TV is still king: Analysis from Thinkbox's Payback 3 study

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Forget what you've heard about digital's inexorable takeover of the media landscape, the "daddy" of all traditional ad media is making a comeback, and offers higher ROIs now than it did five years ago.

That was, at least, the main takeaway from Payback 3, new Thinkbox research on TV advertising unveiled in London in October 2011. Presenters at the Thinkbox event discussed two sets of results produced by third parties for the Payback 3 study: econometrics-based research conducted by Ebiquity and a neuroscience-based project from Neuro Insight.

The econometric view

Among the general public, TV is more popular than ever before. In the UK, people were watching an average of 3.97 hrs of broadcast TV a day in Q3 2011, with audiences seemingly stabilising from the year before. Moreover, 9.5m TV sets were bought in the UK in 2010, double the number of 2002.

There is good news for advertisers too: total TV ad impacts are up 4.2% versus the same period in 2010, and a total of 2.6bn ads, 46 per person, are viewed each day. Over the long term, there are fears that catch-up TV, which allows viewers to fast-forward through the ads, will reduce impacts significantly. But the data show that just 9.1% of TV viewing is currently time-shifted.

Addressing delegates, Neil Mortensen, Thinkbox's research and planning director, said that Payback 3 provided similarly good news for those with a stake in TV advertising. He added that the econometric approach taken by the study was crucial for informing its overall findings.

"Marketers instinctively know that ads work," he said. "But that's not enough – we need to prove it to them. And techniques like econometrics can help us understand long-term effects."

Previous studies have pointed to TV's unique qualities, notablythe first two Payback studies from Thinkbox. Marketing in the Era of Accountability, Binet and Field's landmark study using IPA Effectiveness Awards case studies to highlight campaign best practice, also established that brands that use TV as a major part of the media mix outperform brands that do not.

For Payback 3, Thinkbox commissioned marketing analytics firm Ebiquity to undertake an econometrics-based project looking at TV ad effectiveness. The research is grounded in several key insights, either uncovered by Payback 3 or already

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established by previous reports. For its part, Ebiquity reviewed two previous Payback studies and expanded on them using their econometrics database, analysing brand equity, sales return and ROI across 3,000 ad campaigns that ran between 2006 and 2011.

"We wanted to tease some actionable learnings from the data," Mortensen added. "We also wanted to explore the relationship between engagement and financial success."

Key findings

- **TV pays back more than any other medium:** on average, ROI for these campaigns is 4.55:1 in revenue terms, and 1.7:1 in profit terms: this represents a 22% increase from the profit-based ROI recorded in 2006. For other media channels, the typical profit-based ROI for radio was 1.48:1, while press was on 1.40:1, static online display on 1.06:1 and outdoor on 0.45:1.
- **TV delivers long term results:** research shows that the sales effect of a TV ad is almost as strong in year two as it is in year one, whereas the effects of other media on sales "fades quite quickly".
- On the other side of the ledger, **cutting spend on TV can result in a long term revenue loss**. According to previous Thinkbox work with Data Decisions, there can be a "massive effect even if you cut for just one year," Mortensen said. In all, brands might take up to six years to recover their position following the cut.

As well as expanding on these topline findings, in his presentation Andrew Challier, a marketing advisor at Ebiquity, provided an in-depth explanation of the econometrics-based research contained in Payback 3.

The profit-based ROI finding – that TV campaigns paid back 1.70:1 in 2011, up 22% from 2006 – was cited by Mortensen as the standout datapoint from the study. Challier added that the ROI increase occurred despite the severe economic volatility suffered by the UK, the fragmentation of media channels caused by the digital revolution and the rise of new media.

TV also delivers in other ways, the Ebiquity data indicate. For example, the channel offers a sales uplift 2.5x per GRP higher than other media: press ads, which came second on this measure, delivered just 37% of the sales uplift generally supplied by television, an amount that reached 19% for radio, 15% for static internet display and 9% for outdoor. Similar to the ROI results, the sales uplift offered by TV has barely changed in the wake of the recession.

The primary advantage of the media channel – and a big factor in the high ROIs it offers – is its reach. The vast majority of households own a TV set and use it daily. And, for the media mix, size matters. "TV isn't just efficient, it has the scale to be effective," Challier added. "It's the beating heart of the campaign. If it was a drug, they'd have to license it."

Taken in the main, Payback 3 can be seen as a defence of the traditional mass communications model. The research suggests that the possibilities for more precise targeting of distinct audiences allowed for by online and mobile might not necessarily be more effective over the long term.

"People cannot respond to ads they haven't seen," Challier said. "Excessive segmentation is one of the toxic orthodoxies of marketing. TV is still the daddy."

