ADVERTISING

The Marketing Communications Research centre at the Cranfield School of Management was appointed in 1958 to undertake in collaboration with British industry, studies to improve the knowledge and practice of marketing communications, and to provide a forum for the confidential exchange and systematizing of advertising experience since that data the cross fertilization between some thirty major sponsoring firms and organizations (accounting together for more than 14% of the UK's total consumer advertising) and between them and the staff of the Centre has resulted in the production of a number of highly significant studies of advertising practice and its underlying theory. It has also helped sponsor companies to shape their own practical knowledge into a more structured form.

The sponsors of the Centre since its formation include Beecham, BP, British Tourist Authority, British Road Services, Cadbury Schweppes, Campbells Soups, Corn Products Corporation, Crown Paints, Dunlop, Esso Gas Coal Board, national Dairy Council, Nestle, Philips Electrical, Post Office, Rank Hovis McDougall, Spear & Jackson, Red International, Rowntree Mackintosh, Spillers, Vine Products, Volkswagen, Watney Mann, and Weetabix.

Given below are excerpts from two studies (I) 'Advertising Wearout and Advertising Cost effectiveness and (ii) deciding how much to Spend on Advertising'.

1. ADVERTISING WEAROUT AND ADVERTISING COST EFFECTIVENES

☞ **Some Key questions for marketing management**

1. Are we running our advertisements too long or too often so that boredom reduces their effect or are we changing them too frequently and thus not only incurring unnecessary cost but also losing the benefits of continuity and reinforcement?

2. For good communications, what is the best balance between variety and repetition?

3. Does the effectiveness of our campaigns fall off because the actual advertisements wear out, or because the weight of our total expenditure goes beyond the economic saturation level?

4. Do we change our advertisements because we and our agency are bored with them, or because we have evidence that they no longer work? Are we using the right criteria for the judgement? Do we sufficiently take into account different market segments and the differences between good and poor prospects for our products?

5. Should a worn out campaign be thrown away, or simply rested? Is it that the advertisements are worn out or that the level of response to our advertising as a whole is suffering diminishing returns?

6. Is wearout less likely to occur if our budget allocations follow a 'drip' rather than a 'continuous' strategy?

activity being advertised, and the degree of credibility given to advertising claims. These interact with each other and with the difference between different segments of the market in complicated ways, and sometimes in unexpected ones, in that, for example, advertising response may diminish, as a result of wearout as one moves from the people who are very interested in the product field to people who are less interested, but then rise again as one reaches the group of people who were originally hardly interested at all. And experience suggests that wearout is less likely to occur in product fields where the total weight of advertising is not heavy, or where there is marked seasonality. Indeed, this question of seasonality underlines the probability that wearout is a function not only of advertising weight but also on the way that weight is distributed over time, and this throws some light on the continuing controversy about whether advertising expenditure is more efficient deployed continuously or in bursts-and indeed, whether the burst approach may make it possible to reduce expenditure without reducing advertising response.

ADVERTISING COST-EFFECTIVENESS

In measuring advertising response-using a criteria brand awareness, advertising recall, acceptance of the product claims insufficient care is taken to distinguish between the reactions of the people on whom the advertising is likely to work (of whom the most significant are the present users, regular or occasional, heavy or light) and of those who, for one reason or another, are going to be very difficult to get into the advertiser's net. Frequent changes of theme and treatment might be needed to stimulate the interest of the latter group for what it is worth but for the first group, who normally provide the advertiser with the overwhelming bulk of his sales, our findings suggest that up to a point (and that point rather further than is commonly supposed) each successive exposure after a decent interval to a particular advertisement may help to reinforce the persuasive effectiveness of its predecessors. These considerations, however, point to a different way of regarding advertising wearout, of great significance to the corporate problems of allocating resources to advertising at the most cost effective level. This involves looking not so much at the wearout of particular themes or treatments as at the pattern of wearout of the brand's advertising weight and frequency as a whole, and determining whether it is in excess of that which is leading to diminishing returns. To reach out and attempt to communicate with the most unlikely customers at the far end of the market can require a very high level of expenditure, the consequence of which may be that customers at the effective end of the market are exposed to a weight and frequency considerably greater than is needed to perform the designated advertising task among them. Such excessive exposure will not necessarily turn them away (though it may result in premature wearout of particular themes or treatments) but it means that the advertising response per pound spent may be far lower than it need be not because the response itself is lower, but because more pounds have been spent.

THE TASK APPROACH

Most other methods view advertising as an unavoidable cost: the task approach positions it as a method of helping the business to achieve a particular set of objectives.

