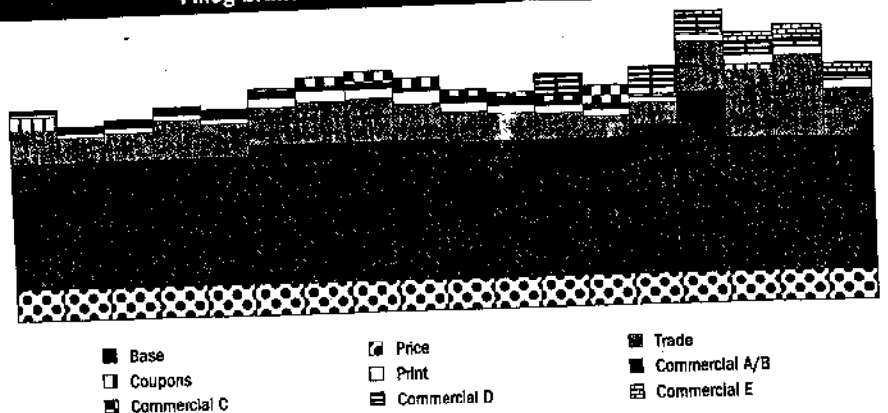


Pre-testing and sales validation

David Brandt and Brigitte Biteau, Ipsos-ASI, show how market mix modelling can be used to validate pre-tests and has led to new thinking on pre-testing issues

EXHIBIT 1

Fmcg brand: factors contributing to sales volume



Above: A full model of sales drivers, over time, is complex.

WITH THE possible exception of media ratings, advertising pre-testing is the most hotly contested area of market research. A quick search of the World Advertising Research Center Web site (www.warc.co.uk) shows literally pages of articles on the topic. Debates range over persuasion, predictive vs diagnostic, and US vs UK approaches. Discussions of how advertising works, how commercial works, and if it works, are in the noise level.

It seems worthwhile to step back from the noise and ask the most basic of all questions: why pre-test at all? From the viewpoint of users of the data, the answer seems clear. Marketers have one leading question: is my advertising working?

But as with many great questions, this central question begets yet another. What can advertising do? Before we know if advertising is working, we need to know what it should be accomplishing. Only then can we tell if it is working.

We feel a particular obligation to address these questions since Ipsos-ASI is one of the largest providers of advertising pre-testing in the world. In fact, we have a lot of our time, resources and corporate focus on this issue. Fortunately, a recent spate of learning has allowed us to understand better the role of advertising for brands. Analysis of single-source databases and results from marketing mix analyses has shown that:

the key function of advertising is to build and sustain brand equity. This will occur only with advertising that is also successful in driving short-term effects (although not all successful short-term copy contributes to brand equity).

And the key short-term impact, for

fmcg products, is to drive sales. Clearly, this would not be true for many categories outside fmcg. But, none the less, the advertising in some ways needs to increase the likelihood that the consumer will eventually purchase the advertised product or service.

The discussion of brand equity and its link to advertising and short-term effects could take an entire article. A more thorough account can be found in work done in 1994 for the Coalition for Brand Equity in the US and described at an ARF conference by Lukeman (1). In brief, this demonstrated the link between short- and long-term effects. Brands with a strong short-term impact on sales, as defined by their Short Term Advertising Response (a concept similar to Jones' STAS (2)) had, over a three-year time span:

- greater loyalty
- greater repeat rates
- higher shares
- higher BEI, a measure of behavioural brand equity

than brands with lesser short-term impact. More importantly, there was little evidence of advertising that failed to show short-term effects (on sales) magically contributing to brand equity over time.

So short-term success, specifically the ability to drive sales, is crucial to advertising success. Moreover, our work and the work of others has led to the conclusion that the quality of the copy is a much larger contributor to short-term success than is media weight. So we end up with a fascinating series of events: successful copy can contribute to short-term volume growth, which in turn builds long-term value and equity. But it all comes down to the quality of the commercial. Without that basic starting point, there is nothing. No wonder marketing people are seeking reassurance on quality through pre-testing.

Two difficult issues remain.

- How do we most accurately isolate and quantify the impact of advertising on sales?