

How effective are adverts?

Jack Aiston, Keith Newman and Lee Fawcett, Newcastle University

Advertising can have a crucial role to play in the success of a company. It's all about raising interest in, and awareness of, your product – to the right consumers, of course. But the way in which companies target the correct customer base has been changing over recent years. We look at the problems faced by advertisers, and why online adverts have become so popular to marketing companies. We also examine the role of 'freebies' in the success of a product.

Advertising is a huge part of every type of media. Everywhere we go we are constantly being prompted to buy something or to try something. It is impossible to miss... but perhaps easy to *ignore*? With this in mind, we contemplate whether or not advertising is actually that effective.



Times Square is a famous location in New York City, where advertising screens are mounted on most of the buildings.

For many people the most obvious form of advertising is that which appears during the commercial breaks of TV shows. How do the advertisers know how successful these adverts are? It is difficult enough to figure out how many people actually respond to an advert; more difficult is the problem of working out how many people are even seeing it in the first place – lots of people walk away during the commercial breaks to make a cup of tea or do other little tasks. To make matters even worse (for

the advertisers, anyway!), with products like *Sky+* and *TiVo* the adverts can simply be skipped using the fast-forward button. If we consider the even older media of print – for example, newspapers and magazines – similar questions can be raised about the effectiveness of advertising.

Many of those working in the world of advertising regard the internet as a much more reliable platform. As opposed to the passive nature of TV and print media, where you have to take in the information provided and then go away and do something about it later, internet advertising allows us to react immediately by clicking on “links”. More importantly, the act of “clicking” is something that can easily be tracked. The faith given to online media has resulted in a significant shift in the direction of advertising expenditure over the years, as shown in the table below.

	'04	'05	'06	'07	'08	'09	'10	'11
Newspapers	47	48	48	42	34	25	24	9
Magazines	23	24	25	28	26	21	21	10
Google	3	8	11	18	21	22	29	36

Annual advertising expenditure in the USA; figures in billion US dollars.

Regardless of how effective the advertising across different types of media is, investing too much in a certain kind of media could be overkill if it doesn't reach enough people. For example, even if print media is a useful way of advertising, how much time does the average person spend reading magazines and newspapers anyway? As part of a project, a group of Stage 3 Marketing students at Newcastle University surveyed the first 150 students to leave the Curtis Auditorium after 10am on Friday November 1st 2013. The results showed that, when

not doing other things, the respondents spent 7% of their free time reading newspapers/magazines; 10% on their mobile phones; 15% of their free time listening to radio; 43% watching TV; and 25% of their time on computers/the internet. A recent investigation revealed that, in the U.K., only 1% of total advertising expenditure goes on mobile advertising; 11% on radio advertising; 25% on printed forms of advertising; 22% on internet advertising and the remainder on TV advertising.

So far we've looked at advertising from the advertiser's point of view. But are the people being targeted by advertisers actually responding? It's hard to completely trust anything an advert is telling you – obviously companies want to sell their product, or convince you to do something. Therefore, it would seem likely that methods such as word-of-mouth are the most effective way for promoting, since you are probably more likely to value the opinion of someone you know on a personal level. In the recent *Nielsen Global Trust in Advertising* survey (Nielsen Reports, April 2013), respondents were asked to rate on a scale of 1 → 5 their level of trust in a product recommendation (where 1 = 'Don't trust at all' and 5 = 'Trust completely'); some results are shown in the table below.

<i>Recommendation from a friend</i>					
	1	2	3	4	5
Male	25	64	92	20	2
Female	3	10	15	80	65
<i>Online banner adverts</i>					
	1	2	3	4	5
Male	5	12	82	85	19
Female	90	22	42	14	5

Part of the *Nielsen* survey mentioned earlier also investigated how people would actually *like* to receive advertising. Given various options to choose from, most respondents (329 in total) indicated they would be more likely to buy a product if they were first given a free sample of the product. Indeed, global companies like *Coca-Cola* owe their early success to free sample coupons, like that shown below.



Tesco in the U.K. are interested in the number of its customers who use free sample vouchers. From 20 randomly selected *Tesco Extra* stores in Tyne and Wear, the following number of customers used free sample vouchers on November 4th 2013:

5	4	6	3	47
8	2	0	1	4
9	6	5	8	9
4	0	0	3	7

To assess the effectiveness of the free sample vouchers, the managers of the *Tesco Extra* stores are obviously interested in the proportion of these customers they can expect to return to buy the product at some point in the future.

Suggested topics to investigate

- How has advertising expenditure changed since 2004? Can you think of a good way of displaying this information graphically?
- Based on the project survey of Marketing students at Newcastle, what can you say about the focus of advertising expenditure in the U.K.? Do graphical measures reveal anything surprising here?
- According to the *Nielsen Report*, what can you say about people's trust in advertising? Can you think of appropriate numerical summaries to help explain the report's findings?
- The area manager of *Tesco Extra* in Tyne and Wear is interested in the success of free sample advertising. Can you work out an appropriate measure of average to summarise the findings from the 20 randomly selected stores?
- How likely is it that more than half of the customers using free sample vouchers at the first branch surveyed would return to buy the product in the future?