This method requires the manager to define very clearly the role advertising is expected to perform in the marketing plan, and what specific objectives advertising is required to meet within the overall marketing objectives. He must also formulate ways in which those objectives can be attained, and calculate the costs involved.

Most other methods start with an advertising budget advanced as a single amount, with funds subsequently allocated as the outcome of arguments about reinforcing strength, supporting weakness, exploiting potential, and so on, all lined with 'what can be afforded'. Advertising objectives must be closely related to marketing objectives, and it is necessary at all times to determine whether a particular objective is worth pursuing relative to its cost.

The task approach method is less simple than it seems: it is likely to involve the use of some forms of marketing and advertising models, even if the data fed into them must be estimated or even guessed. The discipline of having to distinguish between the various functions of advertising, of having to assess their role and value in the total pattern, and of having to arrive at a clear understanding of how advertising works (or at least a specification of the assumptions about this being used) is in one sense no more than good business housekeeping-which is one reason why it is not universally popular.

But what has emerged from our work is that it is the task approach, deployed against the background of an appropriate model and within the framework of the company's overall marketing and financial requirements, which offers the most efficient method of determining advertising budgets with the maximum cost effectiveness and the minimum prodigality.

END

Since the coverage and frequency offered by different advertising media are more easily quantified than is creative content, the effects of changes in media strategy are rather more measurable. The fact that most of the advertising budget is spent on media highlights the interaction of media decisions and budgets decisions. The size of the budget acts as a limiting factor in media choice; equally the choice of certain media may prescribe minimum budget levels. At the operating strata of management of course specific details of media plans are usually available when making particular budget decisions, but the unavoidable interdependence may well be forgotten when over all advertising expenditure budgets are under review at the corporate level.

The fixed A/S ratio

This policy has the advantage of being simple to apply and, in the absence of any precise knowledge of what level of sales will result from what level of advertising activity, ensures that advertising expenditures vary at least with what the company or brand feels it can afford. It may even encourage the manager to look at the relationship between advertising costs, selling prices and profits, when considering whether the 'right' ratio is being applied. And, of course, it is the difficulty of determining what is the right ratio in the first place that provides the principal drawback to this approach. It has other shortcomings, however. On theoretical grounds, it implies that sales generate advertising, which encourages the conduct of advertising by habit and the devoting of insufficient thought to why it is undertaken at all. Using the ratio between past advertising and sales may under or over estimate present needs in changing circumstances. The method discourages adventure and experiment, and the dependence of the advertising budget on fluctuating yearly sales is likely to inhibit the long term planning of advertising investment.

One reason for the method's popularity at Board level (apart from its being a way of avoiding arguments) is that it makes advertising a variable cost, and is therefore thought by the accountants to make it more controllable.

The analysis we have conducted in collaboration with out participating sponsors have indicated an enormous range in A/S ratios, with variations related both to the nature of the product category and to the stage of life cycle at which the product stands. Taking the average A/S ratio of our admittedly small sample of products as 100, the ratio for relatively new types of products was 275, for established durable 120, for established consumables 60, and for commodities only 6. In the life cycle and analysis, products in their introductory stages had a ratio of 295, those in growth stages 60 and those in maturity 25; for products recognized as being in decline, however the ratio was 102. This last is a particularly interesting finding, suggesting (on the assumption that the manufacturers in question know what they are doing) that great marginal effectiveness may be derived from advertising when market trends are not on your side than when they are.

Incidentally, further analysis of the same data indicated a highly significant relationship between high A/S ratios and small market shares held by 'own label' products.

CURRENT COST, OR INVESTMENT

Although it is generally argued that the criterion of how heavily to spend is the profit requirement of the company, the distinction is often overlooked between short term and long term requirements. Yet advertising expenditure can have long lasting effects. It is difficult to describe the role of advertising without using such terms as 'investment' and 'pay-off period'.

In view of the nature of the process by which appropriations are set, and the delayed effects which advertising often produces, it can be argued that advertising expenditure belong in the capital budget, rather than among the running costs. For a new product, capital payback and profit may be foreseen over quite a lengthy period: for a declining product, the marketing strategy might be the maintenance of a high level of contribution to overheads, even though the product in itself may no longer be very profitable. These are both long term goals, and the advertising inputs aimed at helping their achievement can well be regarded as investment.

