Introduction to the Cross Media Optimization Study

Greg Stuart
CEO
“Advertising is the last area of spending where the return on investment is not known. Because of this, it tends to be the first area to be cut.”

Dr. Pete Sealey

- Professor, Berkeley’s Haas Graduate School of Business
- Former head of Marketing for Coca-Cola
Largest Cross Media Study Ever Conducted

Landmark study methodology assesses “Cost Effectiveness” of each Medium

Scientifically evaluates real world, in-market campaigns

Marketers carefully considered methodology
Introducing the Participants

**IAB**: The organizing Association

**Marketing Evolution/Rex Briggs**: Developed landmark study methodology and executed the studies

**Dynamic Logic**: Applied AdIndex® product to collect consumer views and behavior

**ARF (Advertising Research Foundation)**: Endorsed the study methodology

**Forrester Research**: Full analysis & review
State of The **Union**: Interactive Medium
Which trend matters to marketers?

Percent of time spent Online by Users


Nasdaq Composite Index

16%
14%
12%
10%
8%
6%
4%
2%
Online Delivers the Audience

Fully Two Thirds of the Adult U.S. Population is Now Online

137 Million Consumers Online

66% 34%

Source: Harris Interactive, April 2002
...And their Usage Doubles Over Time

The longer online, the more they use & engage

<table>
<thead>
<tr>
<th>Hours Per Week</th>
<th>&lt;1 year</th>
<th>1-2 years</th>
<th>2-4 years</th>
<th>4-5 years</th>
<th>5+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.5</td>
<td>7.5</td>
<td>8.8</td>
<td>11.1</td>
<td>13.2</td>
</tr>
</tbody>
</table>

Source: eMarketer; UCLA Center for Communications Policy, November, 2001
In Fact, Essential to Consumer’s Lives

When was the last time you:

- 42% Travel Info/Mo.
- 21% Map Info
- 92% News At Work
- 26% Check Quotes
- 30% “Competitive” Research
- 15% “Making New Friends”

Source: Jupiter, eMarketer, Forrester, NetRatings
# The Interactive Medium Matures

<table>
<thead>
<tr>
<th></th>
<th>Shakeout in the Number of Ad Providers</th>
<th>Better Coordination within the Industry</th>
<th>75% of Top 25 Online Ad Businesses are Profitable</th>
<th>Contracts: IAB/AAAA’s Terms &amp; Conditions</th>
<th>IAB/AAAA’s Ad Measurement Guidelines</th>
<th>Efficiencies Via IAB Rich Media Guidelines v1.0</th>
<th>IAB/AAAA Universal Ad Package</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Stronger Interactive Trade Association</td>
<td>Tripled Membership in the last 16 months</td>
<td>More than Doubled the IAB Annual Budget</td>
<td></td>
</tr>
</tbody>
</table>

- 75% of Top 25 Online Ad Businesses are Profitable
- More than Doubled the IAB Annual Budget
- Tripled Membership in the last 16 months
- Stronger Interactive Trade Association
- IAB/AAAA Universal Ad Package
- IAB/AAAA’s Ad Measurement Guidelines
- Efficiencies Via IAB Rich Media Guidelines v1.0
- Contracts: IAB/AAAA’s Terms & Conditions
- Shakeout in the Number of Ad Providers
- Better Coordination within the Industry
The Media Landscape Has Changed

Percent of adult evening viewers who can name a brand advertised watched

<table>
<thead>
<tr>
<th>Year</th>
<th>% Day After TV Recall</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>34%</td>
</tr>
<tr>
<td>1974</td>
<td>24%</td>
</tr>
<tr>
<td>1981</td>
<td>13%</td>
</tr>
<tr>
<td>2000</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: NAB (1965-1986); Nielsen (2000)
Perhaps you have questions about the **Effectiveness** of Online advertising…
1,000+ Ads Tested – Online Advertising Works!