Defining ROI

Payback 3 provides an effective argument for advertisers to prioritise TV as it delivers a higher ROI than other media

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channels. But Challier pointed out that marketers frequently misunderstand what ROI actually is.

As he pointed out, the metric is a ratio; "just a point on a curve"; overall spend, divided by overall return. A higher ROI is not necessarily good for business: after all, the ratio rises as spend decreases, but reducing expenditure can damage a brand. "Pure ROI is not an effectiveness measure," Challier said. "It only tells the efficiency part of the story."

Looked at another way, ROI is about determining an optimum spend level for an advertising campaign, not about determining how successful the campaign has been.

With this in mind, Challier suggested that the type of ROI that should be studied most closely by marketers was that of adspend divided by net profits, rather than adspend divided by revenues. In other words, according to Payback 3 TV's ROI should be seen as 1.7:1, not 4.55:1.

The media mix

As has been shown, TV's ROI and sales impact puts it well ahead of other media channels. But TV ads tend to be more expensive to produce than ads for other mass-broadcast channels such as radio and press.

Payback 3 data point to the fact that the cost of producing a TV ad is lower than at any point since records began in 1987. To illustrate this, Challier pointed out that a hypothetical £1m investment in 2006 would return £1.49m on average, a profit of 49%. But the same investment in 2011 would return £1.81m: in five years, returns increase 22% and profits increase 65%.

This suggests that TV should become a bigger part of the media mix. Payback 3 data suggest that TV currently represents 55% of overall spend (ie, the main mass-boradcast channels) but accounts for 71% of the sales driven by advertising.

"There is no evidence for an over-reliance on TV," Challier added. "If anything, there is scope for a slight increase in TV spend."

Categories

But this is not to suggest that there is a "one size fits all" solution to budgeting for a TV campaign. In fact, the Ebiquity data indicate that the ideal level of spend varies by category. TV ads work better for brands in some categories than in others; ROIs "differ hugely by sector," Challier said.

In his presentation, Challier compared three categories – retail, financial services and FMCG –to illustrate this point. Generally, ROI rewards scale and higher margins. That is why retailers – for whom TV ROI is 2.37:1 – and financial services providers (2.58:1), categories that can spend more on advertising, do better than low-margin FMCG firms (0.61:1). "Lower ROIs in FMCG should not be a surprise," Challier added, pointing out that many previous studies have shown that such campaigns often do not pay back.

It follows that the proportion of the budget spent on TV should vary from category to category. And Challier provided charts that demonstrated which of the three categories were allocating their budgets correctly, and which were not.

The data indicate that TV is 72% of total FMCG adspend. But the ROIs offered by different media channels suggest that it should be "more dominant than it already is". For financial services, actual spend was 48%, but the data suggest that the optimum level was 60%. Only in the retail category was the optimum and actual spending level almost the same.

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The path to purchase

Another part of the Ebiquity research touches on TV's role as an unacknowledged influence in people's final purchase decisions. Challier said that TV offers "brand coherence through the line," amplifying the message delivered in other media channels.

This multiplier is strongest for radio because the two channels are so synergistic. But TV's influence also spreads to online media: Challier suggested that the channel's role in driving branded search has been undervalued in the past.

There remains a problem in online media measurement with misattribution. Often, the "last click wins," meaning that the role of online ads in influencing e-commerce purchases is overstated. TV, with its wide reach and strong performance on other effectiveness measures, could have a greater role than is commonly acknowledged. "TV can have strong clickthrough and cost per click implications," Challier added.

But it is difficult to get to a statistically valid and robust conclusion to this effect from the econometric data.

Ads and promotions

Finally, the Ebiquity analysis indicated that TV's influence was such that it should influence marketing strategy beyond paid-for ads in other media channels. Challier suggested that aligning TV with promotional activity can increase the effectiveness of the promotion up to 20 times over. In other words, aligning promo and advertising "is not just advisable, it is best practice".

Businesses who take this insight on board might have to reconsider how different departments communicate with each other as they attempt to drive sales. "You have to get the marketing team to sit down with the sales teams," Challier said. "They can't be seen as the enemy.

"Working ads and promotions together is to everyone's advantage."

The neuroscience view

As well as the econometric analysis from Ebiquity, Payback 3 also incorporated neuroscience-based research that explored the relationship between TV ad creative and business success. This portion of the report was based on a project carried out with specialist researchers Neuro Insight.