For budgeting purposes, understanding of the nature of the delayed effects of advertising (the carry over) can be extremely important. Two types of this can be distinguished: the delayed responses effects, where there is a gap between the advertising expenditure and the time the resultant purchase occurs, and the customer retention effects, where sales generated from new customers gained by advertising in the period may continue for many periods after the advertising has ceased. In the celebrated case history of Lydia Pinkham Vegetable Compound, for example, it has been argued in at least one analysis that while only 50% of the advertising money came back in the period of the advertising, a further 163 per cent came back in the long term. There are other such examples while yet others show contrary findings. Each case is specific to a particular product. Yet while no general formulae exist, it is possible to identify certain guidelines, and the subject can be of major significance to a company facing a profit or cash flow shortage and considering an increasing in current sales which would only aggravate the situation.

THE MEDIA AND CREATIVE FACTORS

It is difficult enough to try to measure the effect of advertising in general on sales or profit performance it has proved virtually impossible to assess quantitatively the effect of the creative factor, and we in our researches have found remarkably few advertisers able to claim to have identified with any degree of precision the effects of creative content though the mythology of advertising is rich in unsubstantiated self congratulation. Nevertheless since many of them have produced examples where changed advertisement content was at least associated in some degree with favorable changes in brand performance and the advertising was believed to be a contributory factor, it is not illogical to suppose that the size of an advertising budget required to attain a given marketing objective will be smaller the more efficient is the creative content of the advertisements themselves.

Fixed expenditure per unit of sales. Although expressed in different terms so much per case for advertising and born of standard costing procedures, this method is not all that different in its effect, in the short term, from the previous one.

Cost per capita. In this approach, which is used mainly by industrial advertisers, the advertiser calculates the advertising cost per head for his present customers and, when he wishes to gain more, increases his expenditure pro rata.

Matching competitors advertising. With this method the aim is to copy competitors, either in absolute amounts or in A/S ratio, on the assumption either than these competitors know the right amount to spend or that there is a market 'norm' which must be adhered to.

Matching advertising to brand share. This is an apparently sophisticated approach, based in fact on rather simplistic analysis. It is essentially a development of the previous one.

The marginal return approach. The cost of an extra unit of advertising activity is compared with the increased profit which is expected in consequences. A standard technique in direct response advertising. It becomes very complicated when there are other factors in the marketing mix and has to be used in conjunction with marketing models.

The task approach. An advertising objective, or set of objectives, is postulated, and the resources to meet those objectives costed to give the total budget required. This may, of course, turn out to be quite an unrealistic figure, so that the costs have to be related to the expected sales or profit outcome of attaining the objectives. This also will normally involve some type of market modeling. Even if only in a simple form.

Marketing models. These are designed to describe the relationships between sales or profit and the main elements in marketing mix including advertising and from these relationships it is theoretically possible to determine the optimum advertising budget. The technical problems involved in gathering and interpreting the necessary data are, however, formidable.

Media weight tests. The theory behind this approach is that if, in a test situation, a given weight of advertising expenditure produces a particular level the level of advertising in the total market which will produce a required level of sales can be deduced. For a variety of reasons, the theory rarely works in this way.

At this point two major issues have to be considered: the extent to which advertising should be regarded as a current cost or as an investment, and the extent to which it is possible to determine the appropriate level of advertising expenditure without at least trying to assess the communicative efficiency with which that money is actually spent.

employed but positively clung to precisely to side step the intellectual agony involved in putting the firm's whole advertising approach under scrutiny.

Where it is possible to arrive at an exact measure of advertising or sales effectiveness per pound spent, of course, the problem of how much to spend largely solves itself. But such precision in measurement is rare, except in the special case of direct response advertising, or where the advertiser is satisfied that the possibility of applying econometric or other sophisticated analytical techniques gives him an equally trustworthy measure. Most advertisers, unfortunately are not in this position; indeed it may legitimately be suggested that it is those who are the heaviest spenders who are least able to be dogmatic about the effects of their advertising investment, since they above all are the people whose performance is so much affected by other marketing factors.

Of the wide variety, sub varieties and combinations of methods used by advertisers for the determination of advertising budgets, fifteen are summarized below. Some of them may strike the more thoughtful reader as decidedly odd and somewhat short on logic. It must nevertheless be remembered that the managers who use even the oddest of these methods are for the most part involved in the running of not wholly unsuccessful business whether those business would be more successful, and more profitable. if more care were taken in this area, is perhaps another matter.

FIFTEEN WAYS OF FIXING THE BUDGET

Intuitive ,or rule-of-thumb. This is someone's subjective assessment of 'what should do the job' and is an amalgam of hunch and experience (experience being what has been done before, not necessarily having regard to its outcome). It is very dependent upon the person making the decision: should he be replaced, a different view may be taken.