Mean Changes for Four Measures of Effectiveness

Source: Dynamic Logic MarketNorms – Database of 400 campaigns

*All measures statistically significant at 99%; n=campaigns; between 375 and 416
The New Marketing Question

No longer talking about Why Online

Specifically, how to integrate to maximize:

- Brand Awareness
- Brand Image
- Purchase Intent & Sales
The New Marketing Mix
“When I point, look where I point, not at my finger.”

Warren McCulloch, noted neurophysiologist and father of computational neuroscience
A Word About The Methodology
The Study’s Methodology and Rigor Are Widely Accepted and Respected

*Endorsed* by the **Advertising Research Foundation** (ARF)

*Nominated* for **ESOMAR** John & Mary Goodyear Award

(Best International Research)

*Reviewed and Analyzed* by **Forrester Research**

*Endorsed* by Major Agency **Media Research Directors**
Both **Colgate** (Total Toothpaste) and **Kimberly-Clark** (Kleenex) executed companion phone studies that confirmed online is inline with other research methods.

**Message:** You can study Consumer attitudes very accurately through a *purely web-based* survey!
Common Marketers Objectives

Brand Awareness

Brand Image

Purchase Intent & Sales
Key Findings from XMOS

The major findings of the Study to date
The Key Finding of the Study

Same budget
Better results
Why does Increasing Online produce better results within the same budget?

Online advertising is typically more cost efficient at producing branding gains.

Online advertising affects:

- Value
- Effectiveness
- Coverage

Online reaches those who would otherwise not get the advertising message.
Coverage

Not Reached By TV

25%

75%

Heavier TV
Frequency Does Not Fall Evenly

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Frequency Considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>V</td>
<td>2.4</td>
</tr>
<tr>
<td>IV</td>
<td>4.3</td>
</tr>
<tr>
<td>III</td>
<td>7.6</td>
</tr>
<tr>
<td>II</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td></td>
</tr>
</tbody>
</table>

Avg. Freq by Quintile

- **Lightest**: 15%
- **Heaviest**: Frequency considered wasteful

Frequency considered not helpful
Coverage

Lightest Quintile

+15%

45%

Not Reached By TV

Heavier TV

60%
Coverage

Media potholes!
Effectiveness and Value
Effectiveness and value

Frequency: Number of OTS* ad exposures

% Purchase intent

*OTS = Opportunity to see advertisement based on GRP levels

Diminishing returns
Effectiveness and value

Branding effect vs Marketing spend

- Television
- Internet
• Brand Awareness
• Brand Image
Purchase preference
Growing Brand Awareness

The major findings of the Study to date
Growing Brand Awareness

Increasing Online is more cost effective way to build brand awareness

new M tastes menu!

Grilled Chicken Flatbread Sandwich

Grab One Now!
Product Awareness

Aided awareness: Grilled chicken flatbread sample

*4 day moving average (for greater sample size stability)

Broadcast Only
Online builds brand awareness

That’s a 3pt incremental branding gain for same budget

*Online advertising:
- 60% reach/2.0 frequency
- TV TRPs trimmed by approximately 20%

Point of diminishing returns

13.6% Of budget
Optimizing for Brand Building

60% Internet Reach

= +8.3% Awareness

6 Million or More Consumers Aware of the Product!

Recommendation

The Affect
Coverage

Effectiveness

Value
Positioning the Brand

Brand Image

The major findings of the Study to date
Building Brand Image

For McDonald’s Flatbread Sandwich…
  • New, Exciting, Different and Combination of great flavors

For Dove Nutrium Bar…
  • Nourishes your skin, contains vitamin E and relevance

For Colgate
  • Long lasting protection and complete protection

For Kleenex soft pack
  • Convenient and innovative design
Cross-media synergy

Creative reinforced the core message across media
What about the 40% of your target that are not reached by TV?
The Kleenex® TV campaign
Campaign over 8 weeks

