preference’ change score for television is 8.1% and for print it is 2.0%. That is only 2% of those that were exposed to an advertisement in print were likely to have changed their preference to the brand that was advertised.

This of course refers only to print advertising as measured. It does not reflect the potential of print as a medium to deliver very strong results. Good print ads can deliver higher Ad ROI than television.

The product category makes a difference to performance. ‘Recall’ levels across twenty-seven categories vary significantly in print media and television media alike. The variation in recall for a ‘full-page’ magazine advertisement by people aged 18–65 years across all category norms ranges from a low of 7.1% to a high of 22.1%. The variation in average 'brand preference' change is also quite large, ranging from -1.7% to 3.1%.

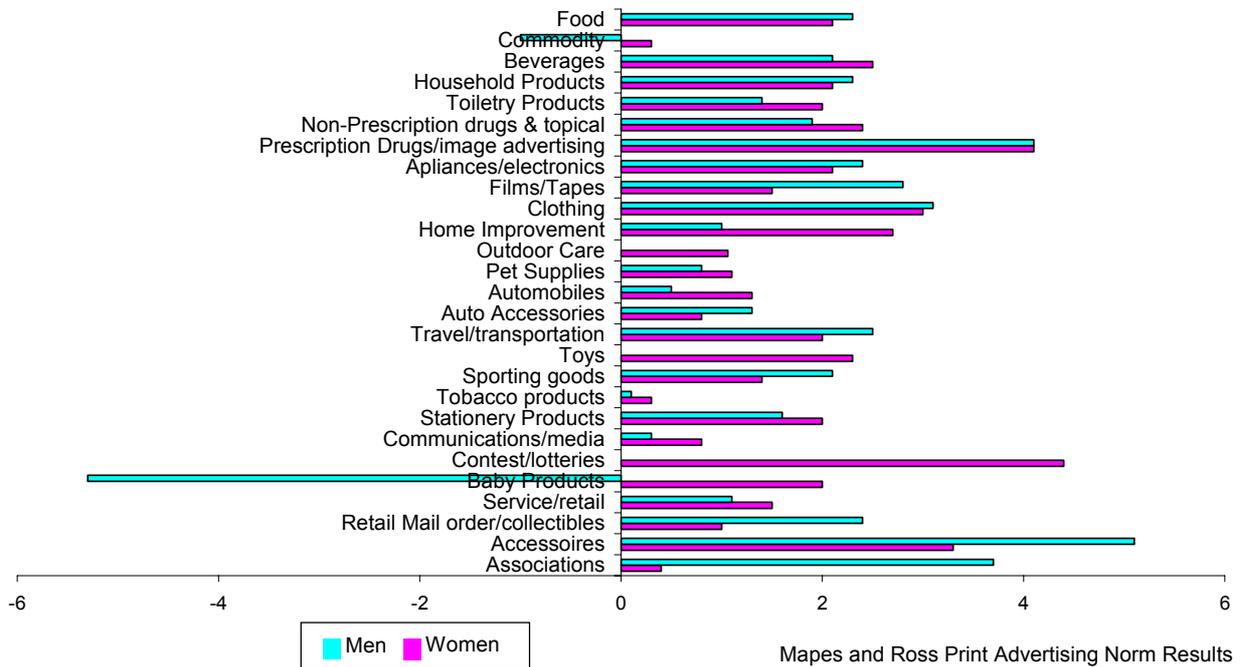
It should be noted that recall and persuasion (as measured by brand preference change) are not necessarily related. Some categories (for example mail order) will have high 'recall scores' but low 'brand preference' change scores.



The target audience makes a difference to performance.

The difference in scores of both ‘brand preference’ and recall will also vary depending on the target group. Analyses of the normative scores for measures of recall and brand preference change by gender show that the target audience has an effect on the outcome. This demonstrates the effect that relevance to the audience has on the success of advertising. For example, the norm on brand preference change for baby products amongst men is -5.3% whereas it is 2.0% for women. Sporting goods has a brand preference change norm of 2.3% for men but only 1.4% for women.

‘Brand Preference’ Change Scores by Category - Males vs Females



So today whether you are considering advertising through a mobile phone, in a newspaper or with a scented message through the mail, fundamentals are the same – it’s about the consumer.

How many will you reach, and who are they?
 How many of the right ones will you persuade?

The unique combination of totally integrated media neutral audience data and Ad ROI allows you to answer those questions, and provides guidance for getting it right.

It’s not so hard after all.

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