Maintaining previous expenditure: The advertiser aims to spend the same amount from year to year, with perhaps adjustments to take account of inflation in advertising costs. It treats advertising as a fixed cost, and rarely involves any attempt to discover what its effects are.

The affordable method: This method, spending 'as much as can be afforded' (which means what is left over after all other cost and profit requirements have been met) is not one which many firms claim to follow.

Residue after last year's profits: Often regarded as being a ploughing back of profit, or as re-investment in advertising of the surplus from the previous year.

Percentage of gross margin. This keeps advertising expenditure in proportion to turnover and profits, but begs the question of what advertising is for, or how its cost-efficiency may be improved.

Percentage of forecast sales turnover: This is by far the most common method, and essentially is reflected in the concept of the advertising to sales (A/S) ratio.

boring. It requires careful consideration of the way the various type of advertising responses (brand awareness, product claims, consumer attitudes, willingness to purchase, and so on) have been built up what levels they have reached, and what decay they have been subject to all with due attention paid to the difference between the different segments of the target market most particularly to the distinction between good and poor prospect.

II DECIDING HOW MUCH TO SPEND ON ADVERTISING

☞ **Some key questions for marketing management**

1. What are the basic principles we follow in determining the amount of money we allocate to advertising or have we not considered the subject in that way?

2. Do we regard advertising as wholly a current cost, or as containing some element of investment? What are the implications of this when we have profits or cash flow under pressure?

3. If we change our advertising strategy or practice, or even our agency, in order to make our marking communications more efficient, does this mean we can reduce our expenditure

4. Is the amount we allocate to advertising determined by the need to meet clearly defined advertising objectives, or is it simply a roughly constant proportion of past or forecast sales? If the latter who arrived at that proportion in the first place, and are we satisfied that it is still the right one?

5. Have we thought-through the way in which we implicitly assume advertising works, to ensure that we are spending our money to attain specific objectives rather than as a matter of habit or convention.

DETERMINING THE ADVERTISING BUDGET

The wide divergence often found between what an advertiser thinks he is doing and what he actually does in practice indicates that this is an area of managerial activity replete with confusion.

What has emerged extremely clearly from our research, however, is that there is no formula, which is appropriate to all situations and all products at all, times. There is no way of avoiding the need to understand the market situation, and to determine on the basis of this the advertising requirement appropriate to the planned marketing policy. There is some evidence that in many instances a conventional formula is not merely

ADVERTISING THRESHOLDS AND DECAY

This problem is, in fact, closely related to the problem of advertising thresholds the problem of how much money need be spent, in total or in particular media over what time and with what weights and frequencies in order that the advertiser may make his voice and his advertising message be effectively communicated above what is popularly called the noise our research has shown that this particular topic even more confusing for the advertiser than that of wearout, though subject to many of the same factors and even more internal and external pressures.

Another closely related problem, which may be regarded as the mirror image of advertising wearout, is that of advertising decay. The effects of an advertising campaign, or even of an individual advertisement, can last for some time, the length of that time being dependent on a large number of different factors (some of which though not all, it is possible to identify and evaluate). This fading way for effect is what is meant by advertising decay; most advertisers take it into account in their planning though our research indicated that those of them who trouble to measure it are likely to regard it as much less rapid than those who do not.

IMPLICATIONS FOR PRACTICE

This has major implications for the assessment of advertising wearout. If advertising has reached a level approaching saturation in practical expenditure terms (or the limit of cost-effectiveness) and has not had time to decay to any material extent then its repetition is likely to add little if anything to advertising response, and whatever it does add will be at an unacceptably high cost: in these terms, therefore, the advertising is worn out. On the other hand, if sufficient time has passed for the effect of the original campaign to have started decaying, then repetition or reinstatement of the advertising may boost the response back to its optimum level. The saw tooth pattern of response this produce has been around in advertising theory for quite a time but it has also been confirmed in practice in many actual case histories. Its acceptance has led a number of major advertisers to plan their advertising strategy on a burst rather on a drip basis, in the belief (for which they have some evidence) that in doing so they have been able to save a great deal of money.

It may seem paradoxical that a campaign, theme or treatment, which is worn out, in November, should prove to be not worn out in the following February, but the explanation lies in the ambiguity for the term. Whereas a worn-out carpet will never refurbish itself however long it is left, a man who goes to bed worn out with work (or play) can awake refreshed after a night's sleep and advertising is a dynamic entity, not a static one. Even this analogy is not perfect, however, for what has emerged form our studies is the need for an approach recognizing that it is not the advertising which wears out but the response to that advertising.

