

THE CONTRIBUTION OF TV ADVERTISING TO BRAND BUILDING

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1. From the early days following its introduction, commercial television has generated a high level of enthusiasm on the part of companies whose brands are advertised on the air, and even more enthusiasm on the part of the agencies that write the advertisements. This enthusiasm has not weakened over the years, despite the strange fact that for most of that time the market research industry was quite unable to measure *how* television advertising actually worked to grow sales and build brands.
2. There were a number of technical difficulties in the way of measuring advertising effects, and in particular the problem of isolating the influence of advertising from that of the other forces that stimulate sales, such as sales promotions and retail distribution. The traditional research system measured sales over a two-month period, which meant that any sales increases caused by a brand's advertising, and any sales decreases caused by the advertising of competitive brands, tended to cancel out. This process left markets generally very stable. Nothing much seemed to happen to sales from period to period or even from year to year.
3. This stability inevitably prompted some researchers (but not advertisers and agency people) to question what advertising was actually doing. Since it produced no measurable results, perhaps it was only carried out for defensive reasons, i.e. to protect a brand's existing level of sales. *The reality was in fact quite different.*
4. The early 1990s saw the introduction of a more realistic research technique, which tracked individual households' purchasing of identified brands and also their reception of television advertising for those same brands. The technique, called Pure Single-Source research, is conceptually simple. But it is extremely complicated and expensive to carry out. A.C. Nielsen eventually invested the large resources necessary to install hand-held scanners in a large number of homes to identify the specific brands bought in each. They also equipped the television sets in each home with meters which were eventually able to identify the actual brands advertised in the commercials entering the homes.
5. The result was a pure and uncontaminated measure of purchasing of a brand in the households that had received advertising for it during the seven days before they bought it, and the purchasing of that same brand by the households that had *not* received such advertising.
6. The difference between the two purchasing levels became known as the brand's STAS differential (STAS being an acronym for Short-Term Advertising Strength). Some STAS

measures were soon seen to be very high: at the top end, an advertisement was shown to *double* the sales of a brand. But the range of STAS effects for different brands was shown to be very variable, and was totally dependent on the strength of the advertising idea embodied in the campaign.

7. Altogether, 30% of brands generate a strong STAS effect; 40% produce a positive but rather a small effect; and 30% have campaigns that apparently cause a reduction in sales. This is because the campaigns in question are too weak to protect the brand from creatively stronger campaigns for competitive brands which are run at the same time, and consumers buy the latter - thus depressing the sales of the brand whose STAS is being measured.
8. Although a STAS effect is temporary - merely an in-and-out phenomenon - it can be repeated across a year. This is known as the medium-term effect. If a brand is advertised *every week*, the STAS remains intact and the medium-term effect is the same as the STAS. But virtually no brands can afford to advertise continuously, which means that the effect on sales at the end of a year is invariably less than the STAS measure (which applies to one week). But an important point is that a positive STAS acts as a gatekeeper. If there is no STAS, then *no further effect is possible*.
9. In order to maintain a high level of STAS, brands must be advertised as continuously as possible. And it is normally good policy to reduce the weekly weight of advertising *to a precisely-defined minimum*, in order to deploy the money saved over more weeks of the year.
10. This strategy, which has been given the name of Continuity Planning, is now followed by a majority of major advertisers in the United States and many other countries. There is a large body of first-class evidence to demonstrate its superiority in increasing sales in comparison with the more traditional media pattern of concentrated weight with wide intervals between the "flights" of advertising.
11. STAS and medium-term effects can be measured with precision. STAS is (as explained) calculated from Pure Single-Source research; the medium-term effect is computed with the use of high-order mathematics: the technique of multivariate regression.
12. Multivariate regression can estimate the sales return from advertising, excluding the effect of other sales stimuli. And from the value of television-generated sales, it is possible to deduct the direct and indirect production costs needed to manufacture the extra goods. What remains is a residual, or Payback: a financial return on the money invested in the advertising. The figure for television advertising is commonly about 60 cents Payback from each dollar invested.
13. Beyond the short-term and medium-term effects of advertising, advertising can exercise a measurable effect on the building of brands. This is a long-term effect which is incremental

and can be measured over periods of beyond a year. The presentation features five enormously successful American brands that have been built (and in some cases even created) by successful television advertising. These are Budweiser beer (from Anheuser-Busch); Dial soap (from the Dial Corporation); Listerine mouthwash (from Pfizer); Tide detergent (from Procter & Gamble); and Tylenol analgesic (from Johnson & Johnson).

14. Brands that have been successful as a result of the long-term effects of their advertising, have six properties that can all be measured accurately:

- **Penetration** (the proportion of households that buy a brand in a defined period). Advertising can increase the size of a brand's user base: a relatively permanent effect.
- **Purchase Frequency** (how often a household purchasing a brand buys it during a defined period). Advertising can boost purchase frequency: this is again a relatively permanent effect.
- **Price Elasticity** (the responsiveness of a brand's sales to an increase - or decrease - in its consumer price). This is a measure of how easily consumers will substitute brands. If the elasticity for a particular brand is low, the manufacturer can lift the price without too much loss of business. Advertising, by making a brand unique in consumers' minds, blocks substitution and reduces price elasticity. This enables a manufacturer to increase his price and profit.
- **Consumer Price** (a brand's price relative to the competition, taking account of sales promotions in the product category). A strong brand can generally command a premium price: mainly as a result of the reduction in its price elasticity. This is a direct reflection of the esteem with which consumers view such brands.
- **Advertising Elasticity** (the measured response of sales to a given increase in advertising expenditure, after excluding the effect of all other sales stimuli). As a result of successful advertising, a brand's advertising elasticity can increase; and in certain cases higher advertising expenditure can pay for itself from the incremental profit produced by the extra sales.
- **Advertising Intensiveness** (the advertising expenditure necessary to maintain sales, measured as a percentage of a brand's net sales value). As a brand increases in size and strength, its advertising intensiveness falls. This means that large strong brands can be supported by advertising investments that are gradually reduced relative to their size. A large brand spends a *lesser* share of its sales value than a small brand does. This generates increased profit.

15. The overall result of these six effects is that, year by year, a given level of advertising investment generates gradually growing levels of sales and profit.

16. The steps by which advertising operates can be summarized as follows:

“G”, Gatekeeper: everything depends on a positive STAS differential to initiate advertising’s influence on sales.

“C”, Continuity: the ability of the STAS effect to be prolonged depends on the continuity of the advertising schedule, or the number of weeks on air.

“M”, Medium-Term Effect: the measurable result of the repetition of the STAS effects over the course of a year.

“B”, Brand Building: the ability of advertising in its long-term role to produce a positive and continuous influence on a brand’s sales and profit.

An appropriate acronym in Germany for these four sequential effects is:

“Good Cooks Make Bratwurst.”