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Study: TV Spots Reduce Consumers' Sensitivity to Price Change

Latest Apollo Findings Come as Project Looks to Move Out of Pilot Stage

BATAVIA, Ohio (AdAge.com) -- TV ads really do reduce sensitivity to price differences, particularly when consumers are frequent buyers in a category, according to new research from the Apollo pilot project, which is tracking consumers' media and shopping habits.

The study by Apollo, which combines media-exposure data collected from consumers using Arbitron's Portable People Meters with purchase data culled from Nielsen Co.'s ACNielsen Homescan consumer panel, found exposure to TV ads decreases consumers' tendency to react to price changes.

The study, involving an unnamed "Brand X," broke consumers down into heavy, medium and light category purchasers, finding that heavy purchasers were most likely to have their price sensitivity reduced by exposure to TV ads.

Cumulative effect

Exposure to the ads also had a cumulative effect, the study found. Even one or two exposures to TV ads for the brand produced some reduction in price sensitivity. Consumers exposed to the brand's ad four or more times showed even less sensitivity, "with behavior changes tapering off at between seven and eight exposures," according to a statement by the joint backers of Apollo, Arbitron and Nielsen.

Though it's unclear what brand was involved, it's likely to be a high-household-penetration brand from one of the Apollo pilot's charter clients, which include seven advertisers with a combined \$6.8 billion in measured U.S. ad spending. They include Procter & Gamble Co., Unilever, Kraft Foods, Pfizer and SC Johnson. It would need to be a fairly widely purchased brand to produce statistically meaningful results in the pilot group of 11,000 of PPM-equipped consumers.

The Modeling Group, a unit of ACNielsen that does marketing-mix modeling for clients that include P&G, conducted the pricing analyses. Research based on such modeling long has suggested that advertising reduces price sensitivity, but the Apollo backers noted that such a detailed analysis of purchases and consumer segments isn't possible using conventional marketing-mix modeling.

Apollo will release more complete results of the study at the Association of National Advertisers conference later this week in Scottsdale, Ariz., a spokesman said.

Aiming for national rollout

The latest data come as Apollo makes a final try at building enough client support for a full national rollout of the service, whose plans initially called for a nationwide single-source panel of 30,000 households. Arbitron and Nielsen said they, along with the seven client members of the Apollo steering committee, had agreed to extend the pilot period into the first quarter of 2008 after Arbitron Chairman-CEO Stephen Morris said on a July investor conference call that the pilot could conclude as soon as this month.

"There's a lot of excitement about the potential of the data to drive market and decision-making, but there is also the reality of price-value and other alternatives," Mr. Morris said.

In its statement yesterday, Apollo said the additional quarter of research will aim at building "the strongest possible business case for the commercialization of the proposed single-source marketing-information service." The additional time also will allow further testing and analysis of the commercial-detection capabilities of the PPM, which earlier this week Arbitron said would include coding ads on several radio networks for detection, and additional development of software and systems to make data more easily accessible.

Non-TV advertising

Apollo backers also said they would conduct additional tests on the impact of non-TV advertising, including print and internet ads. Apollo uses web surveys of the Homescan panel to track exposure to such things as magazine ads and newspaper circulars.

Through the first two quarters of this year, Arbitron racked up losses of \$1.8 million on its half of the project, Chief Financial Officer Sean Creamer said on the July conference call.

Since its inception in 2005, Apollo has intrigued marketers, but its potential price tag has made them wary. Initially, Apollo sought 0.5% of clients' marketing budgets, amounting to seven figures annually even for midsize advertisers. After some clients balked, Arbitron and Nielsen agreed to launch the pilot instead last year.

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