The judgement that particular advertising has suffered wearout, therefore, cannot be arrived at by the advertiser and his agency looking at it and deciding that they now find it responsibility for the marketing objective (over and above the advertising objectives) and the blame if they are not attained.

WEAROUT IN THE MARKETING CONTEXT

This reflects the tendency to treat advertising as the scapegoat for deterioration in the marketing situation which may really be attributable to other factors, and to suppose without any real evidence that changes in advertising themes or campaigns can be expected to provide immediate salvation (which they usually do not); this will often lead to change of advertising agency, which may also be quite unnecessary and not particularly fruitful. In parallel with this is the unhappy confusion in many advertisers' minds between (i) advertising themes and treatments judged worn out because of the weight or time effects of their exposure, and (ii) circumstances where, because the market situation has changed, the marketing objectives have been modified, leading to a modification of the advertising objective and, in consequence, to a need for change in the advertising platform.

The four main criteria by which advertising performance (as opposed to marketing performance) is usually measured – product-awareness, acceptance of product claim, attitude to the product, and willingness to purchase (not all of them, incidentally, being necessarily the key criteria in any particular market situation) do not build up at identical rates for given advertising pressures by weight or time. It can therefore happen that a particular campaign or theme can be worn out for one purpose before it has reached adequate productivity for another: for example, brand awareness (which is easy to measure) may have ceased to increase as the advertising is repeated, while willingness to purchase (a much more difficult thing on which to get a reliable line, but of considerably greater marketing significance) is still building up, having required more time to get under way. In this situation, to cut of the theme of campaign on the 'awareness' criterion would be to sink the ship in sight of land.

OTHER FACTORS AFFECTING WEAROUT

Different segments of the target market exhibit different patterns. The most obvious segmentation, is between people who use the brand (not necessarily exclusively) and those who do not. There is a good deal of evidence that among existing customers-familiarity and repetition of existing advertising themes, and even treatments, are major factors in reinforcing brand loyalty, and should not lightly be discarded. At the far end of the non-user segment, people who for one reason or another are antagonistic to the brand, and do not find the copy claims credible, are likely to become more irritated, hostile and incredulous with every repetition to which they are exposed. If research into wearout does not isolate groups like this, and discard them from consideration a distorted picture can emerge of the mileage still to be got from the advertising in the real potential market.

There are two other major factors which we have found to affect the pattern of wearout: interest and involvement on the part of the target audience with the type of product or

What is Wearout?

Advertising wearout can be understood in two senses. One relates to the situation in which the advertising response generated by a given advertising campaign theme or treatment starts falling away to a level insufficient to justify its cost. A second situation is found where advertising response falls away not because of any particular fault in the advertisements as such, but by reason of the level of saturation or even overkill, reached by the weight of frequency of the advertising as a whole.

How Advertisers Approach the Problem

Much of the work done on the theory of advertising suggests that (except in special circumstances) individual advertising themes and treatments are not all that subject to rapid wearout, and that repetition is quite as important as variety in good communications.

There are, however, a number of pressures for more frequent change-the agency concerned to show that it is on the ball, and the client concerned that the agency should not earn its commission too easily; a new agency concerned to demonstrate its superiority to its predecessor, and new brand management concerned to demonstrate its zeal; boredom with the advertising on the part of the advertiser or the agency (without reference necessarily being made to the reaction of the target consumer), and so on. Hence advertising themes and treatments are rarely allowed to run into wearout situations, while disquiet is felt at the possibility that they are being changed too often. Despite this, only about a quarter or the advertisers take any serious steps in consequence to seek for evidence one way or the other.

Associated with this is the fact that virtually none of the major advertisers studied has established any norms for the number of times campaign themes may be used: even those who monitor advertising performance in detail have determined no broad estimates of saturation rates in any overall sense. Of the three definitions of wearout most commonly advanced, only the first 'advertising which has become so familiar that it ceases to evoke the desired response' is even susceptible of measurement: the two next, 'advertising which has become boring' and 'advertising whose theme has become boring' are highly subjective and liable to be irrelevant, and it is hardly surprising that the most common procedure for judgement appears to be 'consensus of opinion within the company' which may or may not provide a sound basis.

The next most common criterion, 'a decrease in awareness levels of the advertising", is valid only if positive awareness of the advertising as such guarantees advertising effectiveness – which is often believed to be the case, but which our studies show may well not be while the two next, 'a decrease in the product rating or preference vis a vis competition' and 'a decrease in market share or sales', wrongly put on to advertising the