Neuroscience-based research allows practitioners to monitor brain activity in real time, offering the possibility of revealing unconscious, subliminal reactions to external stimuli such as TV ads. The researcher therefore avoids the classic drawback of traditional, questionnaire-based research: that consumers post-rationalise their reactions when filling in the questionnaire, and therefore offer an inaccurate picture of how they really feel about the ads.

"The way we think we decide and the way we actually decide are different," Mortensen said. Indeed, the consensus from previous academic reports is that roughly 90% of daily decisions are made by our unconscious minds.

In her presentation introducing results of the research, Heather Andrew, Neuro Insight's director of client development, reinforced an insight that had been found in Marketing in the Era of Accountability: that the "creativity" of an ad is one of the main drivers of purchasing intent.

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Neuro Insight's study for Payback 3 was conducted in July 2011, involving 120 respondents watching 18 commercials embedded in programmes and having their brain activity measured in real time via fitted headsets. In all, around 1.8bn datapoints were collated in compiling the results of the study.

In measuring the viewers' response to the ads, the researchers tracked several metrics in real time. First was the amount of conscious attention being paid to the ad, as well as the overall level of engagement. Neuro Insight also measured the "emotional" response, "approach/withdrawal" (equivalent to liking or disliking something) and "intensity" (the strength of the response to the ad, and a measure of excitation).

Finally, there was the most important metric: long-term memory encoding (the ad's ability to imprint images and sounds on the mind of the viewer). "This is the measure that correlates most with final purchases," Andrew said. Neuro Insight found that creative ads typically perform strongly for memory encoding, and that "stronger emotional response" also equals "stronger memory encoding".

There are several creative methods that an ad can employ to influence its memory encoding potential; five such methods were mentioned by Andrew in her presentation. She used two of the ads included in the research project as particularly good examples of these methods.

The first was from John Lewis, a retailer.

The second was from Skoda, an automaker.

Storytelling

Effective storytelling in a piece of creative, with a well-structured narrative engaging the viewer's attention at every stage, aids memory encoding.

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But the advertiser's work is only half done if they merely produce a memorable 30-second TV spot. There is a big risk that the customer will only remember the storyline of the ad – not the brand being advertised. And the risk of this occurring is increased if the brand name only appears at the end of the spot, rather than all the way through.

"The way to make sure your brand gets in is to make it intrinsic to the narrative, or the resolution of that narrative," Andrew said. The John Lewis ad, where "the final branding is really highly encoded," scored very strongly for its narrative.

For the Skoda ad, memory encoding rises in tandem with each development of the narrative. A peak in encoding occurs when the man puts in the first building block of the cake; there was another peak at the end, when the "full of lovely stuff" tag line made sense of the cake metaphor.

Emotional response

The Neuro Insight study also indicated that achieving an emotional response is a good way of "turbocharging" the memory encoding of an ad.

Here, the Skoda ad excelled: it was soundtracked by a song that is widely known and will have reminded much of the audience of a much-loved movie from their childhood.

Little details

Advertisers must pay particular attention to parts of the creative that might not seem significant in themselves – colour choice, sound effects and so on – as these could potentially make or break the ad.

"Little details mean a lot," added Andrew, pointing out that another of the test ads damaged its potential for memory encoding by featuring a very brief scene of a model staring directly into the camera. Brain activity from the research participants showed a drop in attention at this point of the ad: due to the confrontational stare, the brain switched itself off.

Skoda's ad was packed with ingenious uses of cake ingredients that resembled car parts, with the licorice used for the fanbelt proving a particular hit.

Iconic triggers

These features are closely associated with the brand and automatically call the brand to mind. Familiarity with the iconic triggers has often been built up over many years. Examples include jingles – such as the three-note "Intel chime" – and brand logos.

Iconic jingles have the effect of "enhancing the memory encoding of the brand and not just the sound itself," Andrew added. Meanwhile, Skoda triggered a peak of memory encoding when a sweet version of its logo was placed on the cake car.

Conceptual closure

Unlike the first four features, conceptual closure is something that should be avoided by brands.

Andrew explained that the brain shuts down while it works something out. Once a concept becomes clear, the brain achieves closure and looks to move on to something else. This strongly suggests that structuring an ad around a "big reveal" prior to revealing the brand is bad for memory encoding. And neither the John Lewis nor the Skoda ad used this technique, to the

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benefit of their memory encoding capabilities.

In summary

- **TV is still king, offering far higher ROIs than other paid-for media channels.**
- **More broadly, the mass-communications model still works well, and marketers should be wary of over-segmenting their audience.**
- **Neuroscience reveals the strong link between an ad being creative and an ad being memorable: memorable ads also share many features (a strong narrative, emotive subject matter and so on) in common.**

About the Author

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