- 25% Not Reached by TV
- 40% Lighter TV
- 60% Heavier TV

- 25% Not Reached by Online
- 40% Lighter Online
- 60% Heavier Online

Heavier TV

Lighter TV

Not Reached

By TV

By Online
Summary of branding gains among lightly reached / not reached TV audience

Positive Brand association
(top box average)

- Magazine and Online: 42%
- Magazine (no online): 39%
- Online (no mag): 39%
- No Mag or Online: 35%
Purchase Intent & Sales

The major findings of the Study to date
Effectiveness and Value

Purchase intent (top 2 box)

- **Online + Offline** (freq & 3.1): 14.2%
- **Offline Only**: 11.5%
- **Pre-campaign**: 8.7%
Cost per person affected by advertising

Online + Offline

Offline Only

Pre-campaign

0 20 40 60 80 100 120

Value

65

100
Optimizing Online

Results in a **14% increase** in purchase intent

Same Budget, **Better Results**
All Media Demonstrate Diminishing Returns

Number of advertising exposures

Average of Branding Metrics (%)

0 2 4 6 8 10 12 14 16

Frequency

20% 25% 30% 35% 40% 45%

Magazine

Online

Television
Optimizing the Dove Plan for Brand Building

Reach

85% TV
50% Print
60% Internet

Frequency

3.1 Impressions (up from 1.7)

5.5 impressions (down from 6.0) 2.0 impressions (down from 2.6)

10% in Original Plan
Colgate Total Toothpaste
Online ads increase purchase intent effect

<table>
<thead>
<tr>
<th>Condition</th>
<th>Index of Improvement in Purchase Intent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offline Only</td>
<td>100</td>
</tr>
<tr>
<td>With Online @ 7%</td>
<td>109</td>
</tr>
<tr>
<td>With Online @ 11%</td>
<td>120</td>
</tr>
</tbody>
</table>
Online is More Cost Effective than Other Media

Purchase Intent

<table>
<thead>
<tr>
<th></th>
<th>Online</th>
<th>TV</th>
<th>Magazine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Change by Other Media Indexed to Online</td>
<td>(100)</td>
<td>(123)</td>
<td>(184)</td>
</tr>
</tbody>
</table>

Effective TV and Print CPMs are compared and indexed to this number.
Purchase preference is influenced by time of day

Purchase Intent: McDonald’s Flatbread

<table>
<thead>
<tr>
<th>Time</th>
<th>Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:00</td>
<td>50%</td>
</tr>
<tr>
<td>10:00</td>
<td>45%</td>
</tr>
<tr>
<td>11:00</td>
<td>40%</td>
</tr>
<tr>
<td>12:00</td>
<td>35%</td>
</tr>
<tr>
<td>13:00</td>
<td>30%</td>
</tr>
</tbody>
</table>

Top 2

Lunch
Will You Get These Gains?

What happens if a brand really reallocated?

...Would these results show up nationally?
Key Takeaways

Same budget
Better results
Recommendation for getting the marketing mix in proper sync

1. Form a working group
   - Include key brand, agency & research teams

2. Examine how online provides coverage to your target

3. Measure Online to Offline effectiveness and value

4. Persist! Continue to reinforce the idea that with Online, our marketing mix could be optimized
## Recap: Topline Brand Results

<table>
<thead>
<tr>
<th>Results</th>
<th>Awareness</th>
<th>Brand Image</th>
<th>Purchase Intent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+8%</td>
<td>+34%</td>
<td>+7%</td>
</tr>
<tr>
<td>Brand Image</td>
<td>+14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Intent</td>
<td>+20%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Online:

<table>
<thead>
<tr>
<th>Reco % Online:</th>
<th>15%</th>
<th>13%</th>
<th>11%</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base % Online:</td>
<td>2%</td>
<td>1%</td>
<td>7%</td>
<td>2%</td>
</tr>
</tbody>
</table>

And more to come…
Thank You