

Gauging Advertising Effectiveness

By BNET Editorial

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No matter the medium, it costs to advertise. So, how do you know whether your investment is garnering a return? It starts with solid objectives that are clearly defined. From there, it's about measurement. This article will help you develop a strategy for knowing whether (and to what extent) your advertising objectives have been achieved.

What You Need to Know

Why is it important to measure the effectiveness of my ads?

Many people think that all advertising is good advertising, or that an ad on television yields the same results as an ad in the Sunday newspaper. But much depends on *how* you advertise, for there are many options to consider, whether the medium is television, radio, print, or the Internet. Knowing the impact of your advertising is critical.

Each media source usually states the impact of its advertising. Isn't that sufficient?

Keep in mind that a media source has a vested interest in making their advertising appear to be effective. But their research may be skewed toward the impact they deliver under optimal conditions. A medium's own research is unlikely to be completely objective, since it's designed to promote itself. Consider it a rough guideline.

What about agencies that offer a payment-by-results service?

You will find this primarily in direct-response advertising, where results can be measured accurately. Such advertising has an immediate call to action, so that the advertiser can know, right away, whether an ad is effective. Much depends, then, on your goals for an advertisement. Are you looking only to boost sales short term—or are you looking for something more, like building a new marketplace image? A pay-by-results agency is more focused on the former rather than the latter. In general, direct-response advertising works best when you want customers to:

- send for more information
- reply within seven days and receive a free gift

- send for a free report
- take out an annual subscription now and get the first two issues free
- call for a free consultation
- reserve now at a special price
- order now and get a big discount
- visit our Web site and find out more

What to Do

Set Measurable Objectives

The most important step to take before advertising is to think through and crystallize exactly what it is that you're trying to do. This sounds simple, but in effect, you can have many different possible objectives. Your ad will be easier to measure if you have only one or two objectives. The more objectives you have, the more difficult will be the measuring process. So, for examples, consider these as possible objectives:

- to build consumer awareness of a company, product, or service in a well-identified target market
- to broaden the known benefits to a product or service
- to generate customer leads for your sales staff or selling network
- to stimulate a direct response (Buy now! Call now!)
- to encourage customers to switch to your brand
- to draw attention to a marketing event (such as a special sale)
- to fix your store location (or Web site or phone number) in the minds of potential customers
- to underscore or heighten consumer confidence in your company or brand

There are two primary reasons to make sure your advertising objective(s) are specific and committed to before you advertise: first, you want to make sure that advertising provides an adequate return on investment and, second, you want to measure the impact of the campaign itself. In short, for the cost of the advertising, did you get an adequate return?

Make the objectives as detailed and specific as possible. For example:

- to boost our customer base by 1%
- to provide a 10% boost in customer awareness of us in our next market poll
- to assure that 25% of our target market knows where to find us on the Web

Again, the fewer objectives, the better. If you are too broad, or too vague, you may achieve only a part of the results you want—or, worse, you may never know if the advertising worked.

Measure Effectiveness via Research Techniques that You Trust

There are many services, tools, and techniques for market research. However you choose to proceed, you should definitely utilize a service in which you have confidence. Make sure you stipulate what parameters are being researched. For example, your research plan could stipulate that you will use a survey—but what's in the survey? Your research plan could promise to call 100,000 customers—but how many questions must each caller answer before the call is considered a quality response? In advertising, and research, the two golden words are “be specific.”

Pre-Test Your Advertisement

What's a good advertisement? It should do three things: have immediate impact, meet the reader's or viewer's needs, and stimulate a response.

By pulling together a panel of prospects and customers, testing their response to different prospective ads, and measuring the response from pilot campaigns, you can learn a great deal about the likelihood of a successful sales campaign. Important variables to test are:

- size of ad
- design of ad
- how “creative” the ad is
- location of ad in print or Web medium
- time that the ad hits the market
- attractiveness of a special offer (discounted price, two for one, etc.)
- existing perceptions of customers of your current products (and/or your competitors' products)

Test Brand Loyalty

Brand loyalty is a key marketing objective, helping companies to retain customers and increase their lifetime value. But market loyalty to a brand is never 100% secure. Brand switching advertising plays an important role in winning new customers as the first stage in a customer-relationship program. What you should be trying to find out is not only how loyal customers are to a competitor's brand, or yours, but what added benefits you can apply that could make customers switch.

Monitor Customer Attitudes

One of the main goals of any advertising is to change perceptions that customers have. Remember when Lee Iacocca was trying to shift market perception of the quality of Chrysler automobiles? He was everywhere (seemingly, in every medium) saying, "If you can find a better car, buy it." This was an effective campaign, but only because Iacocca's company was closely monitoring the increasingly positive perception of automobile buyers toward Chrysler.

In sum, customer perceptions change over time, so you should continually conduct research to monitor changes in customer attitude. This type of research is known as tracking research, and you can track any number of variables, such as:

- financial performance
- market perceptions
- clarity of message
- growth record and potential
- relationships with suppliers and employees
- manufacturing quality

Divide and Calculate

It's most easy in a direct-response campaign, but every advertising effort should be measured by dividing the cost of the advertising or marketing program by the number of responses—or by the measured gain you set in your objective. In short, if you sought to gain 5,000 new customers by a direct-response ad, you need to divide the actual number of new customers into your advertising cost. Similarly, if you had hoped to increase marketplace confidence in your product by 10%, and you actually tracked an increase of 15%, you would need to divide that into your costs accordingly. Obviously, this technique is a very broad measure, and it only works if you had set an initial goal that established what number of dollars would be "worth" gaining each new customer or each percent level of consumer trust.

Consider Internet Advertising

The Internet is gaining ground as a reliable medium for advertising. The advantage of the Internet is that, at little or no cost, you can test your campaign on part of your target audience. You can also experiment with different banner ad sizes. The Internet is ideal for testing messages against your

target, gauging the appeal of promotional offers and the type of message that attracts customers who buy. Before you begin in this medium, become informed on click-through rates (CTRs).

What to Avoid

You Have No Objective Criteria

It is easy to spend money on advertising. What you must avoid is *squandering* money on advertising. This will always occur if you have no sense of what you are trying to do via an advertisement. *Set objective criteria for measuring advertising performance.* The more precise and measurable the criteria, the easier it will be to conduct an objective assessment.

You Don't Measure Results

As a perceived cost savings, many will spend large on advertising but trim back on tracking the effectiveness of the campaign. You need a well-thought-through advertisement, but you also need to think through on how you will gauge the effectiveness of that ad. In short, as you think about the scope and quality of your ad, remember that this is only 75% of the process; if you don't measure the impact of the ad, you will never know how effective it was.

You Measure the Wrong Things

Set measures that are appropriate to your objectives. If you are running a consumer campaign, measure changes in customer perceptions or attitudes. If you are working on a direct-response campaign, measure actual rates of response or tracked sales. What's not going to help you is to stage a large direct-response campaign and then, after the campaign is launched, to try to track customer perception of quality. The factors that you want to measure need to be built into the campaign from the very beginning.

Where to Learn More

Book:

Briggs, Rex. *What Sticks: Why Most Advertising Fails and How to Guarantee Yours Succeeds*. Kaplan Business, 2006.

Web Site:

David Olson, "Principles of Measuring Advertising Effectiveness":
www.marketingpower.com/content1025.php

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