Chapter 1

WHAT IS EFFECTIVE ADVERTISING?

What must be influenced if ads are to be effective? Ultimately, this is behavior. The behavior that most people focus on is buying but this has two aspects: buying more and buying at higher prices. In addition, advertising can affect the operations of a company so that internal efficiencies are made and costs are reduced.

Ads succeed by affecting behavior. In social contexts, ads may reduce accidents, increase voting rates, encourage passengers to wear seatbelts, promote healthy eating, and help people to stop smoking. In the commercial setting, advertising works on activities such as purchasing, renting and subscribing. Sometimes the behavior is a preliminary to purchase such as going to a car showroom or making a telephone inquiry. Advertising campaigns vary in effectiveness, i.e. how much change they achieve, and also in efficiency, i.e. how much effect they achieve for a given cost. A useful discussion of effectiveness and efficiency in advertising is provided by Ambler and Broadbent (2000).

In the commercial arena, three particular outcomes may be derived from advertising. These are that:

- Buyers pay more per unit and thus increase the profit on a sale.
- Buyers buy more than they would have done without the advertising. This occurs either because more people buy or because existing buyers buy more. It can also occur when advertising holds back a sales decline that would otherwise have happened.
- Costs are reduced.

Examples of these three outcomes are examined in more detail in later sections. The effect of ads on margins, sales and costs is often achieved by assisting other aspects of the marketing mix, for example, when ads amplify the effect of discounts. Ad effects can occur in a roundabout manner. In particular, advertising may:

- Induce word-of-mouth and media comment that eventually results in purchase.
- Increase retailer stocking, raising the opportunity to purchase. For example, the Felix cat food campaign (Broadbent 2000) boosted distribution so that a third of the extra sales effect came from this source. Similarly, advertising
for Terry’s Chocolate Orange seemed to halt a decline in distribution (Broadbent 2000). In many cases, an enlarged distribution will produce a sales gain without the help of advertising.

- Set barriers to market entry by competitors, thereby reducing competition and retaining sales.
- Raise demand for scarce items such as property and shares. In the case of the One2One (now T-mobile) telephone company, ads lifted share values so that capital could be raised at lower cost, as (Kendall 1998).

This account of advertising effectiveness focuses directly on behavior because this is where revenue is derived and profits can be made. In the past, the assessment of advertising was related more to whether it was understood and recalled, and whether brand awareness and the intention to buy were increased. These conditions were claimed to mediate between the reception of the ad and any eventual purchase. To a degree, this mediation does occur but too much faith has been put in effects such as ad recall. States of mind may help to bring about behavioral changes but they make no profit on their own.

But sometimes consumer attitudes and beliefs do not correspond with the reality of the product offering, and campaigns may be needed to alter public opinion. In the early 1990s, the UK supermarket group, Tesco, was perceived as offering low prices and commensurately low quality, despite objective evidence that the quality was high. Public opinion reflected Tesco’s past rather than its present performance. This poor perception of Tesco’s quality probably held back growth and was, for this reason, the target of a sustained campaign designed to improve Tesco’s standing in the eyes of customers (Broadbent 2000).

Also in the United Kingdom, the expansion of Skoda car sales was blocked by poor brand perception. The ad campaign directly confronted the low opinion of the Skoda brand among British car buyers and now Skoda cars have become much more popular (Rimini 2003). In Australia, Vodaphone is quite a small brand and initial advertising addressed the low awareness of Vodafone compared to Telstra and Optus (Effective Advertising 5, 2000). This may have helped the later growth of Vodaphone; when numbers in the category doubled, Vodaphone quadrupled its customers (Effective Advertising 6, 2001).

So, attitudes may be legitimate targets for advertising but what makes them legitimate is their link to profit-related behavior. The Tesco case would never have been discussed as a success if the new customers and extra sales had not materialized.